



AGENDA

**AUDIT AND RISK MANAGEMENT COMMITTEE
MEETING**

WEDNESDAY 7 AUGUST 2024

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

- Wednesday 7 August 2024
- in Tiwi Islands Regional Council Darwin Office
- Commencing at 10:00 am

Your attendance at the meeting will be appreciated.

Gina McPharlin
Chief Executive Officer

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1 WELCOME & APOLOGIES

1.1 Welcome and Opening of Meeting

1.2 Present

1.3 Apologies

1.4 Leave of Absence

1.5 Declaration of Interest of Members or Staff

Section 73 of the Northern Territory *Local Government Act* states:

Section 73 Conflict of interest

- (1) A member has a **conflict of interest** in a question arising for decision by the council, local board or council committee if the member or an associate of the member has a personal or financial interest in how the question is decided.
- (2) This section does not apply if the interest is:
 - (a) an interest in a question about the level of allowances or expenses to be set for members; or
 - (b) an interest that the member or associate shares in common with the general public or a substantial section of the public; or
 - (c) an interest as an elector or ratepayer that the member or associate shares in common with other electors or ratepayers; or
 - (d) an interest that the member or an associate has in a non-profit body or association; or
 - (e) an interest of the member or an associate:
 - (i) in appointment or nomination for appointment to a body with predominantly charitable objects; or
 - (ii) in payment or reimbursement of membership fees, or expenses related to membership, in such a body; or
 - (f) an interest so remote or insignificant that it could not reasonably be regarded as likely to influence a decision.

Section 74 Disclosure of interest

- (1) As soon as practicable after a member becomes aware of a conflict of interest in a question that has arisen or is about to arise before the council, local board or council committee, the member must disclose the personal or financial interest that gives rise to the conflict (the **relevant interest**):
 - (a) at a meeting of the council, local board or council committee; and
 - (b) to the CEO.
- (2) The CEO must record the disclosure in a register of interests kept for the purpose.

Section 12 of the Northern Territory Local Government (Administration) Regulations states:

Section 12 Contents of register of interests

The register of interests to be kept under section 74(2) of the Act must contain:

- (a) the name of the member making the disclosure; and
- (b) the nature of the interest that gives rise to the conflict of interest; and
- (c) the nature of the question on which the conflict of interest arises.

Does any Councillor or Senior Officer have any conflicts of interest to declare at this point of proceedings?

2.1 Audit and Risk Management Committee held on 13 November 2024



MINUTES OF THE AUDIT AND RISK MANAGEMENT COMMITTEE MEETING HELD IN ON MONDAY, 13 NOVEMBER 2023 AT 12:00 PM

1 WELCOME & APOLOGIES

1.1 Welcome

The meeting opened at 12:08 pm.

1.2 Present

Audit & Risk Committee Meeting	
Aswin Kumar	Independent Chairperson
David Blair	Independent Member
Deputy Mayor Leslie Tungutulum	Bathurst Ward
Councillor Lynette De Santis	Milikapiti Ward
Councillor Therese Bourke	Pirlangimpi Ward
STAFF	
Gina McPharlin	Chief Executive Officer
Bala Donepudi	Chief Financial Officer
Kesara Scrymgour	Governance Officer
GUESTS	
Nil	

Minuter: Kesara Scrymgour

1.3 Apologies

Nil

1.4 Leave of Absence

Nil

1.5 Declaration of Interest of Members or Staff

Nil

2 CONFIRMATION OF PREVIOUS MINUTES

Audit and Risk Management Committee - 25 August 2023

30 RESOLUTION

Moved: Therese (Wokay) Bourke

Seconded: Leslie Tungatulum

That the minutes of the Audit and Risk Management Committee on 25 August 2023 as circulated, be confirmed as a true and correct record of that meeting.

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.

RECOMMENDATION

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

5.1 Confidential Item Decisions – Financial

Annual Audited Financial Reports – 2022-2023

30 RESOLUTION

Moved: Therese (Wokay) Bourke

Seconded: Leslie Tungatulum

That the Audit and Risk Management Committee receive and note the 2022-2023 Annual report and recommend the draft to Council.

CARRIED

6 NEXT MEETING

7 August 2024

7 CLOSURE

The meeting closed at 1:05 pm.

3 REPORTS FOR INFORMATION

ITEM NUMBER: 3.1
TITLE: 2023-2024 Interim Audit Update
AUTHOR: Jayesh Vasandani, Acting Chief Financial Officer

PURPOSE

This report provides an update to the Audit and Risk Management Committee (the Committee) on the Tiwi Islands Regional Council (TIRC) Interim Audit for the financial year 2023-24.

BACKGROUND

Under TIRC's Audit and Risk Management Committee Terms of Reference, the Committee is assigned the responsibility of reviewing the proposed internal audit coverage to ensure the coverage is aligned with key risks to the Committee. The Committee is also required to act as a forum for communication between the Council, senior management and the external audit.

PKF Merit Partners are the Council's External Auditors and have conducted TIRC's interim audit for the 2023-24 financial year.

During this audit, PKF Merit partners were stationed at the Council's Darwin office from 2 July 2024 to 5 July 2024 and were provided with all the necessary and requested information.

The Council's final audit is scheduled to take place in September 2024.

Audit Partner Ms MunLi Chee will present to the Committee on Via Teams to provide an update on the progress of the audit.

RECOMMENDATION

That the Committee note the progress of the 2023-2024 Interim Audit.

ATTACHMENTS

Nil

3 REPORTS FOR INFORMATION

ITEM NUMBER: 3.2
TITLE: Update on Matters Relating to Audit Recommendations
AUTHOR: Jayesh Vasandani, Acting Chief Financial Officer

PURPOSE

This report provides an update on recommendations included in the financial year 2022-23 Audit Closing Report of Tiwi Islands Regional Council (TIRC).

BACKGROUND

The Local Government Act (Section 87 Nature of Committee's functions) defines an audit committee's function as monitoring and reviewing the integrity of the Council's financial management and internal controls and making recommendations to the Council about any matters the Committee considers that require the Council's consideration as a result of the Committee's functions.

The Audit and Risk Management Committee Terms of Reference require the Committee to provide advice to the Council and Chief Executive on significant issues identified in audit reports and action to be taken on issues raised, including monitoring management's implementation of audit recommendations and identification and dissemination of good practice.

ISSUES/OPTIONS/CONSEQUENCES

An Audit Tracking Register is used to monitor the progress of resolution of the matters raised in prior years' audit reports.

Management provides an update on the issues raised in the 2022-2023 audit report for the Committee's review and comment.

RECOMMENDATION

That the Committee notes and reviews the matters identified in the Audit Tracking and Action Items Register.

ATTACHMENTS

1. Attachment 1. TIR C_ Audit Recommendation Tracking register - FY 2022-23 [3.2.1 - 2 pages]

Tiwi Islands Regional Council**Report on Status of Audit Recommendations FY 2022-23**

Updated on 31.07.2024

Sr. No.	Areas	Observations	Status	Responses
1	Conflict of Interest	We note the Register of Conflicting Interest maintained by Council has not been updated since May 22.	Open	Conflict of Interest register is currently being updated in compliance with Local Government Act 2019
2	Non-compliance with the Local Government Act 2019	In July 2022, a local government inspector found irregularities and improper conduct in the Council's affairs. Council was also informed that the Department of the Chief Minister and Cabinet's Local Government Compliance Team would closely monitor the Council's Local Government Act 2019 compliance for at least six months. We reviewed all Council meeting minutes from 1 July 2023 to date. It was noted that three of the ordinary council meetings held on 26 May 2023, 23 August 2023 and 27 September 2023 were not signed. Except for the non-compliance issues noted above, the Council appears to have published council meeting notices, agendas, and business papers on its website.	Open	At present we are in the process of recruiting for Governance - Coordinator position for us to assist with our compliance fully up to the mark in accordance with Local Government Act 2019.
3	General Journals	During our testing of the general journals, we noted that there was no segregation of duties in creating and approving journals. For 77 out of the 345 batch journals posted during the year, the person who created the journal was the one who also approved it in TechnologyOne.	Closed	As of now all General Journals are with the following strict rule of Maker - Checker. We are aiming ensure full segregation of duties with implementing Park & Post in our Tech 1 ERP.
4	End of Month Process Reviews	Supporting evidence was not provided for Cash on Hand Nguuu balance of \$974.39.	Open	Appropriate paperwork will be presented to council for cash write off of \$974.39. Further we have aligned our practices for monthly cash reconciliations, samples were shared with Auditors during their interim audit visit in July 24.
5	Grant Agreements	As part of the audit requirements, 17 out of 39 sampled grant agreements to substantiate the grant income received in FY 2023 by the Council were not readily available.	Open	We are facing some challenges around Legacy data wherein some cases we can't get the same from the funding body as well. But this issue will phase out gradually as the old agreements will expire & replaced by new agreements. As on date we have full track of new agreements & whenever possible we pursue to opportunity to seek out the legacy data for old agreements as well.
6	Information Technology General Controls	Based on our assessment of general IT controls, we noted some deficiencies and weaknesses. From our testing of TechnologyOne user's access, we identified 10 out of 39 users have access limits exceeding their delegation limits as per the Council's Financial Delegation Policy. This also includes the former CEO who still has active access rights to the system as of 30 June 2023.	Closed	We have fully complied with this observation.
7	Long Service Leave	It was noted that the Long Service Leave entitlement was incorrectly calculated. The assumptions used in the calculation were not fully supported by reasonable explanation for workers compensation rate and inflation rate. Following recalculations, it was found that the present value of LSL entitlement was misstated and was then subsequently corrected by management.	Closed	We have fully complied with this observation.
8	Accumulation of Leave Balances	In the review of the provision for leave entitlements, it was noted that 14 employees (2022: 15 employees) had annual leave balances in excess of 250 hours (33 days) with the highest leave balance being 720 hours (2022: 582 hours).	Open	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. Key positions leave balances often gets accumulated because of inherent limitations of council being remote island based & backup staff availability & 2nd line development.

Sr. No.	Areas	Observations	Status	Responses
9	Review of Policies, Procedures, and Registers	During our audit, it was noted that the following policy documents were not reviewed in accordance with the timetable within the existing policies. The scheduled review dates are noted below. Procurement policy – September 2019 Financial Delegations – September 2020 Corporate Credit Card – September 2022 Vehicle Acquisition & Disposal – August 2022 Fraud Protection – May 2022 Risk Management – September 2022 Audit & Risk Management Committee Work Plan Program – last updated May 2019. Register of Conflicting Interest – May 2020	Open	Procurement policy – October 2023. Financial Delegations – July 2024 Register of Conflict of Interest – under process. We are aiming to complete reviews of below policies by end of November 2023. * Corporate Credit Card – * Vehicle Acquisition & Disposal – * Fraud Protection – * Risk Management – * Audit & Risk Management Committee Work Plan Program At present we are in the process of recruiting for Governance - coordinator position for us to assist with our policies fully updated & compliant.
10	Rental Agreements	Based on our assessment of leases and testing of property lease income, it was identified that 5 out of 15 rental agreements have expired and not renewed despite rent continuing and the Council receiving payments from the tenants.	Closed	We have been working in this area since July 2023 , as of now most of our Rental Agreements are following - Financial Year renewal cycle. Present agreements of FY 24-25 are under preparation & signing stage.
11	Lease Agreements	Based on our review of lease calculations, agreements were not provided for 7 out of 65 leases.	Closed	Full list of 65 Lease agreements are provided to our Auditors as part of Interim Audit 2023-24 for their review.
12	Asset Estimated Useful Lives	From our review of depreciation calculations, we noted 2 motor vehicle assets were allocated estimated useful lives of 7 and 10 years which is not compliance with the Council's policy of 3-5 years for motor vehicles. In addition, one motor vehicle was not depreciated during the year.	Closed	We are ensuring proper asset accounting for ongoing depreciation workings.
13	Payroll Process	Based on our review of internal controls over payroll process, it was found in 4 out of 10 samples that timesheets were not stamped as “entered” after they were processed. Stamping timesheets is part of the Council's procedure to indicate that it has been entered into the system.	Closed	We acknowledge the manual error at transaction capturing stage. Our payroll officers have been made aware about the observation & we are ensuring recommended internal controls while processing Time sheet entries in the system.
14	Unexpended Grants Reserve	The Council has adopted AASB 15 Revenue from Contracts with Customers and AASB 1058 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.	Open	We are working towards creating the unexpended grant reserve. This will be appear in this 2025 financials .

3 REPORTS FOR INFORMATION

ITEM NUMBER: 3.3
TITLE: TIRC Risk Register
AUTHOR: Gina McPharlin, Chief Executive Officer

PURPOSE

This report aims to provide an update to the Audit Risk and Management Committee (the Committee) to summarise the present status of the Council's risks, emphasising critical areas of concern, responsible Council officers, and essential completion dates.

BACKGROUND

In 2019, Council engaged KPMG to review risks facing Council and prepare a TIRC Risk Register.

Following an in-depth analysis of the council operations, KPMG identified nine (9) key risk areas. These risks are listed below.

1. Be Financially Sustainable
2. Prevent, detect & appropriately respond to fraud and misconduct
3. Design and implement appropriate governance
4. Comply with key regulatory requirements
5. Strategically manage its service asset portfolio
6. Protect Safety & Well-being for its staff & Public
7. Attract, retain & develop key staff
8. Restore to BAU after events interrupting business continuity
9. Effectively attract, govern and deliver grants programs

The risk register is a dynamic document that reflects the ever-evolving nature of risks within the Tiwi Islands Regional Council (TIRC) and is a comprehensive tool for managing these risks. It is based on a structured risk management framework incorporating risk identification, assessment, mitigation strategies, and ongoing monitoring mechanisms.

ISSUES/OPTIONS/CONSEQUENCES

The Audit and Risk Committee is invited to review and discuss the contents of the TIRC Risk Register. Subsequent actions and recommendations arising from this discussion will contribute to refining risk management strategies and enhancing the organisation's overall risk resilience.

The primary goal of presenting this Risk Register during the Audit and Risk Committee Meeting is to provide a transparent view of the Council's risk landscape. This transparency enables informed decision-making and aligns risk management efforts with the organisation's strategic objectives.

RECOMMENDATION

That the Committee receives and notes the Tiwi Islands Regional Council Risk Register.

ATTACHMENTS

1. Risk Assessment Management Plan [**3.3.1** - 3 pages]
2. TIRC - Compliance Review Report [**3.3.2** - 21 pages]
3. TIR C_ Compliance Review Register [**3.3.3** - 3 pages]

Audit and Risk Management Committee Meeting 7 August 2024 - Agenda

IDENTIFY																	
#	Risk	Source of the Risk (thing with potential to harm or assist)	What can happen (consequences)	How can it happen (cause for hazard to occur)	When & Where could the Risk occur	Business Goals/Objectives Impacted by Risk	Assumptions & key variables used to assess risk	Business Area/Process	Category	Link to Document	Document Type	Controls (Current / Proposed)	Assessment of Existing Controls	Consequence	Cost of Consequence (if known)	Likelihood	Risk Priority
1	Loss of network connectivity	Physical interruption to cable, such as being cut, or a major movement in the sub-stra.	Unable to receive, send or input data / information into network	Cable cut e.g. negligence, burning, digging, grading off road and hit cable, extreme rain, software / hardware outage from exchange / transmission tower.	Offices (Twai Isle and Darwin), various other work locations			Corporate Services	Business Continuity		Business Plan	1.External provider (Telstra) control systems 2. Council identifies and informs provider 3. Attempt to negotiate better SLA terms with provider 4. Insurance	Opportunities for improvement	Major		Possible	High
2	Failure of hardware or software internal network or systems	Hardware and / or software failure. Human factors leading to same by manufacturer, installer, user.	1. Communications technology e.g. router down 2. Loss of connectivity to cloud servers applications and resources (CouncilBIZ controls)	1.External provider control systems (dependent) network hardware (Telstra) TIRC reports failure 2.Cloud services- reliant on CouncilBIZ control systems, who in turn are partly reliant on Telstra control systems	Council-wide			Corporate Services			Business Plan	1.External provider control systems (dependent) network hardware (Telstra) TIRC reports failure 2.Cloud services- reliant on CouncilBIZ control systems, who in turn are partly reliant on Telstra control systems malware, virus software & operating system security patches 2. Train staff - how virus / malware work, alerts / warnings, dangers of USB at work (no policy now)	Major		Almost Certain	V High	
3	Malware or Virus attack	External or Internal	Corruption of data	a) External - hacking of servers, routers or switches b) USB by staff, inadvertent / deliberate introduction							Policies & Procedures	malware, virus software & operating system security patches 2. Train staff - how virus / malware work, alerts / warnings, dangers of USB at work (no policy now)		Moderate		Likely	High
4	Unauthorised access or release of private information	1. Access controls (weak) 2. Inaccurate application of 'auto-name finding' e-mailing.	1.Breach of confidentiality 2.Misuse of information & damage of reputation 3. Competitive disadvantage (e.g. tender) 4. Breach of Telecommunication / Privacy laws, or internal Code of Practice / rules.	1. Deliberate / misuse 2. Error / inadvertent e.g. e-mail sent to wrong person 3. Lack of knowledge of policy / procedures (training) 4. Access by unauthorised persons in public places (Wi-Fi).	Some scenarios could occur anywhere and anytime such as inadvertently sending an e-mail sent to the wrong person.						Other	1. Educate staff on regulatory requirements on data retention, access and security (Privacy Legislation- Records Officer role) 2. Access allowed by profiles allowed by each user- policies attached (TIRC and CouncilBIZ, delegations, e.g. CouncilBIZ, or access or error, training, mandate from CEO and directors. 3. Education of staff of consequences e.g. clicking on attachments from unknown sender. 4. Updating anti- operating systems, security patches and virus, malware, software, etc. dangers		Moderate		Possible	Medium
5	Damage, loss of data, or unlawful IT activity arising from unauthorised / authorised use of BYOD (bring your own device)	Bring your own device	Damage / loss of data Unlawful activity	1. Inadvertently uncontrolled network access, virus or malware (e.g. 'wiresnark'). 2. Intervention legislation restrictions.	Council-wide								Inadequate (improve controls/avoid risk)	Minor		Possible	Medium
6	Incursions into Council devices operating outside in public networks, leading to hacking or hi-jacking device	Difficulty controlling personal behaviour and use.	1. Denial of access (data locked by unauthorised person) and requests payment to release it. 2. Access / release of sensitive private information	Incursions into Council devices operating outside in public networks e.g. Wi-Fi, leading to hacking or hi-jacking device	Council-wide								Inadequate (improve controls/avoid risk)	Minor		Possible	Medium
7	Extended power outages leading to complete loss of everything reliant on electricity.	Single point dependencies Lack of alternate avenues or contingency capacity	1. PC/IT systems- up to 18 hours offline for Telstra outages 2. TIRC UPS is only 30 minutes 3. Water cut off (where pumps installed).	1. Long delays for repairs by critical service provider. 2.No Diesel Power back-up	Anytime / where									Minor		Unlikely	Low
8	Severe cyclone, fire or other natural disaster	Natural Perils / human intervention	1. Loss of network connectivity 2. Destruction (almost everything if major cyclone) 3. Financial Losses Insurance: \$5k min damage deductible per event	Cyclone season Fire season (pre-cyclone) Fire maybe caused by burn-offs by indigenous population)	Seasonal							1. Financial Loss - physical assets (insurance: \$5k min damage deductible per event) 2. National Disaster Recovery Scheme 3. Cyclone shelter	Inadequate (improve controls/avoid risk)	Minor		Unlikely	Low
9	Inability to meet public expectations of delivery of unofficial and unfunded services / support for community (TIRC - wide issue)	Expectations 'gap'	1. Complaints from community for not providing services, or 2. If provided, adverse impact on existing resources (costs, people and assets), without corresponding income.	Inadequate communications and for past activities that were once routine or understood to be normal. a) Delivery of satellite TV b) Others (to be investigated) e.g undertaker role.	Ongoing									Negligible		Rare	Low
10	Public liability	Various: Council's acts or omissions either cause or contribute to the death, injury or disease to others, or loss or damage to assets owned by non-council persons or organisations.	1. Personal injury / disease to others (For injury, under the NT, Proportionate Liability Act (2004), Council may only partly contribute to the injury of third person, but could be 100% financially liable) 2. Loss or damage to assets of community, other organisations, contractors 3. Loss of income to others caused by Council acts or omissions (Consequential Losses). 4. Failure to inform community visitors, contractors or report dangers / events (including to regulatory authorities)	1. Public holiday celebration- injury or damage to public's property. 2.Errors or omissions arising in harm, contaminated food, slip, trip and fall etc. 3.Violence at public event- abuse using Facebook, sexual misconduct / cultural expectations.	Council-wide							1. Procedures and processes 2. Public Liability Insurance		Negligible		Rare	Low
11	Major (or periodic) fleet damage or theft	1. Fire 2. Accident 3. Theft / Malicious damage 4. Machinery break-down 5. Mobile assets damaged by weather elements	1. Loss of assets 2. Diminished value of assets 3. Unable to use assets / provide service. 4. Financial Loss / increased costs of repair / replacement (insurance: \$5k min damage deductible per event)	1. Inappropriate usage (failure to follow procedures) 2. Inadequate training 3. Lack of security				Infrastructure Management									
12	Excessive Fleet operating / non operating costs	Impediments to appropriate asset life cycle management.	1. Excessive running costs due to trying to extend life of plant beyond its natural life because of a lack of funds to buy new / second hand plant 2. Unnecessary repairs and maintenance 3. Early replacement of assets	1. Inappropriate operating, including deliberate sabotage (don't want to do, so break plant). 2. Under / over utilisation 3. Inappropriate maintenance program 4. Errors / omissions in repairs 5. Not repairing / maintaining when required (non notification) 6. Cultural factors e.g. cannot work supervised relative (no control) 7. Under staffed, leads to hiring expensive contractors.								1. Pre-start checks before daily use 2. 3. 4. 5. 6.					
13	M/V warranty and recalls adding excessive costs to over-all life-cycle costs.	Natural and Logistical factors	1. High cost to Council for supplier caused issues 2. Limited suppliers offering warranty work, limits source of supply.	1. Difficult to find appropriate MV to work conditions - wet / dry, unsealed etc. 2. Cost of return trip 3. Ford and Toyota not doing warranty work on The Islands.													
14	Loosing a key function (Barge - unfunded)	No or limited options. Alternatives, such as contracted service, is likely to cost more.	1. Council loses operational effectiveness. 2. Would save \$ but loss on Council TIRC	1. Not a core function as described by funded services, but service is essential 2. Fire, theft, damage.	Specific areas (named)												

Audit and Risk Management Committee Meeting 7 August 2024 - Agenda

IDENTIFY																		EVALUATION			
#	Risk	Source of the Risk (thing with potential to harm or assist)	What can happen (consequences)	How can it happen (cause for hazard to occur)	When & Where could the Risk occur	Business Goals/Objectives Impacted by Risk	Assumptions & key variables used to assess risk	Business Area/Process	Category	Link to Document	Document Type	Controls (Current / Proposed)	Assessment of Existing Controls	Consequence	Cost of Consequence (if known)	Likelihood	Risk Priority				
15	Faulty workmanship	Uncertified machinery Mis-use of machinery	Injury or loss from uncertified equipment.	1. Mis-diagnosis, leading to excessive cost solutions 2. Failure of supply (parts etc. Hastings Dearing (Caterpillar) 3. No service level / order periods (e.g. from USA) to order from manufacturer. 4. Compliance for certified machinery (please see assessment).	Specific areas (names)							1. Certified yearly for safety. Danger overlooked or delayed 2. Migr is licenced MIV inspector 3. Process to notify inspectors in advance 4. Non-use if not certified									
16	Unlawful fuel spillage / discharge	Non compliance for bunding	1. Unlawful discharge 2. No bunding (unlawful, even no discharge) 3. Pollution from discharge requires remediation costs	1. 15k litre tank diesel & 12k litre petrol 2. No bunding at Wurumiyanga and Pirranginy (breach of regulations not having bunding)	Council-wide							1. Undertake bunding or obtain self bunded tank (review to be undertaken)									
17	Inadequate staff resources (qualifications, competency, numbers or aptitude)	1. Some indigenous staff brought up in culture that allows different work ethic or will get support if they do not work 2. Remote location- logistics / attraction in getting new / appropriate staff 3. Insufficient pre-work and post commencement of work training. 4. Some staff appointed to positions for which they lack qualifications or experience (Both in office and / or in the field).	1. Poor provision of services (internal or front-line) 2. Safety issues 3. Efficiency / effectiveness issues 4. Additional pressure on qualified / under resourced staff 5. Non compliance to statutory qualifications 6. Fraud (qualifications)	1. Staff with general qualification, but may not have experience 2. Staff turn-over / inability to get staff long lead time to get staff. 3. Many indigenous staff not working consistently 4. Staff not turning up for cultural / family reasons e.g. 'funeral' or excuse for doing something else (funeral = public holiday)	Council-wide							1. Permanent / part time assisted in work flows 2. Training- grants for training in licenses and updates, Cert 2 / 3 etc. Cert 3 indigenous mentoring 3. Field qualifications only issued when staff truly pass 4. Time - out changing- e.g. funeral = holiday 5. Attitude to work changing over time- better supervision and persistence. That will do attitude changing. 6. Pre-employment checks / verification 7. Documentary evidence									
18	Financial miss-management (also see Fraud)		1. Major or ongoing Accounting Issues 2. Cash flow shortages 3. Unknown financial position / inability to respond in a timely manner.	1. Inadequate financial reporting - 1. Balance sheet, Income and Cash Flow Statements both historical and 3 year forecasts. 2. Reporting that is inaccurate, incomplete, delayed or not undertaken. 3. Inexperienced and / or unqualified accounting personnel. 4. Poor record keeping from business service areas or Accounting Department 5. Failure to have an effective Audit Committee in accordance with NT LGA Accounting Regulations (PIS, s10)								1. Establishment of Council Audit Committee (date: ? 2015) 2. Financial Recovery Plan linked to Service Delivery Plan									
19	Fraud (all areas)	1. Financial 2. Procurement (incl tenders) 3. Identity (e.g staff qualifications)		Failure to establish, monitor and review the effectiveness of a Fraud Management Plan (as required by the NT LG Act)	Council-wide							1. Fraud Management Plan (as required by the NT LG Act)									
20	Inadequate organisational structures (Governance)	Council may not oversee and approve an appropriate organisational structure to deliver planned services in an effective, efficient and compliant manner.	1. Inadequate delivery of services 2. Excessive cost of service delivery		Council-wide																
21	Inadequate service delivery or support service frameworks (Governance)	Council may not approve and / or oversee appropriate or required standards / models for all organisational service delivery & support services (e.g just take the view of the Executive Team)	Failure of performance in service areas, and/or internal support services due to better practice business models and standards not being met.	Applicable to all functions- external services and internal services: 1. Council expertise may be lacking 2. Failure to obtain external advice on best / appropriate frameworks.	Council-wide																
22	Inadequate Council Expertise (Governance)	Representative model may not provide the correct mix of expertise required to oversee all Council functions (e.g. Financial, ICT, Legal / Compliance)	1. Inadequate decision-making and oversight. 2. Insufficient use of external experts required to assist in providing advice to Council members for oversight and decision making.	Representative model for Council members may not provide the mix of experts required to run and oversee Council operations.	Council-wide							1. Governance training (quality?) 2. Meeting schedules, agendas papers. 3. Regular update procedures and policies (program?, review dates).									
23	Conflicts of Interests (Governance)	1. Council members may support sectional / district interests at expense of Council's Business and Strategic plans. 2. Executive and Senior Management conflicts in decisions.	1. Misallocation of resources 2. Poor value for money decisions 3. Fraud 4. Investigation / enquiry 5. Appointment of an Administrator	1. Failure to understand conflict principles compared to representation. 2. Failure to declare known, potential, uncertain or perceived conflicts. 3. Failure to include related parties or friends. 4. Failure to advertise to market for resources 5. Appointment of conflicted / related party without adequate reasons.	Council-wide																
24	Failure in Compliance- (external and internal) all areas (Governance)	Failure to adhere to the LG Act, Acts and Administration regulations, Ministerial guidelines, General instructions made under the LG Act. All Areas: Council Meetings, Records, Procedural, Elections, Accounting Standards, Engineering, Infrastructure, Plant & Equipment, Tendering, Safety, Human Resources (including awards), Environment	Major or Chronic (ongoing) 1. Breach of regulations 2. Poor service delivery 3. Increased losses, fraud, mismanagement. 4. Increased safety incidents. 5. 2014: Historical- 30 non compliance matters according to LG Compliance Review procedure.	1. Compliance is unknown (no framework capturing and monitoring) 2. Executive Team / Senior Managers may not fully understand compliance 3. Failure to report on non compliance new / emerging compliance and compliance issues.	Council-wide																
25	Lack of stakeholder communication and engagement (Governance)	Lack of / or inadequate stakeholder communication plan. Failure to identify or confer with relevant stakeholders, including: TIL Land Council, TITEB, Council, LGANT, Telstra, NTPFES, NT Power & Water, Tivoli Plantation Corporation, Youth Council, other community groups.	1. Community and other entities complaints 2. Actions / decisions made without consultation / adequate information / explanation	1. Failure to consider persons / entities impacted by decisions 2. Time constraints (when urgent action required)	Community, NT (and elsewhere in Australia.)							1. Use of MOUs 2. Tivoli Leaders Forum 3. Local Authorities - representatives. 4. Skin groups 5. Facilitation of information sharing (formal process?)									
26	Major (or Chronic) Workplace Health & Safety incident(s)	Yet to be developed WHS & IM management system	1. Failure to provide an adequate WHS system as required by WHS Act and associated regulations	Various hazards and risks	Council-wide, and when travelling elsewhere for Council purposes.																
27	Inadequate management of government funded programs	Loss of opportunity	1. Not identifying appropriate program (failure to apply) 2. Accepting not fully funded program. 3. Failure to manage and report progress 4. Uncompleted program	1. Lack of understanding of process or particular requirements. 2. Unable to obtain resources.	Council-wide																
28	Inadequate Risk Management (Framework- Governance)	RM is a framework working within existing management systems. 1. The systems may not be well developed 2. The RM framework may not be well developed or understood.	1. Increase exposure to unnecessary or intolerable risk 2. Increased / unacceptable adverse outcomes	All areas: Strategic, Operating and Financial.	Council-wide							1. Framework being developed (first model due Nov. 2015)									
29	Major Environmental Damage	PISA, Fauna, Air, Sub-strat 1. Major incident 2. Slow / prolonged release of contaminants.	1. Fines (EPA) 2. Environmental damage 3. Adverse impact on tourism 4. Remediation costs	1. Failure to report incident 2. Failure to mitigate contamination / loss of habitation, flora or fauna.	Council-wide																

Audit and Risk Management Committee Meeting 7 August 2024 - Agenda

IDENTIFY																		EVALUATION	
#	Risk	Source of the Risk (thing with potential to harm or assist)	What can happen (consequences)	How can it happen (cause for hazard to occur)	When & Where could the Risk occur	Business Goals/Objectives Impacted by Risk	Assumptions & key variables used to assess risk	Business Area/Process	Category	Link to Document	Document Type	Controls (Current / Proposed)	Assessment of Existing Controls	Consequence	Cost of Consequence (if known)	Likelihood	Risk Priority		
30	Inadequate Major Project outcomes	1. Failure of contractor / Council working 2. Inappropriate scope or specifications 3. Failure of 'Business case' 4. Special / Annual Events	1. Cost over-runs 2. Delays / reworks 3. Quality issues 4. Contractual dispute 5. Contractor insolvency 5. 'White elephant' (Infrastructure that fulfils no, limited, anticipated needs)	Project management failure	Council-wide														
31	Financial Unsustainability	1. Funding is largely from tied grants based on per capita formulas that ignore additional costs involving remoteness, the physical environment and all basic community needs. 2. Low level of untied grant revenue means financial decision making is restricted. 2. Asset Management standards not met. 2. Potential for financial mismanagement and inadequate governance.	1. Decline in infrastructure value, effectiveness, increased costs to maintain 2. Depreciated assets are not adequately replaced / upgraded. 3. Declining financial viability ratio's (operating deficits, depreciated assets) 4. Potential for appointment of Administrator and re-setting of long term planning. 5. Expectations created by Council to the community is not fully met by performance.	1. Ongoing excessive expenditures compared to planned, (mainly operational and capital grant) income. 2. Budgets not representing actual income and expenditure. 3. Expenditure on non core, unfunded areas (cross subsidisation). 4. Inadequate financial reports - inaccurate, delayed or not completed leading to poor financial decision making. 5. No capital expenditure reserve to cover future capital maintenance programs. (Occurred in the past) 6. Poor cost controls and approval processes. 7. Maintaining high cost assets, or failure to sell assets before they are of little or no value to potential buyers.	Council-wide							1. Financial Recovery Plan 2. Asset Audit Report (May, 2015): 60 recommendations. 3. Improved recording of assets 4. Financial Health Report (Merit Accountants) 5. Annual and Four year budgets, program budgets.							
32	Inadequate Asset Management	1. Poor record keeping, e.g asbestos register, complete asset register with cost, WDV and estimated value and life. 2. Silo' departmental management leads to varied practices, procedures and decision making.	1. Assets unrecorded or wrongly recorded in Asset Register, including disposed assets. 2. Backlog in repairs and maintenance leading to asset impairment. 3. Inadequate asset inspection program. E.g white ants 4. Non compliance e.g. smoke alarms, electrical equipment 5. Water damage / risks not addressed promptly 6. Assets purchased and not used, or sold. 7. Damage / loss of assets due to poor storage or security	1. Non capitalisation of assets formerly WIP. 2. Disposal of assets not recorded 3. New / upgraded assets not recorded. E.g re-commissioning 4. Transferred to other organisations, but not recorded.	Council-wide														
33	Inadequate Incident Reporting - external and internal (all areas)	All areas: Asset deterioration / loss / damage, stolen goods, safety, work injury / potential injury, complaints, non compliance (acts, regs and contracts including leases). 1.No all of Council activities Incident reporting framework 2. Incidents known but not reported.	1. Non or late claims where claims are legally required (Injury Management) 2. Under use of Insurance Policy (missed opportunities)		Council-wide														
34	Inadequate Framework for Key documents: (Policy Procedures, Work Method Statements, Registers etc.)	No organisational framework Lack of up to date documents.	Lack of proper decision making and setting priorities. 1. Quality and quantity variations. 2. Outdated or ignored documents. 3. No document, (where one is required). 4. Non external compliance, in some cases (safety, keeping good records).	A lack of good governance.	Council-wide														

Compliance Review Report

Tiwi Islands regional Council

2019 -2020



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Compliance Review Report

1 Executive Summary

This report has been prepared by inspectors of local government who have undertaken a review of the Tiwi Islands Regional Council (TIRC/Council) in accordance with Section 205 of the *Local Government Act 2008* (the Act). The compliance review primarily covered the period 1 July 2018 to 30 September 2019, however where necessary, the inspectors have also considered information from outside this period in order to assist with the review process.

The purpose of the report is to furnish Council members and management with objective analysis, recommendations, and information relating to the activities reviewed by local government inspectors.

In reaching the conclusions made in this report, inspectors have relied on the information provided by Council, information on Council's website and information held by the Department of Local Government, Housing and Community Development (the Department).

2 Background

Section 205 of the Act mandates the establishment of a program of compliance reviews for local government bodies to ensure they conduct their business lawfully. Compliance reviews are to be undertaken by inspectors of local government. After conducting a compliance review, section 207 of the Act requires inspectors to report the results of the review to the Council.

The inspectors consider the results of the review reported back to Council includes (but is not limited to) any identified, perceived or suspected failures to comply with legislated requirements, as well as other general observations and assessments which should be brought to Council's attention and will assist with improving internal processes or practices in the areas of: internal controls; human resource management; Council's governance arrangements; communication protocols; strength of controls over the management and use of public assets; and expenditure of public monies.

3 Scope of work

The compliance review considered the following legislation and regulatory requirements:

- *Local Government Act 2008 (the Act)*
- *Local Government (Accounting) Regulations 2008* (Accounting Regulations)
- *Local Government (Administration) Regulations 2008* (Administration Regulations)
- Ministerial Guidelines and General Instructions
- Council's internal policies and procedures
- Other Federal and/or Territory legislative requirements (as considered appropriate).

4 Basis of testing

The compliance review utilised a variety of testing and assessment methods including, but not limited to:

- Site visits at Council's offices at Armidale Street, Darwin from 14 to 18 October 2019 and at Wurrumiyanga on 24 and 25 October 2019.
- Consultation and discussions with relevant Council staff
- Examination and review of a sample number of files and source documents
- Assessment of implementation and adherence to Council policies and decisions
- Strength of document management and workflow management
- Review of source and supporting documentation and information.

Compliance Review Report

5 Areas of review

Areas of Review	Legislative Reference
Delegations	Section 32 of the Act
Delegations by CEO	Section 102 of the Act
Council Committees	Section 54 of the Act Regulation 11 of the Accounting Regulations
Nature of Committee Functions	Section 55 of the Act
Member of Council Disqualified	Section 37 of the Act
Internal Controls	Regulation 10(2) of the Accounting Regulations
Member Allowances	Section 71 of the Act
Rules Regarding Allowances	Ministerial Guidelines No. 2
Conflict of Interest (Staff)	Section 107 of the Act
Disclosure of Interest (Members)	Section 74 of the Act
CEO Absence or Unavailable	Section 100 of the Act
Principles of Human Resources	Section 104 of the Act
Statement of Employment Policies	Section 105 of the Act
Portability of Long Service Leave Rights	Section 109 of the Act
Authorised Persons	Sections 112, 113 and 114 of the Act
Segregation of Certain Money	Section 120 of the Act
Cash Expenditure (Petty Cash)	Regulation 21 of the Accounting Regulations
Investment Policy	Ministerial Guidelines No. 4
Council Investments	Ministerial Guidelines No. 4
Council's Power to Borrow	Section 123 of the Act Ministerial Guidelines No. 5
Accounting and Policy Manual	Regulation 9 of the Accounting Regulations

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Compliance Review Report

Areas of Review	Legislative Reference
Financial Reports to Council	Regulation 18 of the Accounting Regulations
Authorised Deposit Accounts	Regulation 19 of the Accounting Regulations
Disbursements from Authorised Accounts	Regulation 20 of the Accounting Regulations
Property	Regulation 22 of the Accounting Regulations
Writing off Money or Property	Regulation 23 of the Accounting Regulations
Authority to Dispose of Property (Land and Other Assets)	Ministerial Guidelines No. 7
Debt Record	Regulation 26 of the Accounting Regulations
Writing off Debts	Regulation 27 of the Accounting Regulations
Council to Keep Registers	Regulation 11 of the Administration Regulations
Custody of Records	Regulation 14 of the Administration Regulations
Quotations	Regulation 28 of the Accounting Regulations General Instruction No. 4
Tenders	Regulation 29 of the Accounting Regulations General Instruction No. 4
Role and Functions of CEO	Section 101 of the Act
Credit Card	Section 101(f) of the Act
Travel and Allowances	Section 101(f) and (g) of the Act

Compliance Review Report

6 Summary of Findings

Issue	Finding
1	The Council did not obtain at least three quotations or record reasons in writing why three quotes were not obtained for all purchases over \$10 000 but not more than \$100 000
2	The council did not comply with the tender process requirements of regulation 29 of the Accounting Regulations.
3	No purchase orders were raised for a significant amount of purchases.
4	Council's recruitment process is not compliant with the requirements of the Act and council's HR policies.
5	A number of documents were incomplete or missing from council's Human Resource files of employee promotions and terminations.
6	Council's Accounting and Policy manual (APM) needs to be reviewed and updated.
7	Travel allowance payment rates are not in line with Council's Travel and Accommodation Delegation Policy.
8	The requirements of the Council's Travel and Accommodation Delegation Policy were not followed for all travel activities.
9	Council elected members have been paid a sitting fee from an external body through council payroll.

From time to time during the review the inspectors observed certain Council procedures and practices that, in their opinion, did not meet best practice. To assist Council to self-maintain quality standards and achieve superior results, a separate list of observations has been provided in Attachment B. This list is not meant to be exhaustive and the recommendations are not mandatory.

Disclaimer

In some instances, the inspectors have had to exercise judgment and assumptions as can be necessary to complete a review of this kind. The inspectors have done so based on their experience, interpretation, and analysis of the information provided. The inspectors do, however, acknowledge that there may be other information that may exist within the Council that was not provided or sought that may have the effect of negating individual findings and conclusions in this report.

Although due professional care in the performance of the review was exercised, this should not be construed to mean that unreported non-compliance or irregularities do not exist within Council. The deterrence and detection of fraud are the responsibility of management. The review alone, even when carried out with professional care, does not guarantee that fraud or other irregularities will be detected.

Compliance Review Report

7 Attachment A

Issue 1

The Council did not obtain at least three quotations or record reasons in writing why three quotes were not obtained for all purchases over \$10 000 but not more than \$100 000.

Background:

Section 101 of the Act states the CEO is responsible to the council to ensure that proper standards of financial management are maintained, in particular, proper controls over expenditure and financial and other records are properly made and maintained.

Regulation 28 of the Accounting Regulations states:

- (1) Subject to the council's policies, a council need not obtain quotations for the provision of supplies if the cost of the supplies is \$10 000 or less.
- (2) If a council proposes to obtain supplies at a cost of more than \$10 000 but not more than \$100 000, the council must obtain written quotations from at least three possible suppliers and the council must choose a supplier from amongst those submitting written quotations.
- (3) If it is not practicable to obtain quotations from three possible suppliers under sub-regulation (2), the council must obtain as many as practicable and must record in writing its reasons for not obtaining the three quotations.

Regulation 14 of the Administration Regulations requires that the CEO must ensure that the council's records are properly filed and indexed to facilitate access.

Finding:

20 samples were selected out of 62 transactions for purchases over \$10 000 but not more than \$100 000 for the period 1 July 2018 to 30 June 2019. Of the samples selected, 16 were found to be deficient. 5 transactions as listed below did not comply with the Accounting Regulations as council was unable to substantiate if it had obtained at least three quotations or recorded reasons in writing why three quotes were not obtained.

	Purchase order Number	Order Date	Name of Supplier and Details	Amount
1	PO024160	06/06/2019	Cricket & Football Shop - Various sports materials	\$18 483.04
2	PO024307	08/07/2019	Shadetech – Supply & installation of 4 x replacement shade sails to existing posts & brackets.	\$27 390.00
3	PO024482	16/07/2019	Cricket & Football Shop - Various sports materials	\$18 990.88
4	PO024523	01/08/2019	Active Tree Services Pty Ltd	\$21 175.06
5	PO024868	09/09/2019	Next Gen Sports Academy – One Week Program integration with AFL Players	\$36 300.00

Compliance Review Report

For the following 11 transactions, council was unable to provide any source documentation relating to the following purchases.

	Purchase Order Number	Order Date	Name of Supplier	Amount
1	PO022984	03/09/2018	BH Marine	\$41 000.00
2	PO023193	08/10/2018	True North Surveying	\$13 200.00
3	PO023221	04/10/2018	Twii Enterprises Pty Ltd	\$23 810.50
4	PO023686	04/02/2019	National Trucks (Aust) Pty Ltd	\$39 900.00
5	PO024422	24/06/2019	Burson Automotive Pty Ltd	\$17 010.00
6	PO024824	09/09/2019	Colliers International	\$19 952.66
7	PO024947	09/09/2019	Diesel Contract Services	\$40 315.00
8	PO023220	04/10/2018	Tiwi Enterprises Pty Ltd	\$10 040.00
9	PO023222	04/10/2018	Tiwi Enterprises Pty Ltd	\$25 056.00
10	PO023223	04/10/2018	Tiwi Enterprises Pty Ltd	\$15 338.50
11	PO023224	04/10/2018	Tiwi Enterprises Pty Ltd	\$19 021.00

Conclusion:

Council has not complied with the requirements of regulation 28 of the Accounting Regulations. Council could not supply evidence that three written quotations were obtained or provide evidence of reasons being recorded in writing for not obtaining three quotes for the purchase of supplies between \$10 000 and \$100 000.

Council has not complied with the requirements of regulation 14 of the Administration Regulations as council's records were not properly filed and indexed to facilitate access to source documentation relating to council's procurement activities.

The issue of deficiencies in the Council's procurement and record keeping practices has previously been raised in the 2014 Compliance Review report.

Recommended Remedial Action:

The CEO must take steps to ensure council staff are made aware of the procurement requirements as stated in the Accounting Regulations; and record keeping requirements as stated in the Administrative Regulations. Council must inform the inspectors in writing by 30 April 2020 as to what steps have been taken by the CEO to ensure all staff have been made aware of these requirements.

Compliance Review Report

Issue 2

The council did not comply with the tender process requirements of regulation 29 of the Accounting Regulations.

Background:

Section 101 of the Act, provides that the CEO is responsible to the council to ensure that proper standards of financial management are maintained, in particular, proper controls over expenditure and financial and other records are properly made and maintained.

Regulation 29 of the Accounting Regulations states:

- (1) A council must not enter into a contract for the provision of supplies to the council at a cost of more than \$100 000 unless it has first called for tenders for that contract by public notice published in a newspaper circulating in the council's area.
- (2) A tender received in response to the public notice may only be opened in the presence of:
 - (a) the council itself; or
 - (b) a committee of 3 members of the council's staff delegated by the council to open and consider the tenders and report to the council on the tenders.
- (3) If a council accepts a tender for the provision of supplies to the council at a cost more than \$100 000, it must:
 - (a) accept the tender by written notice to the person who submitted the successful tender; and
 - (b) give notice of the successful tender:
 - (i) in writing to each other person who submitted a tender; and
 - (ii) by publishing the notice on the council's website.

Regulation 31 of the Accounting Regulations states:

- (1) The Agency may, on application by the council or on the Agency's own initiative, exempt a council or councils from compliance with a provision of these Regulations or an applicable Accounting Standard.
- (2) An exemption under sub-regulation (1) may be made on conditions the Agency thinks fit.

Council's Purchasing Policy requires the council to comply with regulation 29 of the Accounting Regulations.

Finding:

For the period 1 July 2018 to 30 September 2019, council had one procurement valued at over \$100 000, which was identified as non-compliant with the Accounting Regulations. The details of the procurement are as follows:

Contractor/ Supplier	Details	Amount
Hastings Deering (Australia) Ltd	Purchase of a second hand Grader M140 Caterpillar	\$272 800

Compliance Review Report

In relation to the above procurement, inspectors found the following deficiencies:

1. tender panel members were not appointed by the Council but were selected by the Council's senior staff;
2. the tender assessment report was not signed by tender panel members;
3. letters to unsuccessful tenderers did not include the name of successful tenderer or the tender price;
4. the tender notice published in the NT News did not include a statement to the effect that notice of the successful tenderer will be published on the Council's website; and
5. The total amount paid to Hasting Deering (Australia) Ltd was \$272 800 (including GST). However, the GST exclusive value of \$248 000 value was published on the Council's website.

Conclusion:

Council has not complied with all aspects of the tender process as required under regulation 29 of the Accounting Regulations.

The CEO has not ensured proper procedures are in place for the opening and awarding of tenders and has not ensured council staff have acted in accordance with council's approved policies.

The issue of deficiencies in the Council's tender process has previously been raised in the 2014 Compliance Review report.

Recommended Remedial Action:

The CEO must review council's internal procurement processes and ensure all staff involved in the tendering process are made aware of legislated requirements, council approved policies and procedures.

Council must inform the inspectors in writing by 30 April 2020 as to what steps have been taken by the CEO to ensure all staff have been made aware of the applicable legislation and council's internal policies.

Compliance Review Report

Issue 3

No purchase orders were raised for a significant amount of purchases.

Background:

Section 101 of the Act, provides that the CEO is responsible to the council to ensure that proper standards of financial management are maintained and, in particular, proper controls over expenditure and that financial and other records are properly made and maintained.

Regulation 10(1) of the Accounting Regulations provides that the CEO must establish and maintain internal controls to:

- a) safeguard the assets of the council;
- b) ensure the accuracy, completeness and reliability of the accounting data; and
- (e) ensure adherence to council policies.

Council's Procurement Policy states that "A Purchase Order is Council's official document to confirm the contractual relationship between Council and suppliers. Purchase orders are to be issued for all purchases (with exemptions for credit card purchases per delegated authority) from Council's financial system".

Finding:

Council currently uses the Tech1 business system to raise purchase orders. The use of purchase orders is an internal control mechanism to ensure the commitment of public money is for official business purposes and is authorised by an appropriate delegated officer. Purchase orders are a key measure for ensuring proper controls and accountability over public money.

The potential consequences if purchase orders are not raised include:

- Unauthorised purchases
- Improper charges made to council cost centres
- Purchases not within budget
- Excessive or non-competitive costs committed and charged to council
- Risk of items being purchased for non-official purposes.

Conclusion:

The CEO has not complied with section 101 of the Act and Regulation 10 of the Accounting Regulations; and has not properly adhered to council's Procurement Policy.

The issue of deficiencies in the Council's internal controls and failure to use purchase orders has previously been raised in the 2014 Compliance Review report.

Recommended Remedial Action:

The CEO must review internal processes and procedures to ensure all staff involved in the council's procurement process are made aware of the requirement to raise purchase orders as per council's policy.

Council must inform the inspectors in writing by 30 April 2020 as to what steps have been taken by the CEO to ensure the adequate implementation and adherence with council's internal controls and policies.

Compliance Review Report

Issue 4

Council's recruitment process is not compliant with the requirements of the Act and council's HR policies.

Background:

Section 101 of the Act provides the CEO is responsible to the council to ensure that the council's policies, plans and lawful decisions are implemented, and to ensure that financial and other records are properly made and maintained.

Section 104 of the Act requires a council to ensure that its policies on human resource management give effect to the following principles:

- a) selection processes for appointment or promotion:
 - i. must be based on merit; and
 - ii. must be fair and equitable;
- b) staff must have reasonable access to training and development and opportunities for advancement and promotion;
- c) staff must be treated fairly and consistently and must not be subjected to arbitrary or capricious decisions.

Section 3 of council's Human Resources Manual includes details of recruitment procedures. The manual requires the recruitment process should include:

- the principles of merit (choosing the best person for the job);
- avoiding discrimination; and
- providing natural justice and fair treatment.

Finding:

Between 1 July 2018 to 30 September 2019, council recruited 51 employees, from which 10 samples were selected for testing.

The inspectors noted the recruitment files did not contain any evidence of the recruitment process being based on merit, or the selection process being fair and equitable. The inspectors found no evidence of how the selection process was undertaken due to: no evidence of written job applications being received from potential recruits; no records of interviews being conducted; no records of referee checks being made; no evidence of whether applicants were formally considered and shortlisted; or any other assessment process being undertaken. The files only contained Letter of Offers for:

- Position No. 4006, Library Officer.
- Position No. 9091, Manager Shire Services – Bathurst Island.
- Position No. 1167, Youth Diversion Officer.
- Position No. 2005, Administration Officer – Children's Services
- Position No. 1038, Executive Officer.
- Position No. 2005, Administration Officer – Children's Services
- Position No. 2062, Manager Sport & Recreation.
- Position No. 3025, Sport and Recreational Officer (Part time)
- Position No. (not known), Community Safety Officer/ Sport and Recreation Officer.

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- Position No. 3655, Town Services Officer (Casual).

The council did not have any records of documents relating to the advertising for these positions. The Council's HR Manager confirmed there were no other documentations available for review by the inspectors other than those already provided to the inspectors.

Conclusion:

The CEO has not complied with the requirements of section 101 or 104 of the Act and did not ensure Council's Human Resources Manual was followed. There was no evidence to substantiate all staff appointments were based on merit and whether staff have been treated fairly and consistently when recruiting.

The issue of deficiencies in the council's recruitment practice has previously been raised in the 2014 Compliance Review report.

Recommended Remedial Action:

The CEO must review council's recruitment process and practices and its record keeping system to ensure all staff recruitment action is based on merit, and that the selection process is fair and equitable; and all documents relating to recruitment action is properly made and recorded in council's official record keeping system.

By 30 April 2020, the council must advise the inspectors of the steps the CEO has taken to ensure all future recruitment, selection and promotions are in compliance with the Act and council's internal HR policies.

Compliance Review Report

Issue 5

A number of documents were incomplete or missing from council's Human Resource files of employee promotions and terminations.

Background:

Section 101 of the Act provides the CEO is responsible to council to ensure that the council's policies, plans and lawful decisions are implemented; and to ensure that financial and other records are properly made and maintained.

Section 104 of the Act requires a council to ensure that its policies on human resource management give effect to an appointment or promotion selection process which is fair and equitable and based on merit and staff are treated fairly and consistently and are not subjected to arbitrary or capricious decisions.

Regulation 14 of the Administration Regulations, requires the CEO must ensure that the council's records are properly filed and indexed to facilitate access.

Finding:

A sample of five promoted employee files were reviewed but there was no supporting documents to verify whether the promotions were fair and equitable, based on merit, or to ensure staff were treated fairly and consistently and not subjected to arbitrary or capricious decisions.

Out of three terminated staff files, there were two files where there were no details recorded for the reason of termination.

Conclusion:

The CEO has not complied with the requirements of section 101 or 104 of the Act and did not ensure council's records were properly filed and indexed to facilitate access to all documents relating to staff promotions and terminations.

The issue of deficiencies in the council's record keeping practice has previously been raised in the 2014 Compliance Review report.

Recommended Remedial Action:

The CEO must review council's staff management practices to ensure staff are not being subjected to arbitrary or capricious decisions. The CEO must also review council's record keeping system to ensure all records relating to staff promotions and terminations are properly made and recorded.

By 30 April 2020 the council must advise the inspectors in writing what steps the CEO has taken to ensure all future terminations and promotions of employees are not based on arbitrary or capricious decisions; and that record keeping practices are in compliance with all applicable legislation and policies.

Compliance Review Report

Issue 6

Council's Accounting and Policy Manual (APM) needs to be reviewed and updated.

Background:

Section 101(a) of the Act provides that the CEO is responsible to the council to ensure that the council's policies, plans and lawful decisions are implemented.

Regulation 9 of the Accounting Regulations requires a council to maintain an accounting and policy manual (APM).

Finding:

The APM is a key internal control document which provides information for staff regarding the financial administration of a council. Failure to keep the document up to date increases the risk of council staff not operating in accord with legislative and/or council requirements.

The council has not updated its APM since February 2014 and a number of items included in the manual do not reflect current legislative and/or council operational activities and practices. Some examples of this are detailed below:

- The name of the Council in the APM is not current.
- APM manual does not include the current Council's Organisation Chart.
- APM does not include current duties and responsibilities of the CEO and responsible officers.
- The delegation limits listed in the Accounting and Policy manual are not consistent with the current position titles.
- Councillors Portfolios in Annexure 3 of the APM require updating.

Conclusion:

Proper standards of internal controls have not been maintained as a number of statements made in the APM are either outdated or do not reflect current council operation activities.

Recommended Remedial Action:

The CEO must review and update council's Accounting and Policy manual and ensure staff are aware of any changes.

By 30 April 2020, the council must provide a copy of the updated Accounting and Policy manual to the inspectors.

Compliance Review Report

Issue 7

Travel allowance payment rates are not in line with Council's Travel and Accommodation Delegation Policy.

Background:

Section 101 of the Act requires the CEO to ensure the council's policies, plans and lawful decisions are implemented and that proper standards of financial management are maintained, in particular, proper controls over expenditure and that financial and other records are properly made and maintained.

Council's Travel and Accommodation Delegation Policy states that "Travel allowances shall be paid in accordance with the current rates determined by the Australian Taxation Office".

Finding:

Council's Travel and Accommodation Delegation Policy was reviewed and approved on 25 July 2018 via council resolution. This policy states that the travel allowance rates will be paid in accordance with the current rates determined by the Australian Taxation Office (ATO).

The travel allowance rates published by the ATO for the 2018-19 financial year is provided below.

ATO Travel Allowance Rate for 2018-19 (Employee's annual salary \$122,040 and below)				
Breakfast	Lunch	Dinner	Incidental	Total
\$27.55	\$31.00	\$52.80	\$19.70	\$131.05
ATO Travel Allowance Rate for 2018-19 (Employee's annual salary between \$122,040 and \$217,200)				
Breakfast	Lunch	Dinner	Incidental	Total
\$30.00	\$42.45	\$59.40	\$28.20	\$160.05

The payment rates used by council for travel allowance payments are listed below:

- Breakfast - \$ 28.80
- Lunch - \$ 40.74
- Dinner - \$ 57.02
- Incidentals - \$ 27.25

TOTAL \$153.81

The above rates were used irrespective of the member's / employee's annual salary or allowance. The inspectors found that Council employees who were paid a salary \$122,040 and below were overpaid, whilst employees who earn a salary between \$122,041 and \$217,200 were underpaid their travel allowance, based on the ATO's determination.

Compliance Review Report

Conclusion:

The CEO has failed to ensure council's policies, plans and lawful decisions are implemented as the rates of travel allowances payments were not consistent with Council's Travel and Accommodation Delegation Policy.

Recommended Remedial Action:

The CEO must immediately review travel allowance rates to ensure all payments are in line with council's policy and the ATO rates. The CEO must communicate these changes to ensure staff and members are aware of these changes.

By 30 April 2020, the council must confirm to the inspectors in writing that the CEO has corrected the travel allowance payment rates to be in line with council's approved Travel and Accommodation Policy 015 and ATO rates.

Compliance Review Report

Issue 8

The requirements of Council's Travel and Accommodation Delegation Policy were not followed for all travel activities.

Background:

Section 101 of the Act provides that the CEO is responsible to ensure council's policies, plans and lawful decisions are implemented and that proper standards of financial management are maintained, in particular, proper controls over expenditure.

Regulation 10(1)(e) of the Accounting Regulations provides that the CEO must establish and maintain internal controls to ensure adherence to council policies.

Council's Travel and Accommodation Delegation Policy P015 states that "All elected and committee members and TIRC staff who have completed official travel are responsible for ensuring a Travel Acquittal Form (See bottom of movement requisition for travel acquittal). This form is to be completed by the responsible officer within 10 working days after completion of the travel. Failure to complete or to acquit your travel may affect approval on any future travel".

Finding:

Finding 1:

During the compliance review visit, inspectors tested 2 samples of Council staff and 2 samples of elected member's travel activity forms. The inspectors found that travel acquittals have not been completed and signed by employee and the authorised person.

Inspectors noted those staff and elected members have been paid travel allowances but no acquittals were provided in accordance with the approved details on the movement requisition and acquittal form (FIN005). As employees and elected members are entitled to be paid travelling allowance, variations in travel arrangements may have the effect of the travelling officer being over / under paid and potentially unauthorised additional charges for travel and accommodation being incurred by the Council. The need for all official travel to be acquitted would highlight any variations to travel arrangements.

Finding 2:

Inspectors reviewed a sample of Council's Movement Requisition Forms and concluded that the information recorded was not consistent with the Council's Travel and Accommodation Delegation Policy in all instances.

- Instances were noted where forms were incomplete in that all the required information such as date and time of travel and date of approval were missing; and the accommodation and/or cab charge fields were left blank.
- Incomplete forms were approved by the delegated officers.
- Approval of travel was not granted one week before travel commenced.

Conclusion:

The CEO has failed to ensure Council's Travel and Accommodation Delegation Policy is consistently followed by Council staff and elected members. As a result, Council records are not being properly made and maintained. The failure to acquit travel by employees and elected members leads to poor controls over expenditure and a lack of accountability over the use of public money.

Compliance Review Report

Recommended Remedial Action:

By 30 April 2020, the CEO must immediately ensure all official travel is undertaken as per council's Travel and Accommodation Delegation Policy by communicating the requirements of the policy to all staff and members. The CEO must also ensure all forms are being appropriately filled in and submitted as per Council's policy requirements.

By 30 April 2020, the council must confirm to the inspectors in writing that the CEO has communicated the requirements of the council's Travel and Accommodation Delegation Policy to all staff and members.

Compliance Review Report

Issue 9

Council elected members have been paid a sitting fee from an external body through council payroll.

Background:

Section 71 of the Act provides that:

- (1) A member of a council is entitled to be paid an allowance by the council.
- (2) The allowance for a member of a council is to be at a rate fixed by the council (subject to any guidelines that the Minister may make) for the relevant financial year.
- (2B) The allowance for a member of a local authority is to be fixed by the council in accordance with any guidelines that the Minister may make and that apply in the relevant financial year.
- (3) Allowances for each financial year are to be fixed as part of the council's budget for the relevant financial year.

Section 128 of the Act provides that a budget amendment:

- (2A) cannot have the effect:
 - (a) of increasing the amount of an allowance for the financial year for the members of the council.

Section 101 of the Act provides that the CEO is responsible to ensure that the council's policies, plans and lawful decisions are implemented and that proper standards of financial management are maintained and, in particular, proper controls over expenditure.

Finding:

Inspectors testing of members' allowances revealed that a number of councillors were paid from council's payroll system for sitting fees for attending meetings for an external organisation called Tiwi Partners. The payments were made for duties performed by councillors for participating at a board meeting with Tiwi Partners but this payment is not associated with Council's duties and responsibilities. Following discussions with the Council's Finance Manager, he indicated that the payment will be reimbursed by Tiwi Partners. However, as of 14 November 2019, no reimbursements have been received by the Council.

Conclusion:

There is no provision in the Act for elected members to be paid any amount by council which is not associated with their official duties and paid under section 71 of the Act, as detailed in Ministerial Guideline 2.

As such, all payments made to elected members in lieu of attending Tiwi Partners meetings are unauthorised payments and this practice must be immediately stopped.

Recommended Remedial Action:

1. By 29 February 2020, the Council must confirm to the inspectors in writing no further payments will be made to elected members outside their official allowances.
2. Immediately following receipt of reimbursement of costs from Tiwi Partners, advise the inspectors of the date and actual amount of the reimbursement.

Compliance Review Report

8 Attachment B

Best Practice Items

To assist Council to self-maintain quality standards and achieve superior results the following observations are provided below:

Item	Finding	Recommendation
1	Review of Accident/Incident Reports from 1 July to 30 September 2019 revealed that reports were not signed by the Supervisor / Manager as an evidence of action taken by them as required by section 7 of page 24 & 25 of the TIRC's Human Resources Manual. It is also noted that there were no evidence that reportable incidents have been notified to the Work Health Authority as required by section 7 of the Human Resources Manual.	It is recommended that Council comply with its procedures of "Safety and Health Incident Reporting" as outline in the Council's Human Resources Manual.
2	It was found from the testing of the Credit Card transactions that there was no signed declaration by card holders acknowledging the responsibilities and obligations of Council's Credit Card Policy.	Credit card holders should sign the declaration attached in the council's policy indicating the understanding of cardholders as being aware of the credit card policy.
3	It was found during testing of Credit Card reconciliations, not all cards were being reconciled in a timely manner.	Credit card reconciliations should be performed consistently in a timely manner. It is suggested this be done no later than two weeks after the period end of each statement cycle.

Tiwi Islands Regional Council
Report on Status of Compliance Review Report 2019-2020
Updated on 31.07.2024

Sr. No.	Issues	Recommendation	Status	Council's Action & Responses
1	The Council did not obtain al least three quotations or record reasons in writing why three quotes were not obtained for all purchases over \$10 000 but not more than \$100 000	The CEO must take steps to ensure council staff are made aware of the procurement requirements as stated in the Accounting Regulations; and record keeping requirements as stated in the Administrative Regulations. Council must inform the inspectors in writing by 30 April 2020 as to what steps have been taken by the CEO to ensure all staff have been made aware of these requirements.	Closed	After the compliance review 2019-2020, the council has taken the following actions into practice: During Manager's meeting, the CEO re-iterated the Council staff responsibility to adhere to Local Government (Accounting) Regulations compliance. Further instructions were given to ensure Managers and Supervisors would refocus themselves regarding the procurement policies of Tiwi Islands Regional Council including Local Governemnt legislation. Relevant Manager's and Supervisors will co-ordinate and engage the Finance Branch when processing or dealing with contracts to ensure full compliance at all times. For all procurement over \$10 000 but less than \$100 000, the Council is now obtaining three (3) quotations. If it is not possible to obtain three quotes for a particular reason then the Council is writing the reasons for not obtaining three quotes. In terms of record keeping, the Council saves quotation and other documentations with necessary explanation in the tech 1 software system.
2	The council did not comply with the tender process requirements of regulation 29 of the Accounting Regulations	The CEO must review council's internal procurement processes and ensure all staff involved in the tendering process are made aware of legislated requirements, council approved policies and procedures. Council must inform the inspectors in writing by 30 April 2020 as to what steps have been taken by the CEO to ensure all staff have been made aware of the applicable legislation and council's internal policies.	Closed	The council calls for tender when any supply to the council cost \$100,000 or more. The council puts the tender notice available to the public through local newspaper, online newspaper and council website to cover the broader community in to attention. The notice contains a statement to the effect that notice of the successful tender will be published on the council's website.Four (4) panel members have been approved and appointed by the Council in order to open, undertake tender assessment and report to the Council on the tenders. The council accept the tender by written notice to the person who submitted the successful tender; and give notice of the successful tender, in writing to each other person who submitted a tender; and by publishing the notice on the council's website. The council display the name of the person who submitted the successful tender; give notice of the successful tender in writing to each other person who submitted a tender; and by publishing the notice on the council's website with the successful tenderer name and the tender price.
3	No purchase orders were raised for a significant amount of purchases.	The CEO must review internal processes and procedures to ensure all staff involved in the council's procurement process are made aware of the requirement to raise purchase orders as per council's policy. Council must inform the inspectors in writing by 30 April 2020 as to what steps have been taken by the CEO to ensure the adequate implementation and adherence with council's internal controls and policies.	Closed	Following the Compliance Review, Council has implemented strict procedures regarding purchases and proper controls. Managers have been directed to plan ahead to ensure that purchasing follows Council's procurement processes, which is assisted by the Purchasing Officer. Purchase orders are raised for all purchases except regular procurement (e.g. electricity, telephone, rent, insurance).
4	Council's recruitment process is not compliant with the requirements of the Act and council's HR policies	The CEO must review council's recruitment process and practices and its record keeping system to ensure all staff recruitment action is based on merit, and that the selection process is fair and equitable; and all documents relating to recruitment action is properly made and recorded in council's official record keeping system. By 30 April 2020, the council must advise the inspectors of the steps the CEO has taken to ensure all future recruitment, selection and promotions are in compliance with the Act and council's internal HR policies.	Closed	Recruitment procedure is now compliant with Local Government legislation and Council's HR policy. Request to fill (RTF), Advertisement of position, Job Description, Matching of CV to selection criteria, referee checks and letter of offer all in accordance with sections 104 and 105 of the Local Government Act 2008.

Sr. No.	Issues	Recommendation	Status	Council's Action & Responses
5	A number of documents were incomplete or missing from council's Human Resource files of employee promotions and terminations	The CEO must review council's staff management practices to ensure staff are not being subjected to arbitrary or capricious decisions. The CEO must also review council's record keeping system to ensure all records relating to staff promotions and terminations are properly made and recorded. By 30 April 2020 the council must advise the inspectors in writing what steps the CEO has taken to ensure all future terminations and promotions of employees are not based on arbitrary or capricious decisions; and that record keeping practices are in compliance with all applicable legislation and policies.	Closed	Council's record keeping system has been reviewed and instructions have been given to HR staffs to maintain documentation in Council's Human Resource files relating to promotions and terminations. We always follow a fair and equitable process during recruitment by remaining in accordance with Sections 104 and 105 of the Local Government Act of 2008, the Fairwork Act 2009, Australian Human Rights Commission Act 1986, the Superannuation Guarantee Act 1992, the Work Health and Safety Act 2011, the Privacy Act 1988, and all other relevant acts. We also have a recruitment policy and relevant recruitment forms for each stage of the process. The TIRC would like to address 'Closing the gap' whilst maintaining a merit based process. To do so, we decided to advertise all ongoing and fixed term positions (internally or externally). The recruitment process always begins by placing a request to fill and checking the available funding before moving to the next step. Only after these initial steps are performed will the position be advertised. Applications will be collected and applicants will be shortlisted by the appointed recruitment panel. After the interview process and referee checks are complete, the job will be offered to the preferred candidate. From there, the new candidate will go through the induction and on boarding process.
6	Council's Accounting and Policy manual (APM) needs to be reviewed and updated.	The CEO must review and update council's Accounting and Policy manual and ensure staff are aware of any changes. By 30 April 2020, the council must provide a copy of the updated Accounting and Policy manual to the inspectors.	Closed	Council has agreed with Inspector's recommendation and amended the Accounting and Policy Manual (APM). The updated Accounting and Policy Manual was to be provided to the Compliance team at their follow up visit. The manual was formally endorsed by Council at its April meeting 2020.
7	Travel allowance payment rates are not in line with Council's Travel and Accommodation Delegation Policy	The CEO must immediately review travel allowance rates to ensure all payments are in line with council's policy and the ATO rates. The CEO must communicate these changes to ensure staff and members are aware of these changes. By 30 April 2020, the council must confirm to the inspectors in writing that the CEO has corrected the travel allowance payment rates to be in line with council's approved Travel and Accommodation Policy 015 and ATO rates.	Open	At present Travel and Accommodation Delegation Policy is under preparation stage we will align all our travel allowance payment rates in accordance with ATO prevailing rates.
8	The requirements of the Council's Travel and Accommodation Delegation Policy were not followed for all travel activities.	The CEO has failed to ensure Council's Travel and Accommodation Delegation Policy is consistently followed by Council staff and elected members. As a result, Council records are not being properly made and maintained. The failure to acquit travel by employees and elected members leads to poor controls over expenditure and a lack of accountability over the use of public money.	Open	TIRC Staff have been instructed to acquit their travels by completing and signing the Travel Acquittal section of the Movement Requisition & Acquittal Form (FIN005). In addition, staffs are advised to complete all sections of the FIN005 in order to comply with the Council's policy requirements. New processes were introduced in the Travel desk management. Travel Desk Coordinator has been following when the acquittals are outstanding. We will ensure the same is reinforced in our New Travel Policy as well.
9	Council elected members have been paid a sitting fee from an external body through council payroll	1. By 29 February 2020, the Council must confirm to the inspectors in writing no further payments will be made to elected members outside their official allowances. 2. Immediately following receipt of reimbursement of costs from Tiwi Partners, advise the inspectors of the date and actual amount of the reimbursement.	Closed	As from 1 January 2020, Council has stopped receiving any sitting fee from Tiwi Partners and it is no longer in place. For information purposes, sitting fees were reimbursed through PO provided by TIRC Finance. The arrangement has ceased and is no longer in place.

Sr. No.	Best Practice Items	Recommendation	Status	Council's Action & Responses
1	Review of Accident/Incident Reports from 1 July to 30 September 2019 revealed that reports were not signed by the Supervisor / Manager as an evidence of action taken by them as required by section 7 of page 24 & 25 of the TIRC's Human Resources Manual. It is also noted that there were no evidence that reportable incidents have been notified to the Work Health Authority as required by section 7 of the Human Resources Manual.	It is recommended that Council comply with its procedures of "Safety and Health Incident Reporting" as outline in the Council's Human Resources Manual.	Open	This constitutes high risk to the council & Council is committed to take this with extreme care. The council aims to address this by engaging a subject matter expert for extensive review with recommendations to make sure the council is fully compliant with this issue.
2	It was found from the testing of the Credit Card transactions that there was no signed declaration by card holders acknowledging the responsibilities and obligations of Council's Credit Card Policy.	Credit card holders should sign the declaration attached in the council's policy indicating the understanding of cardholders as being aware of the credit card policy.	Open	Our credit card acquittals are signed by credit card user mentioning " I confirm that the above expenditure is a bona fide Council expense" . Further we will incorporate additional express disclosure to the acknowledgement of responsibilities and obligations of Council's Credit Card Policy by the user of Credit Card.This will ensure all the fundamental basic principles of government expenditure are re-inforced while acquitting the credit card expenditure.
3	It was found during testing of Credit Card reconciliations, not all cards were being reconciled in a timely manner.	Credit card reconciliations should be performed consistently in a timely manner. It is suggested this be done no later than two weeks after the period end of each statement cycle.	Open	We have initiated a strict follow up for the Credit Card reconciliations. Since April 2024 all our Credit cards are signed & acquitted within 2 weeks after the period of each statement cycle. TIRC is committed to achieve the recommended timeline in cosistent manner going forward as well.This will help Council to self-maintain higher standards of reporting.

3 REPORTS FOR INFORMATION

ITEM NUMBER: 3.4

TITLE: Review – Draft Terms of Reference Audit and Risk Management Committee

AUTHOR: Gina McPharlin, Chief Financial Officer

PURPOSE

The Audit and Risk Management Committee (ARMC) is asked to review the draft Audit and Risk Management Committee Terms of Reference.

BACKGROUND

The Local Government Act 2019 sets out the requirements of the Council to have an Audit Committee.

86 Audit Committee

- 1) A council must, by resolution, establish and maintain an audit committee
- (2) An audit committee consists of the persons appointed, by resolution, by the Council to be members of the Committee.
- (3) The members of an audit committee may consist of, or include, persons who are not members of the Council.
- (4) However, the chairperson of an audit committee must not be a member of the Council or a member of the Council's staff.
- (5) The terms and conditions on which a person holds office as a member of an audit committee are to be determined by the Council.
- (6) The Council may, by resolution, abolish an audit committee.
- (7) The Council must establish or abolish an audit committee in accordance with any guidelines that the Minister may make.

87 Nature of Committee's functions

An audit committee has the following functions in relation to a council:

- (a) to monitor and review the integrity of the Council's financial management;
- (b) to monitor and review internal controls;
- (c) to make recommendations to the Council about any matters the Committee considers, which require the Council's consideration as a result of the Committee's functions under paragraphs (a) or (b).

88 Control and direction by the Council

An audit committee is subject to control and direction by the council.

89 Procedures

Subject to any direction by the Council, an audit committee may determine its own procedures.

ISSUES/OPTIONS/CONSEQUENCES

Tiwi Islands Regional Council (TIRC) ARMC Terms of Reference were last reviewed and approved by Council in March 2018. This document does not take into account changes in legislation following the implementation of the Local Government Act 2019.

The ARMC Terms of Reference has been amended to align with the Local Government Act 2019 and associated regulations.

The Committee is asked to review the draft.

RECOMMENDATION

The Committee reviews the draft Terms of Reference.

ATTACHMENTS

1. Attachment 3. Terms of Reference [**3.4.1** - 7 pages]
2. Attachment 4. Position Description ARMC - Independent Representative [**3.4.2** - 2 pages]
3. Attachment 5. Position Description ARMC - Chairperson [**3.4.3** - 3 pages]
4. Attachment 6 - Draft TIRC Terms of Reference ARMC [**3.4.4** - 13 pages]



Tiwi Islands Regional Council Audit & Risk Management Committee

Tiwi Islands Regional Council Audit & Risk Management Committee Terms of Reference

Introduction

The Tiwi Islands Regional Council (Council) has established an Audit and Risk Management committee pursuant to Regulation 10 of the Local Government (Accounting) Regulations and Section 54 of the Local Government Act.

The Audit and Risk Management Committee is an independent advisory body established by Council under the Local Government Act and Regulations. The Audit and Risk Management Committee provides an important independent role between Council and its management and between Council and its community.

Purpose

The purpose of the Audit and Risk Management Committee is to provide independent assurance and advice in relation to Council's:

- Risk Management
- Internal Control
- Governance arrangements and performance frameworks
- Financial management and statements
- Legislative and Policy Compliance
- Internal audit
- External audit

The Audit and Risk Management Committee will provide assurance as to the achievement of Regulation 10 (1) requirements such as the need for internal controls that:

- safeguard the assets of the council;
- ensure the accuracy, completeness and reliability of the accounting data;
- promote the operational efficiency of the council;
- ensure compliance with relevant laws in force in the Territory; and
- ensure adherence to council policies.

The Audit and Risk Management Committee will also support the requirements of Regulation 10 (3) and monitor Council compliance with:

- proper standards of financial management; and
- relevant regulations and the Accounting Standards.

The Audit and Risk Management Committee can assist in identifying areas where changes are required to strengthen internal controls and management systems and practices as well as reduce Council's exposure to various financial, operational, compliance and performance risks.



Tiwi Islands Regional Council Audit & Risk Management Committee

The Audit and Risk Management Committee is an Advisory Committee and does not have executive powers or authority to implement actions in areas which management has responsibility and does not have any delegated financial responsibility. The Audit and Risk Management Committee does not have any management functions and is independent from management.

The Audit and Risk Management Committee will play a role to assist in the development of:

- a culture of performance, accountability, transparency, high ethical standards, compliance with laws and policies and integrity; and
- good financial and corporate governance practices across the ongoing operations of the Council.

Membership

Members of the Audit and Risk Management Committee are appointed by the Council. The Audit and Risk Management Committee shall consist of five (5) members:

- three (3) Councillors; and
- two (2) external Independent Members being an Independent Chairperson and a 2nd Independent Member.

Independent Members of the Audit and Risk Management Committee shall have senior executive experience and knowledge in areas including corporate governance, internal control and risk management, financial management, budgeting and reporting, operational and business management. They will also have experience in the role and functions of audit committees and an understanding of the regulatory and operational setting of Regional Councils.

Term of Appointment and Termination of Committee Members

- Appointments of external independent members to the Audit and Risk Management Committee shall be for a term of up to four years and no less than 2 years. The appointment may be terminated by the Council should the member miss two (2) consecutive meetings without an accepted apology, unable to be contacted when organizing a meeting or for any other cause reasonably considered by Council.
- Appointments of Councillors shall be for a term of two years or until the end of the term of the Council, whichever is the lesser. Committee members cease being a member of the committee if they are no longer an elected member of the Council. The appointment may be terminated by the Council should the member miss two (2) consecutive meetings without an accepted apology or for any other cause reasonably considered by Council.

Authority

The Council authorises the Audit and Risk Management Committee, within the scope of its role and responsibilities, through the Chairperson, to:

- seek any information it requires from any employee of the Regional Council or external third party (subject to any legal obligations to protect information);
- discuss any matters with the external auditor, or other external parties (subject to confidentiality considerations);

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- request the attendance of any employees, including the Chief Executive Officer, at Audit Committee meetings; and
- obtain external legal or other independent professional advice with the agreement of the Chief Executive Officer.

The Committee is directly responsible and accountable to the Council for the exercise of its responsibilities. In carrying out its responsibilities, the Committee must at all times recognise that primary responsibility for management of Council rests with the Chief Executive Officer.

The Committee can perform or instigate investigations on Council's request.

Specific Roles and Responsibilities

Without prescribing the work and priorities of the Audit and Risk Management Committee (which will need to be determined having regard to the particular circumstances relevant to the Council), the committee will give consideration to and make recommendations to Council on findings on the following matters:

Risk Management

- whether management has in place a current and comprehensive enterprise risk management framework and associated procedures for effective identification and management of the entity's business and financial risks, including fraud;
- whether a sound and effective approach has been followed in managing major risks including those associated with individual projects, program implementation, and activities;
- the impact of the Council's enterprise risk management framework on its control environment;
- whether a sound and effective approach has been followed in establishing business continuity planning arrangements, including whether business continuity and disaster recovery plans have been periodically updated and tested;
- the process of developing and implementing fraud control arrangements and whether appropriate processes and systems are in place to detect, capture and effectively respond to fraud-related information.

Internal Control

- whether management's approach to maintaining an effective internal control framework, including over external parties such as contractors and advisers, is sound and effective;
- the adequacy of strategic and operational planning, its integration with risk management practices and the means by which performance against plans is monitored and assessed;
- whether management has in place relevant policies and procedures, including Chief Executive's Instructions or their equivalent, and that these are periodically reviewed and updated;



Tiwi Islands Regional Council Audit & Risk Management Committee

- whether the appropriate processes are in place to assess whether key policies and procedures (including delegations) are complied with;
- how management identifies any required changes to the design or implementation of key internal controls; and
- whether management has taken steps to embed a culture that promotes the proper use of resources and is committed to ethical and lawful behaviour.

Financial Management and Reporting

- the adequacy of key internal controls and that the financial statements are supported by appropriate management sign-off;
- the quality and clarity of the financial statements, explanations and disclosures, and provide advice to the Chief Executive (including whether appropriate action has been taken in response to audit recommendations and adjustments);
- the processes in place designed to ensure that financial information included in annual report is consistent with the signed financial statements;
- the consistency of, and any changes to, accounting policies;
- the methods used to account for significant or unusual transactions where different approaches are possible;
- whether the Council has followed appropriate accounting standards and made appropriate estimates and judgments, taking into account the views of the external auditor; and
- for the Chair to meet with Council on an annual basis or when requested by Council to report on the activities of the ARMC.

Legislative and Policy Compliance

- the effectiveness of the system for monitoring compliance with relevant laws, regulations and associated government policies that the Council must comply with;
- whether management has appropriately considered legal and compliance risks as part of the entity's enterprise risk management plan;
- review the process for building the capacity of Council to manage misconduct risk and its management strategies to enhance resistance to misconduct while at the same time improving Council performance and integrity;
- whether there are adequate systems and practices to achieve compliance with Funding Agreements, Service Level Agreements or any other agreements with any funding bodies or agencies;

Internal and External Audit

- act as a forum for communication between the Council, senior management and internal and external audit;
- review the proposed internal audit coverage, ensure the coverage is aligned with key risks, and recommend approval of the Annual Work Plan by the Chief Executive;
- advise the Chief Executive on the adequacy of internal audit resources to carry out its responsibilities, including completion of the approved internal audit work plan;



Tiwi Islands Regional Council Audit & Risk Management Committee

- review all audit reports and provide advice to the Council and Chief Executive on significant issues identified in audit reports and action to be taken on issues raised, including identification and dissemination of good practice;
- monitor management's implementation of audit recommendations;
- periodically review the internal audit charter and internal audit performance to ensure appropriate authority, access and reporting arrangements are in place;
- provide input and feedback on financial statement and performance audit coverage proposed by external audit, and provide feedback on the audit services provided; and
- provide advice to the Chief Executive on action to be taken on significant issues raised in relevant audit reports.

Provision of Information

The CEO will advise the committee in the event of the following:

- any material deviations from the key financial or operational plans of the Council;
- any significant change in risks to the financial or operational capacity of the Council;
- any identified significant weakness in the Council's internal control systems;
- any material adverse financial or operational event; and
- any changes to key financial management and operating systems.

The Audit and Risk Management Committee will be provided with all Council meeting agenda, business papers and minutes and with copies of any changes to Council policies.

Meetings

A meeting of the Audit and Risk Management Committee can be called at the request of any two members of the Committee or by the Chair.

The Audit and Risk Management Committee will hold meetings at least three times in a year.

Meetings can be held in person, by telephone, or by video conference and be chaired by the Independent Chairperson. Should the Independent Chairperson not be in attendance then the meeting will be chaired by the 2nd Independent Member.

Only members of Audit and Risk Management Committee are entitled to vote in Audit Committee meetings. Unless otherwise required by the Act not to vote, each member must vote on every matter that is before the Committee for decision.

The Chief Executive Officer, the Director responsible for corporate governance matters and the Finance Manager shall be invited to attend each meeting, unless specifically requested not to do so by the chairperson of the Committee.

Quorum

A quorum for the Audit and Risk Management Committee is three members and must include at least 1 Independent Member.



Tiwi Islands Regional Council Audit & Risk Management Committee

Proxies

In order to ensure continuity and a useful level of knowledge and experience, Audit and Risk Management Committee members are not permitted to send proxies to the meeting.

Administrative Support

The Chief Executive Officer will appoint a Secretary to provide administrative support to the Audit and Risk Management Committee.

Reporting

Following each meeting of the Audit and Risk Management Committee, a report from the Chairman, including the minutes of the meeting, will be presented to the Council providing information on the meeting and its outcomes.

The Chairperson of the Audit and Risk Management Committee shall prepare and provide an annual report on its operations to the Council.

Conflict of Interest

In accordance with Section 74(1) of the Local Government Act, Committee members will be invited to disclose conflicts of interest at the commencement of each meeting.

Where members or invitees at Committee meetings are deemed to have a real or perceived conflict of interest, they will be excused from Committee discussions on the issue where a conflict of interest exists.

Meeting Sitting Fee

The Independent Members of the Audit and Risk Management Committee will be remunerated by agreement with the CEO.

Appropriate travel allowances will be paid to Members.

On attendance, each eligible Councillor who is an Audit and Risk Management Committee Member will be paid extra meeting allowance for that meeting.

Committee Performance and Review

The Committee will review its performance on an annual basis and report to Council.

The review may be conducted as a self-assessment, and will be coordinated by the Chairperson. The assessment may also seek input from other parties.

The review will also include a review of the Terms of Reference for the Audit and Risk Management Committee.

New members will receive relevant information and briefings on their appointment to assist them to meet their Committee responsibilities.

Legislation referenced in the Terms of Reference

Local Government Act

Local Government (Accounting) Regulations

Audit Committees General Instructions No.3

TIRC – Audit & Risk Management Committee - Terms of Reference – Approved 21 March 2018

Doc ID 203154



Tiwi Islands Regional Council Audit & Risk Management Committee

Document Control

Doc ID	Review Date	Date Approved	Versions	Endorsed by
203154		28-02-2017	1	Council
	28-11-2017	28-11-2018	2	Council
	14-02-2018	21-03-2018	3	Council



TIWI ISLANDS REGIONAL COUNCIL

POSITION DESCRIPTION

TITLE: AUDIT & RISK MANAGEMENT COMMITTEE – INDEPENDENT REPRESENTATIVE

CLASSIFICATION: APPOINTMENT AGREEMENT

1. PURPOSE

The independent representative members of the Audit and Risk Management Committee are appointed by Council and are responsible for fulfilling the duties and responsibilities under the Audit and Risk Management Committee Charter and relevant legislation. In discharging these responsibilities, each independent representative member must foster an effective working relationship with the Chairperson, other committee members, management and the external auditors.

2. KEY RESPONSIBILITIES

The Audit and Risk Management Committee Independent Representative is responsible for:

- Attending Audit and Risk Management Committee meetings.
- Prepare for all meetings by reading and understanding material distributed to them.
- At the request of the Chairperson, meet or be available for discussion with the Chairperson, other members, management or the external auditor between meetings of the Committee.
- Whenever necessary to facilitate the effective performance of the Committee's duties, attends meetings, workshops or briefings of the Council.
- Engage in discussion and contribute to the debate at meetings so that all matters on the agenda are dealt with effectively and appropriately.
- Engage in regular assessments of the effectiveness of the Committee's performance.
- Support the Chairperson in promoting a Committee culture characterized by:
 - o The willingness of each member to use his or her best efforts in carrying out his or her duties as a member of the Committee;
 - o The Committee's insistence on the highest level of integrity, accountability and honesty in the actions of the Committee;
 - o Respect and trust among the members, management and the external auditor;

- o The candid and timely sharing of information among the members of the Committee, management and external auditor;
- o Acceptance by all members of the Committee of the right of every member to hold and express a dissenting opinion; and
- o A commitment to best governance practices.

3. DELEGATED AUTHORITY

The Audit and Risk Management Committee and Independent Representative has no authority to act independent of Council and can only act in areas covered by the Audit Committee Charter and Policy.

4. AUTHORITY AND ACCOUNTABILITY

To be effective, it is important that the Audit and Risk Management Committee operates in an environment of co-operation and trust.

5. REQUIREMENTS OF THE POSITION

- a. Skills
 - High level managerial skills to work independently, exercise initiative and meet deadlines.
 - Excellent communication skills, both verbal and written.
 - The ability to interpret legislative requirements and develop appropriate strategies and responses.
- b. Knowledge
 - The role of Local Government.
 - Experience in budget management, organisational design and risk management.
 - Occupational health, safety and welfare and equity and diversity policies and practises.

6. WORKPLACE HEALTH, SAFETY AND WELFARE

Effective implementation of a workplace health and safety program requires the active involvement of all. Everyone has an obligation to comply with statutory and organisational requirements, procedures and rules that are introduced to protect the health and safety of people at the workplace, including the general public.

Everyone is responsible and accountable for:

- Complying with Council's procedures for risk identification, risk assessment and risk control.
- Participation in activities associated with the management of workplace health and safety.
- Identification and reporting of health and safety risks, accidents, incidents, injuries, property damage and mishaps at Council.

7. PERFORMANCE STANDARDS

- The extent to which the stated key responsibilities are achieved.
- The quality of reports and advice provided to Council.



TIWI ISLANDS REGIONAL COUNCIL

POSITION DESCRIPTION

TITLE: **AUDIT & RISK MANAGEMENT COMMITTEE - CHAIRPERSON**

CLASSIFICATION: **APPOINTMENT AGREEMENT**

1. PURPOSE

The Audit and Risk Management Committee is an independent advisory body established by the Tiwi Islands Regional Council under the Local Government Act and Regulations.

The committee plays an important role providing advice to Council on key areas including finance, risk management, compliance and internal controls.

Council appoints an independent chairperson to lead the committee for a period of between two and four years. The Chairperson will use their experience to assess and manage risk, they will advise Council on effective strategies or compliant courses of actions.

This role requires effective communication skills to engage with internal and external stakeholders. The Chairperson will lead committee meetings and report any recommendations from the committee to Council.

2. KEY RESPONSIBILITIES

The Audit and Risk Management Committee Chairperson is responsible for:

- Recommending to the elected members and Chief Executive Officer on the selection and the appointment of an external additional Audit and Risk Management Committee members;
- Assist committee members to maintain a good understanding of the Tiwi Islands Regional Council objectives, business needs, risks and priorities;
- Settle the agenda for each meeting with the committee secretariat;
- Lead discussion and encourage the participation of other members, and focus the committee's deliberations on the most important issues;
- Seek the input of observers or other experts to maximise their contribution to the deliberations of the committee;

- Summarise discussion outcomes and actions, including assigning responsibility and timeframes for actions;
- Report formally and informally to the elected members and Chief Executive Officer;
- Attend formal and informal meetings with the Chief Executive Officer, General Managers and external auditor as required; and
- Arrange for a periodic review of the effectiveness of the Audit and Risk Management Committee against its charter.

3. DELEGATED AUTHORITY

The Audit and Risk Management Committee and Chairperson has no authority to act independent of Council and can only act in areas covered by the Audit and Risk Management Committee Charter and Policy.

4. AUTHORITY AND ACCOUNTABILITY

To be effective, it is important that the Audit and Risk Management Committee operates in an environment of co-operation and trust. This is generally achieved when the Audit and Risk Management Committee Chairperson promotes an open and cooperative relationship with senior management, other entity committees, and the external auditor.

5. REQUIREMENTS OF THE POSITION

- a. Skills
 - High level managerial skills to work independently, exercise initiative and meet deadlines.
 - Excellent communication skills, both verbal and written.
 - The ability to interpret legislative requirements and develop appropriate strategies and responses.
- b. Knowledge
 - Demonstrate effective management of teams including multi – disciplinary teams.
 - Proven experience negotiating with external agencies and customer groups and delivering results in a complex environment.
 - Significant experience in budget and program management.
 - High level understanding of occupational health, safety and welfare and equity and diversity policies and practises.
- c. Experience / Qualifications
 - Desirable qualification up to Bachelor Degree level in business management / administration or finance.
 - Ability to deal with several issues/projects concurrently.

6. WORKPLACE HEALTH, SAFETY AND WELFARE

Effective implementation of a workplace health and safety program requires the active involvement of all. Everyone has an obligation to comply with statutory and organisational requirements, procedures and rules that are introduced to protect the health and safety of people at the workplace, including the general public.

Everyone is responsible and accountable for:

- Complying with Council's procedures for risk identification, risk assessment and risk control.
- Participation in activities associated with the management of workplace health and safety.
- Identification and reporting of health and safety risks, accidents, incidents, injuries, property damage and mishaps at Council.

7. PERFORMANCE STANDARDS

- The extent to which they stated key responsibilities are achieved.
- The quality of reports and advice provided to Council.



AUDIT & RISK MANAGEMENT COMMITTEE TERMS OF REFERENCE

TIWI ISLANDS REGIONAL COUNCIL

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1. Role

The Tiwi Islands Regional Council's Audit & Risk Management Committee (ARMC) is created as an advisory committee as per provisions in the Local Government Act 2019 (the Act) and the Local Government (General) Regulations 2021 (the Regulations). Its role is to monitor Tiwi Islands Regional Council's (TIRC) compliance with financial and accounting regulations and standards, as well as any other matters related to the integrity of Council's internal risk controls.

2. Responsibilities

The Committee provides recommendations to Council and the Chief Executive Officer (CEO) that assist in the governance of TIRC, and the exercising of due care, diligence and skill in relation to:

- i) Internal Control and Risk Management
- ii) Internal Audit
- iii) External Reporting
- iv) External Audit
- iv) Compliance with Standards

These responsibilities are expanded upon in the appendix.

3. Composition of the Committee

The Committee will comprise of a minimum of three (3) and not more than six (6) TIRC Elected Members, an independent external Chair, and an Independent Member. At least one member of the Committee will be a qualified accountant holding current accounting certification (CPA or CA). In addition to this, at any given time, either the Chair or Independent Member should reside in the Northern Territory at the time of

their appointment, and during the course of their membership on the Committee. All appointments to the Committee including any external members and the appointment of the Chair shall be approved by Council resolution. The Council can at any time appoint a stand-in or replacement Elected Member to act as a proxy member for the elected representative members of the Committee. Independent Members are appointed on the basis of professional qualities and skills, and proxies are not permitted if the Independent Member is unable to attend meetings.

In addition to the Committee members, the following Council staff may attend Committee meetings:

- i) Chief Executive Officer
- ii) Chief Financial Officer
- iii) Governance Co-Ordinator

The Committee will receive secretariat support from Council staff. Additionally, internal and external auditors may be invited to attend the Committee's meetings at the discretion of the Committee members.

4. Committee Meetings & Reporting to Council

A quorum at each Committee meeting will be the smallest integer greater than half of the total number of Committee members. In the Chair's absence from a meeting, the members of the Committee present at the meeting will select a Chair for that particular meeting. Meetings of the Committee may be held face-to-face or through any technological means by which members can participate in a discussion. The notice and agenda of each meeting will be made available to Committee members at least three (3) business days before each meeting. All Committee meetings are to be open to the public unless they are considered confidential as per provisions in section 293(1) of the Act division 2 of the Regulations.

The Committee may invite any persons to attend its meetings as it sees fit, and consult with other persons or seek any information it considers necessary to fulfil its responsibilities. The Committee members may meet separately with the external audit provider and/or head of internal audit to discuss issues of mutual interest, without attendance by management (TIRC staff).

To ensure that the Committee finalizes its activities within any stipulated timeframes in the Act and Regulations. The Committee's secretariat will work with the Chair and the CEO to prepare an annual work plan for the Committee before the start of each financial year.

The Committee should meet at least three times a year to:

- i) Review the draft audited financial statements and auditors report at year end set the audit agenda and the Committee's work plan. (This should be done within a reasonable time to ensure compliance with section 290 of the Act and regulations 15 and 16 of the Regulations.)
- ii) Meet with the auditors, discuss findings and review the draft audited financial statements that will be presented to Council for approval. (This should be done within a reasonable time to ensure compliance with section 290 of the Act and regulations 15 and 16 of the Regulations).
- iii) Monitor the implementation of any audit recommendations accepted by Council and undertake matters that the Committee is responsible for as per the Committee's work plan.
- iv) Undertake matters that the Committee is responsible for (for example, review compliance with legislation, contracts, best practices, TIRC policies and so forth as per the Committee's work plan.

The minutes of each Committee meeting should be prepared as per requirements in regulation 59 of the Regulations. The Chair should review the minutes within five to seven (5-7) business days after receipt from the secretariat. The secretariat is to ensure the minutes of Committee meetings are available on Council's website within ten (10) business days after the meeting to which they relate, to comply with section 102(2) of the Act.

The Committee Chair is to report to the Council following each Committee meeting to comply with section 101(4) of the Act. The manner of reporting may be by distribution of a copy of the minutes of the meeting supplemented by other written information if necessary, including any recommendations requiring Council action and/or approval.

The Committee Chair is to review, and if necessary amend, information regarding the Committee which is to be included in the Tiwi Islands Regional Council Annual

Report. The due date for the required information will be included in the Committee's work plan.

5. Voting Rights of Committee Members

All Committee members (elected members and independent members) have equal voting rights on the Committee. Any matters requiring a decision will be decided by a majority of votes of members present. In the event of a tie, the Chair has the casting vote.

6. Term of Appointment and Termination of Committee Members

The term of membership for elected members will be the term of the Council, which is four (4) years elected members will be appointed to the Committee at the first Ordinary Council Meeting following the Local Government General Election. Membership of an elected member ceases if they are no longer an elected member.

The independent Chair and independent member should not be TIRC elected members or staff. Independent members will be appointed by Council for a maximum period of four (4) years after suitable candidates are interviewed following a public call for expressions of interest. The appointment of independent members will be approved by Council resolution, and may be renewed or terminated by Council subject to their appointment agreements.

7. Performance & Review

The Committee will review its performance at least once every two years. This review may be conducted as a self-assessment, and will be coordinated by the Chair. The assessment may seek input from the CEO, the external audit provider, management and any other relevant stakeholders as determined by the CEO.

Professional development of the Committee's members is necessary to ensure that all members receive the training that they need to understand and carry out their roles on the Committee. Accordingly, elected members of the Committee will have reasonable access to technical and professional development events to help them keep up to date with legislative, accounting and other relevant issues. The Chair will monitor the Committee's training needs, and work with the CEO to provide opportunities for professional development and training. Independent members of

the Committee are expected to maintain their own professional development requirements.

8. Remuneration of the Committee Members

TIRC's elected members of the Committee shall be remunerated for their attendance at Committee meetings in accordance with Council's Allowances and Expenses (Elected, Local Authority and Committee Members) Policy. The rate payable is specified annually in Council's Regional Plan and Budget.

The remuneration rate and conditions of the independent members are based on the C1 daily rate in the Northern Territory Statutory Bodies Classification Structure.

https://cmc.nt.gov.au/_data/assets/pdf_file/0005/440087/ntg-statutory-bodies-classified-for-remuneration-purposes.PDF

Independent members should provide invoices before payments are processed.

9. Committee Access to Council Records & Resources

Council authorises the Committee, through the Chair, to:

- i) Seek any information it requires from:
 - a) Any employee. All employees of the council are directed to co-operate with any request made by the committee, and
 - b) External parties;
- ii) Obtain outside legal or other independent professional advice with the agreement of the Council.

Additionally, the CEO will advise the committee members in the event of following:

- i) Loss of significant programs
- ii) Material theft
- iii) Adverse financial event

10. Conflict of Interest

Committee members will be asked to disclose conflicts of interest at the commencement of each meeting. Ongoing conflicts of interest need not be declared at each meeting once acknowledged. Where members or invitees at Committee meetings are deemed to have a real or perceived conflict of interest, they will be excused from Committee discussions and deliberations on the issue where a conflict of interest exists.

As per section 110 (1) of the Act, elected members of the Committee should submit an annual return of interests within 60 days of the elected member's election, and no later than 30 September each year. The submission must be in the prescribed form as outlined in regulation 106 of the Regulations. Independent members of the Committee should submit an annual return of interests by 30 September each year. The submission must be in the prescribed form as outlined in regulation 107 of the Regulations.

11. Review of Terms of Reference

The Committee shall review its terms of reference every two (2) years to provide assurance that it remains consistent with Council's objectives and responsibilities. The Committee shall also review its terms of reference to ensure compliance with any legislative changes.

A-1. Appendix 1 - Detailed Responsibilities - ARMC

The timelines and due dates for the following responsibilities will be outlined in the Committee's work plan.

A-1.1 Internal Control and Risk Management

- ❖ Assess the internal processes for determining and managing key risk areas, particularly:
 - compliance with laws, regulations, standards and best practice guidelines, including; industrial relations laws;
 - important judgements and accounting estimates;
 - litigation and claims;
 - fraud and theft; and
 - Relevant business risks other than those that are dealt with by other specific Council committees.
- ❖ Based on the risk assessment undertaken by the Council, ensure that the areas of the region that are under TIRC's jurisdiction have an effective risk management system and that significant or material risks are reported back at least annually to the Council.
- ❖ Whenever applicable, obtain and assess management reports on any suspected or actual fraud, theft or breaches of laws, and recommend appropriate actions.
- ❖ Address the effectiveness of the internal control, risk management and performance management systems with management and the internal and external audit providers.
- ❖ Evaluate the process TIRC has in place for assessing and continuously improving internal controls, particularly those related to areas of significant risk.

- ❖ Assess whether management has controls in place for unusual types of transactions and/or any potential transactions that may involve an unacceptable degree of risk.
- ❖ Assess the effectiveness of and compliance with the corporate ethical conduct as per Council's policies.
- ❖ Meet periodically with key management, internal and external auditors and compliance staff to understand and discuss the control environment.
- ❖ Review the adequacy of periodical internal financial reports.
- ❖ Review compliance with internal policies, plans and procedures.
- ❖ Review the delegations of Council staff members.

A-1.2 Internal Audit

- ❖ Make recommendations to Council on the appointment, remuneration and monitoring of the effectiveness and independence of internal audit.
- ❖ Be satisfied that sufficient funds are available to enable an effective, comprehensive and complete audit to be conducted for the areas identified for internal audit review.
- ❖ Communicate the Committee's expectations to the internal auditor in writing, via the Office of the CEO.
- ❖ Ensure the internal audit function (whether internal or external) reports directly to the Committee.
- ❖ Review the internal auditor's charter and resourcing (including qualifications, skills, experience, funding and equipment).
- ❖ Review and approve the scope of the internal audit strategic plan and annual work program.

- ❖ Monitor the progress of the internal audit plan and work program and consider the implications of internal audit findings for the control environment.
- ❖ Monitor and assess management's responsiveness to internal audit findings and recommendations.
- ❖ Evaluate the process for monitoring and assessing the effectiveness of the internal audit function.
- ❖ Ensure that the internal audit and the external audit programs are appropriately coordinated to achieve maximum effectiveness; and avoid duplication.
- ❖ Provide the opportunity for Committee members to meet with the internal auditor and external auditor without management personnel being present at least once a year.

A-1.3 External Reporting

- ❖ Consider the appropriateness of accounting policies and principles and any amendments thereto, as well as the methods of applying those policies/principles, ensuring that they are in accordance with the stated financial reporting framework.
- ❖ Assess significant estimates and judgements in financial reports by enquiring of management about the process used in making material estimates and judgements and then enquire of the internal and external auditors the basis for their conclusions on the reasonableness of management's estimates.
- ❖ Assess management explanations for unusual transactions or significant variances from prior year results or current year budget.
- ❖ Review management's processes for ensuring and monitoring compliance with laws, regulations and other requirements (including Australian Accounting Standards and the Local Government Act and its Regulations) relating to external reporting of Council's financial and non-financial Information.

- ❖ Assess information from internal and external auditors that affects the quality of financial reports (for example, actual and potential material audit adjustments, and financial report disclosures, noncompliance with the laws and regulations, internal control issues).
- ❖ Ask the external auditor for an independent judgement about the appropriateness, not just the acceptability, of the accounting principles used and the clarity of the financial disclosure practices used or proposed to be used by Council as put forward by management.
- ❖ Assess the management of non-financial information in documents (both public and internal) to ensure the information does not conflict with the financial statements or other documents.
- ❖ Recommend to Council whether the statutory audited financial and non-financial statements should be signed by the CEO based on the Committee's assessment of them.
- ❖ Monitor disclosures of related-party transactions.

A-1.4 Compliance with Standards

All activities and responsibilities of the Committee are to be performed to the standards published by the Council, relevant accounting and auditing standards and relevant legislation.

A-2. Appendix 2 - Work Plan – ARMC

Draft Template - For Calendar Year 2024

Action	Link to Terms of Reference	Meeting 1	Meeting 2	Meeting 3	Responsible Officer
Audit Committee Performance					
Committee Self-assessment					
Setting of annual meeting dates					
Review of Terms of Reference (Every 2 Years)					
Training & Development plan					
Review of annual work plan					
External Audit					
External audit letter					
Annual financial statements					
Meeting with Auditors					
Internal controls					
Internal Audit					
External audit action plan update					
Strategic Internal audit Plan					
Risk Management					
Review of Strategic and operational risk register					

END OF THE DOCUMENT

4 NEXT MEETING

5 CLOSURE