AGENDA

AUDIT AND RISK MANAGEMENT COMMITTEE MEETING

MONDAY 23 DECEMBER 2024

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

- Monday 23 December 2024
- in Tiwi Islands Regional Council Darwin Office
- Commencing at 12:00 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 of Senior Officer have any conflicts of interest to declare at this point of procedings?

2.1 Audit and Risk Management Committee held on 31 October 2024
{item-no} {item-title}

That the minutes of the {item-title} as circulated, be confirmed as a true and correct record of that meeting.

MINUTES OF THE AUDIT AND RISK MANAGEMENT COMMITTEE MEETING HELD IN THE TIWI ISLANDS REGIONAL COUNCIL DARWIN OFFICE ON THURSDAY 31 OCTOBER 2024 AT 12:00 AM

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1 WELCOME & APOLOGIES

1.1 Welcome and Opening of Meeting

The meeting opened at 09.30.

1.2 Present

Audit & Risk Committee Meeting	
Aswin Kumar	Independent Chairperson
David Blair	Independent Member
Mayor Lynette De Santis	Milikapiti Ward
STAFF	
Gina McPharlin	Chief Executive Officer
Jayesh Vasandani	Acting Chief Financial Officer
GUESTS	
MunLi Chee	Auditor

1.3 Apologies

Absent

Deputy Mayor Leslie Tungutulum	Bathurst Ward
Councillor Therese Bourke	Pirlangimpi Ward

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

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(c) the nature of the question on which the conflict of interest arises.

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

2 CONFIRMATION OF PREVIOUS MINUTES

2.1 Audit and Risk Management Committee held on XX
{item-no} {item-title}

That the minutes of the {item-title} as circulated, be confirmed as a true and correct record of that meeting.

3 GENERAL BUSINESS

4 REPORTS FOR INFORMATION

4.1 Draft Annual Audited Financial Reports - FY 2023-24

ARMC/6 **RESOLUTION**

Moved: Aswin Kumar
Seconded: David Blair

- ***That the Committee receive & note the Draft Annual Audited Financial Reports - FY 2023-24.***
- ***That the Audit and Risk Management Committee recommend the draft to Council.***

CARRIED

4.2 Draft Audit Closing Report to the Council for the year ended 30 June 2024

ARMC/7 **RESOLUTION**

Moved: Aswin Kumar
Seconded: David Blair

That the Committee notes and reviews the matters identified in the Audit Closing Report

CARRIED

5 NEXT MEETING

Monday 23 December 2024

6 CLOSURE

The meeting closed at 11.15.

3 GENERAL BUSINESS

4 REPORTS FOR INFORMATION

ITEM NUMBER: 4.1

TITLE: Update on Matter relating to Audit Recommendation

AUTHOR: Jayesh Vasandani, Acting Chief Finance Officer

Recommendation

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

Summary

This report provides an update and deliberate on recommendations included in FY 2023-24 Audit Closing Report of Tiwi Islands Regional Council (TIRC)

BACKGROUND

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

ISSUES/OPTIONS/CONSEQUENCES

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

1. TIRC Audit Observations Tracker F Y 23-24 20.12.2024 [**4.1.1** - 4 pages]

TIRC – Audit Observations during Audit of Financial Year FY 2023-2024

Sr. No.	Key Issue	Risk Category	Observation	Status	Response
1	Conflict of Interest	High	Observation : We note the Register of Conflicting Interest maintained by Council has not been updated since May 2022.	Closed	We have updated our Conflict of Interest Register.
2	End of Month Process Reviews – Cash on Hand	Moderate	Supporting evidence was not provided for Cash on Hand Nguiu balance of $974.39	Closed	The council has approved the write off of $974.39. Appropriate measures are in place to ensure the regular cash deposits.
3	Grant Agreements	Moderate	As part of the audit requirements, 22 out of 50 sampled grant agreements to substantiate the grant income received in FY 2024 by the Council were not readily available.	On Going	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 persue to opportunity to seek out the legacy data for old agreements as well
4	Information Technology General Controls	Moderate	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 3 out of 38 users have access limits exceeding their delegation limits as per the Council's Financial Delegation Policy.	On Going	We have fully complied with this observation.

Key Issue	Key Issue	Risk Category	Observation	Status	Response
5	Long Service Leave	Moderate	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 in this audit.	On Going	We have fully complied with this observation
6	Accumulation of Leave Balances	Moderate	In the review of the provision for leave entitlements, it was noted that 12 employees (2023: 14 employees) had annual leave balances in excess of 300 hours (40 days) with the highest leave balance being 732 hours (2023: 720 hours).	On Going	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. Leave balances of Key positions often gets accumulated because of inherent limitations of council being remote island based & backup staff availability & 2nd line development.

Key Issue	Key Issue	Risk Category	Observation	Status	Response
7	**Review of Policies, Procedures, and Registers**	Moderate	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. Audit & Risk Management Committee - Terms of Reference – March 2018 Audit & Risk Management Committee Work Plan Program – last updated May 2019. Register of Conflicting Interest – May 2020 Fraud Protection – May 2022 Area Risk Registers – August 2022 Vehicle Acquisition & Disposal – August 2022 Risk Management – September 2022 Corporate Credit Card – September 2022 Rates Concession Policy – October 2022 Travel & Accommodation Delegation – October 2023 Code of Conduct – Elected Members, Local Authorities and Council Committee Members – January 2024	In Progress	Audit & Risk Management Committee - Terms of Reference – Work In Progress Audit & Risk Management Committee Work Plan Program – Work In Progress. Register of Conflicting Interest – Completed. Fraud Protection – Work In Progress Area Risk Registers – Work In Progress Vehicle Acquisition & Disposal – Yet to commence. Risk Management – Work In Progress Corporate Credit Card – Work In Progress Rates Concession Policy – Yet to commence Travel & Accommodation Delegation – Completed Code of Conduct – Elected Members, Local Authorities and Council Committee Members – Work In Progress. Overall We are aiming for finish all our Review of Council Policy & Procedures & Registers before June 2024.
8	Rental Agreements	Low	Based on our assessment of leases and testing of property lease income, it was identified that 2 out of 14 rental agreements have expired and not renewed despite rent continuing and the Council receiving payments from the tenants.	In Progress	We have been working in this area since July 2023 as a continual improvement. We are ensuring on time followups on rental agreement renewals.

Key Issue	Key Issue	Risk Category	Observation	Status	Response
9	Asset Estimated Useful Lives	Low	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.	In Progress	We will update our Asset useful life as per the Audit recommendations.
10	Payroll Process	Low	Based on our review of internal controls over payroll process, it was found in 8 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. Based on our review of internal controls over payroll process, it was found in 2 out of 10 samples that overtime hours were not approved by the General Manager. Authorising overtime hours is part of the Council's procedure to ensure that remuneration is paid appropriately.	Ongoing / Completed	Ongoing - We will ensure the Timesheet " Entered "Stamp is marked for every timesheet processed in the system. Completed - Our Delegation Manual is updated to give authority to Department Manager to approve Staff Overtime.
11	Unexpended Grants Reserve *(2020)	Low	The Council has adopted AASB 15 Revenue from Contracts with Customers and AASB 1058 Income of Notfor- 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.	Ongoing	We are working towards creating the unexpended grant reserve. This will appear in this 2025 financials .

*Reported in prior years (year reported is in brackets)

5 NEXT MEETING

6 CLOSURE