



AGENDA

**AUDIT AND RISK MANAGEMENT
COMMITTEE MEETING**

FRIDAY, 8 APRIL 2022

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

- Friday, 8 April 2022 at
- TBA
- Commencing at 10:30am

Your attendance at the meeting will be appreciated.

Valerie Rowland
Chief Executive Officer

AGENDA

1 WELCOME & APOLOGIES

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

2 GENERAL BUSINESS

- 2.1 ADOPTION OF THE 2021 FIRST AMENDED BUDGET 3
- 2.2 COMPLIANCE REVIEW S RECOMMENDATION 13

3 REPORTS FOR INFORMATION

- 3.1 UPDATE ON MATTER RELATING TO AUDIT RECOMMENDATIONS 37
- 3.2 STRATEGIC RISK PROFILE 39

GENERAL BUSINESS

ITEM NUMBER	2.1
TITLE	Adoption of the 2021 first Amended budget
REFERENCE	243270
AUTHOR	Bala Donepudi, Chief Financial Officer



SUMMARY

The Objective of this report is to provide an update to the Committee on the first budget review adopted by the Council.

BACKGROUND

In accordance with Division 4 of NT Local Government (General) Regulations 2021, Council must adopt its first budget review for that particular financial year on or before the 31st December of that year.

ISSUES/OPTIONS/CONSEQUENCES

The first review of the council budget is done. The Budget is showing a Small surplus of 3,349. The council is projected to operate within its financial means as required by the NT local government Act.

Some of the Key Assumptions are

- Rate increases of 7% for the year.
- All other funding contracts broadly in line with Initial budget
- \$240,000 for inter-island ferry income
- \$415,500 in contract fees (including airport maintenance and inspection and Centrelink
- Fuel sales of \$335,000
- Total expected salary and wages of \$6,723,235
- \$41,000 for Maintenance to Street Lighting
- \$452,000 in total councillor allowances, including full (conservative) provision for meetings and professional development allowance

CONSULTATION & TIMING:

N/A

RECOMMENDATION:

That the Committee discusses and provides further comments on 2021-22 First Budget Review.

ATTACHMENTS:

1 2021-22 first Amended Budget.pdf 9 Pages



Tiwi Islands Regional Council Budget 2021/2022



2021 - 2022 Annual Budget by Account Category



Description	Current Annual Budget				Proposed Annual Budget			
	Income	Expense	Allocations	Total	Income	Expense	Allocations	Total
Income Rates and Charges	2,898,772	0	0	2,898,772	2,952,462	0	0	2,952,462
Income Council Fees and Charges	1,241,250	0	0	1,241,250	1,695,850	0	0	1,695,850
Income Operating Grants Subsidies	7,001,262	0	0	7,001,262	8,151,959	0	0	8,151,959
Income Contributions Donations	4,000	0	0	4,000	0	0	0	0
Income Reimbursements and Others	4,000	0	0	4,000	9,986	0	0	9,986
Income Agency and Commercial Service	1,097,350	0	0	1,097,350	954,650	0	0	954,650
Inc Sale of Assets	0	0	0	0	5,000	0	0	5,000
Employee Expenses	0	6,293,771	0	(6,293,771)	0	6,723,235	0	(6,723,235)
Contract and Material Expenses	0	3,915,815	0	(3,915,815)	0	4,877,323	0	(4,877,323)
Finance Expenses	0	7,654	0	(7,654)	0	7,654	0	(7,654)
Communication Expenses	0	356,231	0	(356,231)	0	369,369	0	(369,369)
Asset Expense	0	2,041,825	0	(2,041,825)	0	2,041,825	0	(2,041,825)
Miscellaneous Expenses	0	1,588,051	0	(1,588,051)	0	1,542,853	0	(1,542,853)
Net Surplus/(Deficit)	12,246,634	14,203,347	0	(1,956,713)	13,769,907	15,562,259	0	(1,792,352)
Capital Expense	0	1,345,000	0	(1,345,000)	0	1,001,304	0	(1,001,304)
Add Back Depreciation	0	(2,041,825)	0	2,041,825	0	(2,041,825)	0	2,041,825
Net Cash Surplus/(Deficit)	12,246,634	13,506,522	0	(1,259,888)	13,769,907	14,521,738	0	(751,831)
Grants Carried Forward	1,262,492	0	0	1,262,492	755,180	0	0	755,180
Restricted Cash brought forward	1,262,492	0	0	1,262,492	755,180	0	0	755,180
Total Surplus/(Deficit)	13,509,126	13,506,522	0	2,604	14,525,087	14,521,738	0	3,349

2021 -22 Annual Budget by Sector



Description	Current Annual Budget				Proposed Annual Budget			
	Income	Expense	Allocations	Total	Income	Expense	Allocations	Total
Chief Financial Officer	5,157,869	4,922,377	680,006	915,498	5,207,099	5,303,540	664,506	568,061
Chief Financial Officer	0	241,303	(15,500)	(256,803)	0	243,518	(15,500)	(259,018)
Manager Finance	5,153,869	3,606,596	272,344	1,819,617	5,203,099	3,791,711	272,344	1,683,732
Manager Org Dev Chge	0	402,625	(64,500)	(467,125)	0	494,683	(64,500)	(559,183)
Grants and Policy	0	96,318	(15,500)	(111,818)	0	96,318	(15,500)	(111,818)
Manager Corp Info	4,000	575,534	503,162	(68,372)	4,000	677,310	487,662	(185,648)
Infrastructure	5,360,246	6,292,276	25,338	(906,692)	6,701,689	7,173,697	40,838	(431,170)
Infrastructure	2,957,646	1,224,686	(192,162)	1,540,798	3,335,231	1,668,496	(176,662)	1,490,073
Shire Services Manager Melville	652,200	844,009	0	(191,809)	936,556	890,598	0	45,958
Shire Services Manager Bathurst	779,500	1,429,430	(219,500)	(869,430)	1,193,936	1,840,963	(219,500)	(866,527)
Fleet Building Service:	516,400	2,249,679	556,500	(1,176,779)	582,512	2,263,542	556,500	(1,124,530)
Outstations Coordinator	434,500	511,371	(119,500)	(196,371)	588,700	468,243	(119,500)	95,957
Manager Community Engagement	20,000	33,100	0	(13,100)	64,754	41,854	0	22,900
Chief Executive Officer	4,000	1,020,185	(160,000)	(1,176,185)	0	1,005,581	(160,000)	(1,165,581)
Chief Executive Officer	4,000	294,195	(64,000)	(354,195)	0	293,812	(64,000)	(357,812)
Manager Gov Compl	0	725,990	(96,000)	(821,990)	0	711,769	(96,000)	(807,769)
Community Development and Services	1,724,519	1,928,098	(545,344)	(748,923)	1,861,119	2,039,031	(545,344)	(723,256)
Infrastructure	0	0	0	0	238,600	238,600	0	0
Community Engagement	3,000	157,819	(60,000)	(214,819)	3,000	7,749	(60,000)	(64,749)
Manager Sport, Recreation	199,544	154,420	(54,184)	(9,060)	199,544	155,569	(54,184)	(10,209)
Manager Community Engagement	1,521,975	1,615,859	(431,160)	(525,044)	1,419,975	1,637,113	(431,160)	(648,298)
Not Applicable	0	40,411	0	(40,411)	0	40,411	0	(40,411)
Not Applicable	0	40,411	0	(40,411)	0	40,411	0	(40,411)
Net Surplus/(Deficit)	12,246,634	14,203,347	0	(1,956,713)	13,769,907	15,562,259	0	(1,792,352)
Capital Expense	0	1,345,000	0	(1,345,000)	0	1,001,304	0	(1,001,304)

Page 1 of 6

2021 -22 Annual Budget by rectora



Description	Current Annual Budget				Proposed Annual Budget			
	Income	Expense	Allocations	Total	Income	Expense	Allocations	Total
Chief Financial Officer	0	535,000	0	(535,000)	0	535,000	0	(535,000)
Infrastructure	0	810,000	0	(810,000)	0	466,304	0	(466,304)
Add Back Depreciation	0	(2,041,825)	0	2,041,825	0	(2,041,825)	0	2,041,825
Chief Financial Officer	0	(2,041,825)	0	2,041,825	0	(2,041,825)	0	2,041,825
Net Cash Surplus/(Deficit)	12,246,634	13,506,522	0	(1,259,888)	13,769,907	14,521,738	0	(751,831)
Grants Carried Forward	1,262,492	0	0	1,262,492	755,180	0	0	755,180
Chief Financial Officer	522,500	0	0	522,500	587,879	0	0	587,879
Infrastructure	738,267	0	0	738,267	49,720	0	0	49,720
Community Development and Services:	1,725	0	0	1,725	117,581	0	0	117,581
Total Surplus/(Deficit)	13,509,126	13,506,522	0	2,604	14,525,087	14,521,738	0	3,349

Page 7

2021 - 2022 Annual Budget by Local Authority



Description	Current Annual Budget				Proposed Annual Budget			
	Income	Expense	Allocations	Total	Income	Expense	Allocations	Total
Wurrumiyanga	829,470	3,142,736	102,000	(2,211,266)	941,568	4,067,462	102,000	(3,023,894)
Chief Financial Officer	236,720	200,392	0	36,328	235,400	281,415	0	(46,015)
Infrastructure	592,250	1,930,792	151,500	(1,187,042)	705,668	2,656,224	151,500	(1,799,056)
Chief Executive Officer	0	288,526	(30,000)	(318,526)	0	288,526	(30,000)	(318,526)
Community Development and Service	500	723,027	(19,500)	(742,027)	500	841,298	(19,500)	(860,298)
Pirangimpi	580,700	1,253,080	125,750	(546,630)	726,756	1,166,738	125,750	(314,232)
Chief Financial Officer	57,950	147,950	0	(90,000)	57,950	73,932	0	(15,982)
Infrastructure	412,750	626,221	151,000	(62,471)	558,806	632,979	151,000	76,827
Chief Executive Officer	0	100,081	(15,000)	(115,081)	0	100,081	(15,000)	(115,081)
Community Development and Service	110,000	378,828	(10,250)	(279,078)	110,000	359,746	(10,250)	(259,996)
Milikapiti	918,510	1,579,302	44,250	(616,542)	1,011,550	1,614,758	44,250	(558,958)
Chief Financial Officer	65,210	85,210	0	(20,000)	64,800	142,234	0	(77,434)
Infrastructure	762,300	1,042,253	132,000	(147,953)	855,750	1,016,984	132,000	(29,234)
Chief Executive Officer	0	112,863	0	(112,863)	0	112,863	0	(112,863)
Community Development and Service	91,000	338,976	(87,750)	(335,726)	91,000	342,677	(87,750)	(339,427)
Regional (Including Outstations)	9,917,954	8,228,228	(272,000)	1,417,726	11,090,033	8,713,301	(272,000)	2,104,732
Chief Financial Officer	4,797,989	4,488,825	680,006	989,170	4,848,949	4,805,960	664,506	707,495
Infrastructure	3,592,946	2,693,010	(409,162)	490,774	4,581,465	2,867,510	(393,662)	1,320,293
Chief Executive Officer	4,000	518,715	(115,000)	(629,715)	0	504,111	(115,000)	(619,111)
Community Development and Service	1,523,019	487,267	(427,844)	607,908	1,659,619	495,310	(427,844)	736,465
Not Applicable	0	40,411	0	(40,411)	0	40,411	0	(40,411)
Net Surplus/(Deficit)	12,246,634	14,203,347	0	(1,956,713)	13,769,907	15,562,259	0	(1,792,352)
Capital Expense	0	1,345,000	0	(1,345,000)	0	1,001,304	0	(1,001,304)
Wurrumiyanga	0	475,000	0	(475,000)	0	475,000	0	(475,000)
Milikapiti	0	60,000	0	(60,000)	0	60,000	0	(60,000)

Page 1 of 8

2021 - 2022 Annual Budget by Local Authority



Description	Current Annual Budget				Proposed Annual Budget			
	Income	Expense	Allocations	Total	Income	Expense	Allocations	Total
Regional (Including Outstations)	0	810,000	0	(810,000)	0	466,304	0	(466,304)
Add Back Depreciation	0	(2,041,825)	0	2,041,825	0	(2,041,825)	0	2,041,825
Regional (Including Outstations)	0	(2,041,825)	0	2,041,825	0	(2,041,825)	0	2,041,825
Net Cash Surplus/(Deficit)	12,246,634	13,506,522	0	(1,259,888)	13,769,907	14,521,738	0	(751,831)
Grants Carried Forward	1,262,492	0	0	1,262,492	755,180	0	0	755,180
Wurrumiyanga	350,000	0	0	350,000	431,963	0	0	431,963
Pirangimipi	90,000	0	0	90,000	15,982	0	0	15,982
Milikapiti	80,000	0	0	80,000	137,434	0	0	137,434
Regional (Including Outstations)	742,492	0	0	742,492	169,801	0	0	169,801
Total Surplus/(Deficit)	13,509,126	13,506,522	0	2,604	14,525,087	14,521,738	0	3,349

2021- 22 Annual Budget by Pie Charts



Description	Amount																								
<p>Total Tied & Untied Funding</p> <p>Income by Account Category</p> <div style="display: flex; justify-content: space-between;"> <div style="width: 45%;"> <table border="1" style="margin-top: 10px; width: 100%; border-collapse: collapse;"> <caption>Income by Account Category Data</caption> <thead> <tr> <th>Account Category</th> <th>Amount</th> <th>Percentage</th> </tr> </thead> <tbody> <tr> <td>Income Reimbursements and Others</td> <td>\$8,151,959</td> <td>59%</td> </tr> <tr> <td>Income Rates and Charges</td> <td>\$2,952,462</td> <td>22%</td> </tr> <tr> <td>Income Council Fees and Charges</td> <td>\$1,695,850</td> <td>12%</td> </tr> <tr> <td>Income Agency and Commercial Services</td> <td>\$954,650</td> <td>7%</td> </tr> <tr> <td>Income Operating Grants Subsidies</td> <td>\$9,986</td> <td>0%</td> </tr> <tr> <td>Inc Sale of Assets</td> <td>\$5,000</td> <td>0%</td> </tr> </tbody> </table> </div> <div style="width: 45%;"> <ul style="list-style-type: none"> ■ Income Operating Grants Subsidies ■ Income Rates and Charges ■ Income Council Fees and Charges ■ Income Agency and Commercial Services ■ Income Reimbursements and Others ■ Inc Sale of Assets </div> </div>		Account Category	Amount	Percentage	Income Reimbursements and Others	\$8,151,959	59%	Income Rates and Charges	\$2,952,462	22%	Income Council Fees and Charges	\$1,695,850	12%	Income Agency and Commercial Services	\$954,650	7%	Income Operating Grants Subsidies	\$9,986	0%	Inc Sale of Assets	\$5,000	0%			
Account Category	Amount	Percentage																							
Income Reimbursements and Others	\$8,151,959	59%																							
Income Rates and Charges	\$2,952,462	22%																							
Income Council Fees and Charges	\$1,695,850	12%																							
Income Agency and Commercial Services	\$954,650	7%																							
Income Operating Grants Subsidies	\$9,986	0%																							
Inc Sale of Assets	\$5,000	0%																							
Total Income	\$13,769,907																								
<p>Expense by Account Category</p> <div style="display: flex; justify-content: space-between;"> <div style="width: 45%;"> <table border="1" style="margin-top: 10px; width: 100%; border-collapse: collapse;"> <caption>Expense by Account Category Data</caption> <thead> <tr> <th>Account Category</th> <th>Amount</th> <th>Percentage</th> </tr> </thead> <tbody> <tr> <td>Employee Expenses</td> <td>\$6,723,235</td> <td>41%</td> </tr> <tr> <td>Contract and Material Expenses</td> <td>\$4,877,323</td> <td>30%</td> </tr> <tr> <td>Asset Expense</td> <td>\$2,041,825</td> <td>12%</td> </tr> <tr> <td>Miscellaneous Expenses</td> <td>\$1,542,853</td> <td>9%</td> </tr> <tr> <td>WIP Assets</td> <td>\$1,001,304</td> <td>6%</td> </tr> <tr> <td>Communication Expenses</td> <td>\$369,369</td> <td>2%</td> </tr> <tr> <td>Finance Expenses</td> <td>\$7,654</td> <td>0%</td> </tr> </tbody> </table> </div> <div style="width: 45%;"> <ul style="list-style-type: none"> ■ Employee Expenses ■ Contract and Material Expenses ■ Asset Expense ■ Miscellaneous Expenses ■ WIP Assets ■ Communication Expenses ■ Finance Expenses </div> </div>		Account Category	Amount	Percentage	Employee Expenses	\$6,723,235	41%	Contract and Material Expenses	\$4,877,323	30%	Asset Expense	\$2,041,825	12%	Miscellaneous Expenses	\$1,542,853	9%	WIP Assets	\$1,001,304	6%	Communication Expenses	\$369,369	2%	Finance Expenses	\$7,654	0%
Account Category	Amount	Percentage																							
Employee Expenses	\$6,723,235	41%																							
Contract and Material Expenses	\$4,877,323	30%																							
Asset Expense	\$2,041,825	12%																							
Miscellaneous Expenses	\$1,542,853	9%																							
WIP Assets	\$1,001,304	6%																							
Communication Expenses	\$369,369	2%																							
Finance Expenses	\$7,654	0%																							
Total Expense	\$16,563,563																								
<p>Expense by Local Authority</p> <div style="display: flex; justify-content: space-between;"> <div style="width: 45%;"> <table border="1" style="margin-top: 10px; width: 100%; border-collapse: collapse;"> <caption>Expense by Local Authority Data</caption> <thead> <tr> <th>Local Authority</th> <th>Amount</th> <th>Percentage</th> </tr> </thead> <tbody> <tr> <td>Regional (Including Outstations)</td> <td>\$9,179,605</td> <td>55%</td> </tr> <tr> <td>Wurrumiyanga</td> <td>\$4,542,462</td> <td>28%</td> </tr> <tr> <td>Milikapiti</td> <td>\$1,674,758</td> <td>10%</td> </tr> <tr> <td>Pirlangimpi</td> <td>\$1,166,738</td> <td>7%</td> </tr> </tbody> </table> </div> <div style="width: 45%;"> <ul style="list-style-type: none"> ■ Regional (Including Outstations) ■ Wurrumiyanga ■ Milikapiti ■ Pirlangimpi </div> </div>		Local Authority	Amount	Percentage	Regional (Including Outstations)	\$9,179,605	55%	Wurrumiyanga	\$4,542,462	28%	Milikapiti	\$1,674,758	10%	Pirlangimpi	\$1,166,738	7%									
Local Authority	Amount	Percentage																							
Regional (Including Outstations)	\$9,179,605	55%																							
Wurrumiyanga	\$4,542,462	28%																							
Milikapiti	\$1,674,758	10%																							
Pirlangimpi	\$1,166,738	7%																							
Total Expense	\$16,563,563																								

2021- 22 Annual Budget by Pie Charts



Description	Amount
Tied Funding Only	
Income by Account Category	
	<ul style="list-style-type: none"> Income Operating Grants Subsidies Income Agency and Commercial Services
Tied Income	\$4,671,608
Expense by Account Category	
	<ul style="list-style-type: none"> Contract and Material Expenses Employee Expenses WIP Assets Miscellaneous Expenses Communication Expenses Finance Expenses
Tied Expense	\$4,968,028
Expense by Local Authority	
	<ul style="list-style-type: none"> Regional (Including Outstations) Wurrumiyanga Pirlangimpi Milikapiti
Tied Expense	\$4,968,028

2021- 22 Annual Budget by Pie Charts



Description	Amount																								
<p>Untied Funding Only</p> <p>Income by Account Category</p> <div style="display: flex; align-items: flex-start;"> <div style="flex: 1;"> <table border="1" style="margin-top: 10px; font-size: small;"> <caption>Income by Account Category</caption> <tr><th>Category</th><th>Amount</th><th>Percentage</th></tr> <tr><td>Income Reimbursements and Others</td><td>\$3,486,351</td><td>38%</td></tr> <tr><td>Income Rates and Charges</td><td>\$2,952,462</td><td>33%</td></tr> <tr><td>Income Council Fees and Charges</td><td>\$1,695,850</td><td>19%</td></tr> <tr><td>Income Agency and Commercial Services</td><td>\$948,650</td><td>10%</td></tr> <tr><td>Income Operating Grants Subsidies</td><td>\$9,986</td><td>0%</td></tr> <tr><td>Inc Sale of Assets</td><td>\$5,000</td><td>0%</td></tr> </table> </div> <div style="flex: 0.5; padding-left: 20px;"> <ul style="list-style-type: none"> ■ Income Operating Grants Subsidies ■ Income Rates and Charges ■ Income Council Fees and Charges ■ Income Agency and Commercial Services ■ Income Reimbursements and Others ■ Inc Sale of Assets </div> </div>		Category	Amount	Percentage	Income Reimbursements and Others	\$3,486,351	38%	Income Rates and Charges	\$2,952,462	33%	Income Council Fees and Charges	\$1,695,850	19%	Income Agency and Commercial Services	\$948,650	10%	Income Operating Grants Subsidies	\$9,986	0%	Inc Sale of Assets	\$5,000	0%			
Category	Amount	Percentage																							
Income Reimbursements and Others	\$3,486,351	38%																							
Income Rates and Charges	\$2,952,462	33%																							
Income Council Fees and Charges	\$1,695,850	19%																							
Income Agency and Commercial Services	\$948,650	10%																							
Income Operating Grants Subsidies	\$9,986	0%																							
Inc Sale of Assets	\$5,000	0%																							
Untied Income	\$9,098,299																								
<p>Expense by Account Category</p> <div style="display: flex; align-items: flex-start;"> <div style="flex: 1;"> <table border="1" style="margin-top: 10px; font-size: small;"> <caption>Expense by Account Category</caption> <tr><th>Category</th><th>Amount</th><th>Percentage</th></tr> <tr><td>Employee Expenses</td><td>\$5,338,822</td><td>46%</td></tr> <tr><td>Contract and Material Expenses</td><td>\$2,354,582</td><td>20%</td></tr> <tr><td>Asset Expense</td><td>\$2,041,825</td><td>18%</td></tr> <tr><td>Miscellaneous Expenses</td><td>\$1,437,027</td><td>12%</td></tr> <tr><td>Communication Expenses</td><td>\$299,721</td><td>3%</td></tr> <tr><td>WIP Assets</td><td>\$116,304</td><td>1%</td></tr> <tr><td>Finance Expenses</td><td>\$7,254</td><td>0%</td></tr> </table> </div> <div style="flex: 0.5; padding-left: 20px;"> <ul style="list-style-type: none"> ■ Employee Expenses ■ Contract and Material Expenses ■ Asset Expense ■ Miscellaneous Expenses ■ Communication Expenses ■ WIP Assets ■ Finance Expenses </div> </div>		Category	Amount	Percentage	Employee Expenses	\$5,338,822	46%	Contract and Material Expenses	\$2,354,582	20%	Asset Expense	\$2,041,825	18%	Miscellaneous Expenses	\$1,437,027	12%	Communication Expenses	\$299,721	3%	WIP Assets	\$116,304	1%	Finance Expenses	\$7,254	0%
Category	Amount	Percentage																							
Employee Expenses	\$5,338,822	46%																							
Contract and Material Expenses	\$2,354,582	20%																							
Asset Expense	\$2,041,825	18%																							
Miscellaneous Expenses	\$1,437,027	12%																							
Communication Expenses	\$299,721	3%																							
WIP Assets	\$116,304	1%																							
Finance Expenses	\$7,254	0%																							
Unied Expense	\$11,595,535																								
<p>Expense by Local Authority</p> <div style="display: flex; align-items: flex-start;"> <div style="flex: 1;"> <table border="1" style="margin-top: 10px; font-size: small;"> <caption>Expense by Local Authority</caption> <tr><th>Local Authority</th><th>Amount</th><th>Percentage</th></tr> <tr><td>Regional (Including Outstations)</td><td>\$6,679,485</td><td>58%</td></tr> <tr><td>Wurrumiyanga</td><td>\$2,828,849</td><td>24%</td></tr> <tr><td>Milikapiti</td><td>\$1,313,945</td><td>11%</td></tr> <tr><td>Pirlangimpi</td><td>\$773,256</td><td>7%</td></tr> </table> </div> <div style="flex: 0.5; padding-left: 20px;"> <ul style="list-style-type: none"> ■ Regional (Including Outstations) ■ Wurrumiyanga ■ Milikapiti ■ Pirlangimpi </div> </div>		Local Authority	Amount	Percentage	Regional (Including Outstations)	\$6,679,485	58%	Wurrumiyanga	\$2,828,849	24%	Milikapiti	\$1,313,945	11%	Pirlangimpi	\$773,256	7%									
Local Authority	Amount	Percentage																							
Regional (Including Outstations)	\$6,679,485	58%																							
Wurrumiyanga	\$2,828,849	24%																							
Milikapiti	\$1,313,945	11%																							
Pirlangimpi	\$773,256	7%																							
Untied Expense	\$11,595,535																								

GENERAL BUSINESS

ITEM NUMBER	2.2
TITLE	Compliance Review s Recommendation
REFERENCE	243271
AUTHOR	Bala Donepudi, Chief Financial Officer

**SUMMARY**

The Objective of this report is to provide an update to the council on steps taken to address the Issues raise in the 2019-20 Compliance report.

BACKGROUND

Department of Local Government carried out a compliance review of the Tiwi regional council in October 2019. The Departmental inspectors visited the council officers in Darwin and Wurrumiyanga .They have spoken to all the key staff members .2019-20 Compliance review report has been issued by the department in January-2020. The report that identifies nine issues .

The attachments explain in detail of all the steps that is taken by management to address the issues. The Action taken registers have also been forwarded to the department.

Department has carried out a follow-up visit in November 2020. We are awaiting the report.

ISSUES/OPTIONS/CONSEQUENCES

N/A

CONSULTATION & TIMING

N/A

RECOMMENDATION:

That the Committee discusses and provides further comments on the finding of the compliance review reports

ATTACHMENTS:

- | | | |
|----------|---|----------|
| 1 | 2019-20 Compliance Review Report.pdf | 21 Pages |
| 2 | Compliance Review 2019 Action and Responses.pdf | 2 Pages |

Compliance Review Report

Tiwi Islands regional Council

2019 -2020



Table of Contents

1	Executive Summary.....	3
2	Background.....	3
3	Scope of work	3
4	Basis of testing.....	3
5	Areas of review.....	4
6	Summary of Findings.....	6
7	Attachment A.....	7
	Issue 1.....	7
	Issue 2.....	9
	Issue 3.....	11
	Issue 4.....	12
	Issue 5.....	14
	Issue 6.....	15
	Issue 7.....	16
	Issue 8.....	18
	Issue 9.....	20
8	Attachment B.....	21
	Best Practice Items	21

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

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) form 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.

Compliance Review Report

- 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.

Twi Islands Regional Council				
ISSUES	RECOMMENDATIONS	COUNCIL'S RESPONSE	COUNCIL'S ACTION	Status
<p>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</p> <p>Actioning officer: Ittekkhar</p>	<p>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.</p>	<p>As per recommendation</p>	<p>After the compliance review 2019-2020, the council has taken the following actions into practice:</p> <p>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 Twi Islands Regional Council including Local Government legislation</p> <p>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.</p> <p>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.</p> <p>In terms of record keeping, the Council saves quotation and other documentations with necessary explanation in the tech 1 software system. In addition, the council keeps a hard copy of procurement document in a secured place in the event of preservation.</p> <p>The council calls for tender when any supply to the council cost \$100,000 or more.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>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 tender name and the tender price.</p>	<p>Open</p>
<p>Issue 2 - The council did not comply with the tender process requirements of regulation 29 of the Accounting Regulations</p> <p>Actioning officer: Ittekkhar</p>	<p>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.</p> <p>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.</p>	<p>As per recommendation</p>	<p>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).</p>	<p>Open</p>
<p>Issue 3 - No purchase orders were raised for a significant amount of purchases</p> <p>Actioning officer: Bala</p>	<p>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.</p> <p>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.</p>	<p>As per recommendation</p>	<p>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).</p>	<p>Open</p>
<p>Issue 4 - Council's recruitment process is not compliant with the requirements of the Act and council's HR policies</p> <p>Actioning officer: Harsha</p>	<p>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.</p> <p>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.</p>	<p>As per recommendation</p>	<p>Recruitment procedure is now compliant with Local Government legislation and Council's HR policy. Request to fill (RFT), 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.</p>	<p>Open</p>

<p>Issue 5 - A number of documents were incomplete or missing from council's Human Resource files of employee promotions and terminations</p> <p>Actioning officer: Harsha</p>	<p>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</p> <p>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.</p>	<p>As per recommendation</p>	<p>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.</p> <p>The TRIC 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). For senior management positions, an external recruitment panel will decide roughly 70% of selections. For example, for the recently appointed CFO's position, the recruitment panel consisted of three members. Only one staff member was from the TRIC, while the other two were external panelists.</p> <p>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.</p>	<p>Open</p>
<p>Issue 6 - Council's Accounting and Policy manual (APM) needs to be reviewed and updated</p> <p>Actioning officer: Bala</p>	<p>The CEO must review and update council's Accounting and Policy manual and ensure staff are aware of any changes</p> <p>By 30 April 2020, the council must provide a copy of the updated Accounting and Policy manual to the inspectors</p>	<p>As per recommendation</p>	<p>Council has agreed with inspectors' 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 will be formally endorsed by Council at its April meeting 2020</p>	<p>Open</p>
<p>Issue 7 - Travel allowance payment rates are not in line with Council's Travel and Accommodation Delegation Policy</p> <p>Actioning officer: Bala</p>	<p>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.</p> <p>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, D15 and ATO rates.</p>	<p>As per recommendation</p>	<p>The CEO and CFO already reviewed the Travel Allowance and ensured all payments are in line with the council policy. The CFO is currently working on ATO rates to make sure all payments are in line with ATO CFO and the Grants & Policy manager is working on making necessary changes to the travel policy. The policy will be tabled at the April - 2020 Council meeting</p> <p>The travel allowance rates paid by the Council will be based on the rates determined by the council each financial year. The Travel and Accommodation Delegation Policy will be submitted to the council for consideration and approval at year.</p> <p>Starts have been instructed to acquit their travels by completing and signing the Travel Acquit section of the Movement Requisition & Acquit Form (FIN005). In addition, starts 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. Procurement and compliance officer has been overseeing the travel area to make sure the staff are complying with the travel policy. Monthly Reports are also being prepared by the Procurement and compliance officer.</p>	<p>Open</p>
<p>Issue 8 - The requirements of the Council's Travel and Accommodation Delegation Policy were not followed for all travel activities</p> <p>Actioning officer: Bala</p>	<p>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.</p>	<p>As per recommendation</p>	<p>As from 1 January 2020, Council has stopped receiving any sitting fee from Twi Partners and it is no longer in place. For information purposes, sitting fees were reimbursed through PO provided by TRIC Finance. The arrangement has ceased and no longer in place.</p>	<p>Open</p>
<p>Issue 9 - Council elected members have been paid a sitting fee from an external body through council payroll</p> <p>Actioning officer: Bala</p>	<p>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</p> <p>2. Immediately following receipt of reimbursement of costs from Twi Partners, advise the inspectors of the date and actual amount of the reimbursement</p>	<p>As per recommendation</p>	<p>As from 1 January 2020, Council has stopped receiving any sitting fee from Twi Partners and it is no longer in place. For information purposes, sitting fees were reimbursed through PO provided by TRIC Finance. The arrangement has ceased and no longer in place.</p>	<p>Open</p>

REPORTS FOR INFORMATION

ITEM NUMBER	3.1
TITLE	Update on Matter relating to Audit Recommendations
REFERENCE	243263
AUTHOR	Bala Donepudi, Chief Financial Officer



SUMMARY

To provide an update and deliberate on the recommendations included in the 2021 Audit Closing Report

BACKGROUND

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

ISSUES/OPTIONS/CONSEQUENCES

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

RECOMMENDATION:

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

ATTACHMENTS:

1 Audit Tracking Register (001).pdf 1 Page

Tiwi Islands Regional Council
Report on Status of Audit Recommendations
 Updated on 04.04.2022

Sr. No.	Areas	Observations	Responses
1	Bank Signatories	The Bank Confirmation received from commonwealth bank of Australia as at 30th June 2021, identified 2 former employees as account signatories. This was in respect of the Trust Account.	The former Employee highlighted by the auditors has been removed from the Combiz Account
2	End of Month process Reviews - Fixed Assets & Cash	We understand that there is currently no evidence of review of the monthly fixed asset reconciliations that are prepared as a part of the end of month process. The Trial Balance as at 30 June 2021 included the following accounts that have no supporting evidence Cash on Hand Pirlangimpi \$ 100.00 Cash on Hand Nguiu \$ 974.40	We are working towards the reconciling the Fixed assets as of end of the month. The Office Coordinator Nguiu is advice to submit the monthly reconciliations.
3	Year End Closing Process	We understand that there had been unforeseen delays arising from the finalization of the Trial Balance/ Financial Statements for the year and there are opportunities to improve the year end closing process.	We are planning to Commence the year-end preparations early this year. With monthly reconciliations, we expect this year's closing to be smooth.
4	Accumulation of Leave Balances	In the review of the provision for leave entitlements, it was noted that 12 employees had annual leave balances in excess of 250 hours (33 Days) with the highest leave balance being 528 Hours.	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
5	Internal Control Weakness - Receipts	During our testing of the Council's receipts process, we noted the following exceptions: * Two instances where invoice amount did not match amounts recorded in the general ledger * One instance where the income was recorded to incorrect income account;	we have been changes to the receipt posting process. We introduced an additional checks by the accountant prior to posting.
6	Procurement Policy Review.	During our Audit work, it was noted that the Council's Procurement Policy was not reviewed in accordance with the timetable within the policy. This was scheduled for review in September 2019.	The Policy has been updated and it will tabled in April 2022 Ordinary council meeting
7	Unexpected Grants Reserve	During the Previous Financial Year - the Council adopted AASB 15 Revenue from Contractors and Customers and AASB 1058 Income of Not - for - Profit Entities. As a result of this, any grant received that do not contain sufficiently specific performance obligations are recognized as income immediately, regardless of whether the funds have been extended or not.	We are working towards creating the unexpended grant reserve. This will be appear in this 2022 financials

REPORTS FOR INFORMATION

ITEM NUMBER	3.2
TITLE	Strategic Risk Profile
REFERENCE	243265
AUTHOR	Bala Donepudi, Chief Financial Officer

**SUMMARY**

To provide an update to the committee about the Council's Risk Register

BACKGROUND

David Howie, managing Partner of KPMG has been hired by the council to prepare the TIRC Risk Register. David have carried out an in-depth analysis of the council operations, He has held several meeting the Chief financial officer and the chief executive officer about the risks facing the organisation.

Management is working in expanding the council's Strategic Risk Register .As part pf this exercise responsible officers have been appointed for each strategic area identified in the report.

S.No	Strategic Risk Areas	Responsible officers
1	Be Financially Sustainable	CFO
2	Prevent, Detect & Appropriately respond to Fraud & Misconduct	CFO & Human Resource Manager
3	Design and Implement appropriate Governance	Governance Coordinator
4	Comply with key Regulatory Requirements	CFO
5	Strategically Manage service asset Portfolio	Infrastructure manager & Fleet Manger
6	Protect the safety & Wellbeing of the staff & Public	Human Resource manager & Town service Manager
7	Attract Retain & Develop key staff with Right skills and Culture	Human Resource Manger
8	Restore to BAU after event interrupting Business Continuity	CFO ,Community Service Manger & Town service Manger
9	Effectively attract govern and deliver grant Programs	CFO & Grants Coordinator

Management is working with KPMG to expand the register and implement it across the organisation.

ISSUES/OPTIONS/CONSEQUENCES

Nil

CONSULTATION & TIMING

Nil

RECOMMENDATION:

That the Committee discusses and provides further comments and direction to management on the Risk Register.

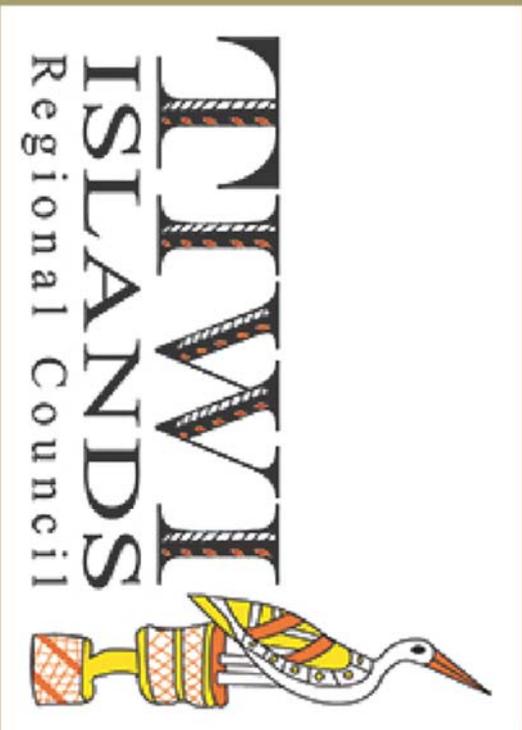
ATTACHMENTS:

1 TIRC20-Strategic Risk Profile Final Report-270220 (002).pdf 17 Pages

Strategic Risk Review

Engagement deliverable

March 2020





Tiwi Islands Regional Council
28 February 2020

Dear Audit Committee Members

Facilitation of strategic risk review
KPMG has now completed the strategic risk review engagement for the Tiwi Islands Regional Council (the Council or TIRC) and present our report of deliverables.

The engagement comprised:

- Formulating the Risk Management Policy which is now available for the Audit Committee's review and approval.
- Formulating the risk assessment rating frameworks (likelihood and consequence frameworks).
- Facilitating the identification of strategic risks and documenting these in a strategic risk register with ratings at a gross and net risk level.
- Presenting at the Audit Committee in November an update of progress.
- Presenting to the Executive Leadership Group (ELG) the risk profiles and confirming the improvement opportunities.
- Presenting to the ELG educational training on tips on how to operationally develop and embed a risk aware culture throughout the organisation.

Key to my approach is ensuring that your resulting risk registers are contemporary, yet **'fit for purpose'** and able to be understood across not only your Executive Management Group and Elected Members, but across the whole council, as risk management is everyone's responsibility.

This pack also provides some insight into the next steps of maturing risk management at the Council.

18 Smith Street
Darwin NT 0800

ABN: 51 194 660 183
Telephone: +61 8 8982 9000

www.kpmg.com.au

In closing I make the following observations:

- The Council have a good ELG with a good knowledge on the theory of risk management and an attitude of 'caring', hence providing a good foundation for strategic success with risk management.
 - The key areas to focus on in the next 3-4 months are the development of a more robust long term financial plan (LTFP) that includes robust inputs from the business on both opex and capex. To this end the Council also need in parallel to the LTFP robust long term capital plans that feed into it. This will support the Council to move from a reactive Council without any reserves, to one that plans ahead and has the funding to spend when it is needed.
 - The next layer of priority includes:
 - Developing strategies to enhance the culture at the Council amongst its people.
 - Formalise Disaster Recovery and Business Continuity Planning.
- If you have any queries or need more information then please contact us directly.

Yours faithfully

Dave Howie
Partner - Risk
0448 913 075

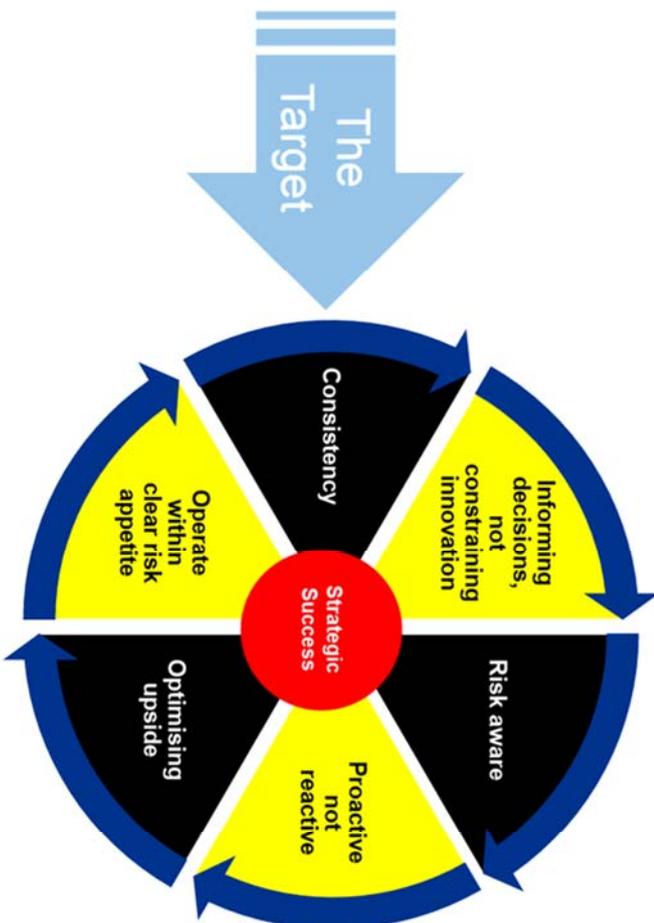
Tiwi Island Regional Council: Strategic Risk Management

Strategy	
2016-2025 Strategic Goals	<ul style="list-style-type: none"> Develop & retain employees & emphasise the recruitment of local people. Provide effective Council services to the Tiwi Communities and other stakeholders. Management of finances, assets & infrastructure will be responsible, accountable & transparent. Manage resources in an environmentally sustainable manner, respecting country & culture Improve Council operations Facilitate the development of socio-economically responsible opportunities on the Tiwi Islands. Communicate in an open, honest & culturally appropriate way
Key Focus Areas	<ul style="list-style-type: none"> Improve financial management and sustainability Statutory compliance Upgrading and maintenance of roads and drainage Improve public transport Deliver services to the community as set out in the annual Regional Council Plans Strengthen relationships with all stakeholders and develop alliances and partnerships for the benefit of the Tiwi community

Strategy:
Sets the intended direction of the organisation

Strategic Risks:
Uncertainties and opportunities that can stop you adopting or executing the strategy

Strategic Risk Management:
Your organisations response to the uncertainties and opportunities



A strategic risk is the threat that an event, action or inaction will adversely affect the organisation from successfully achieving its strategic objectives



Defining Risk Framework

Setting Risk Measurement Framework

Strategic Risk Rating Framework

The consequence of risk is measured as follows...

Consequence Factors	Consequence Category				
	Insignificant	Minor	Moderate	Major	Catastrophic
Council Services – impact on delivery of the right services	Incidental/isolated failure to meet the expectations of Council	Minor failure to achieve the expectations of Council – more regular but adhoc incidents	Moderate failure to achieve the expectations of Council – Regular incidents	Major failure to achieve expectations of Council – Regular and systemic incidents with significant consequence	Significant, systemic failure in achieving expectations of Council – Systemic incidents with extreme/large scale consequence
Regional Plan Initiatives - impact on delivery of the Council's priority initiatives	Challenges, in completing priority initiatives within scheduled timeframes, but still achievable in normal circumstances	Failure to achieve 0% >10% of priority initiatives within scheduled timeframes	Failure to achieve 10% >25% of priority initiatives within scheduled timeframes	Failure to achieve 25% >50% of priority initiatives within scheduled timeframes	Systemic failure over a long period of time to achieve <50% of priority initiatives within scheduled timeframes
Regulatory, legal & internal policy compliance –impact on compliance	An insignificant regulatory, legal or internal policy failure	Minor legal, regulatory or internal policy failure - more regular but segmented incidents	Limited legal, regulatory or internal policy failure - Regular incidents	Major level, regulatory or internal policy failure – possible prosecution by authorities.	Significant, systemic legal, regulatory or internal policy failure – resulting in prosecution by authorities.
Reputation –impact on the Organisation's reputation	An insignificant impact on reputation	An event which could lead to limited adverse media coverage and decline to reputation.	An event leading to significant but intermittent adverse media coverage/ damage to reputation.	An event leading to significant and ongoing (shorter-term) adverse media coverage/ damage to reputation.	An event leading to significant and sustained (longer-term) adverse media coverage/ damage to reputation.
Workplace health and safety –Impact on personal health and safety	An insignificant workplace injury(s) to staff/student and/or loss of morale	Minor workplace injury to staff and/or damage to staff morale that is isolated and can be quickly contained.	An event causing lost time injuries to staff or broader damage to staff morale	An event with potential to cause significant/multiple lost time injuries to staff/ and/or a significant /pervasive reduction in staff morale.	An event with potential to cause multiple deaths to staff.
Management effort – impact on management effort required to respond to an event	An event, the impact of which can be absorbed through normal activity	An event, the consequences of which can be absorbed but management effort is required to minimise the impact.	A significant event which can be managed with concerted effort under normal circumstances.	A critical event which with proper management can be endured with dedication of significant resources	A disaster with potential to lead to significant prolonged business interruption.
Financial –impact on the budget	< 5% of Council budget	5% >10% of Council budget	10% >20% of Council budget	20% >30% of Council budget	>30% of Council budget

Inherent Risk

Residual Risk

A strategic risk is the threat that an event, action or inaction will adversely affect the organisation from successfully achieving its strategic objectives

Strategic Risk Rating Framework

The likelihood of risk is measured as follows...

Likelihood rating	Scale	Indicative frequency (expected to occur)
Almost certain	Is expected to occur in most circumstances	Less than a year or more frequently
Likely	Will probably occur in most circumstances	Once a year
Possible	Aware of instances that have occurred at some time	Once every 3 years
Unlikely	Could occur at some time	Once every 10 years
Rare	May occur only in exceptional circumstances	Once every 20 years

The risk rating is determined by combining likelihood and consequence as follows...

RISK MATRIX					
	Insignificant	Minor	Moderate	Major	Catastrophic
Almost certain	Medium	High	Extreme	Extreme	Extreme
Likely	Medium	High	High	Extreme	Extreme
Possible	Low	Medium	High	High	Extreme
Unlikely	Low	Low	Medium	High	High
Rare	Low	Low	Low	Medium	Medium

Control effectiveness rating helps to determine the net risk rating and is determined as follows...

Control is understood to mean anything which comprises those elements of an organisation (including its resources, systems, processes, culture, structure and tasks) that, taken together, support people in the achievement of the organisation's objectives. The following three levels are used to rate control effectiveness:

Satisfactory	Controls are strong and operating properly, providing a reasonable level of assurance that objectives are being achieved.
Some weaknesses	Some control weaknesses / inefficiencies have been identified. Although these are not considered to present a serious risk exposure, improvements are required to provide a reasonable assurance that objectives will be achieved.
Weak	Controls do not meet an acceptable standard, as many weaknesses/inefficiencies exist. Controls do not provide reasonable assurance that objectives will be achieved.

Controllability

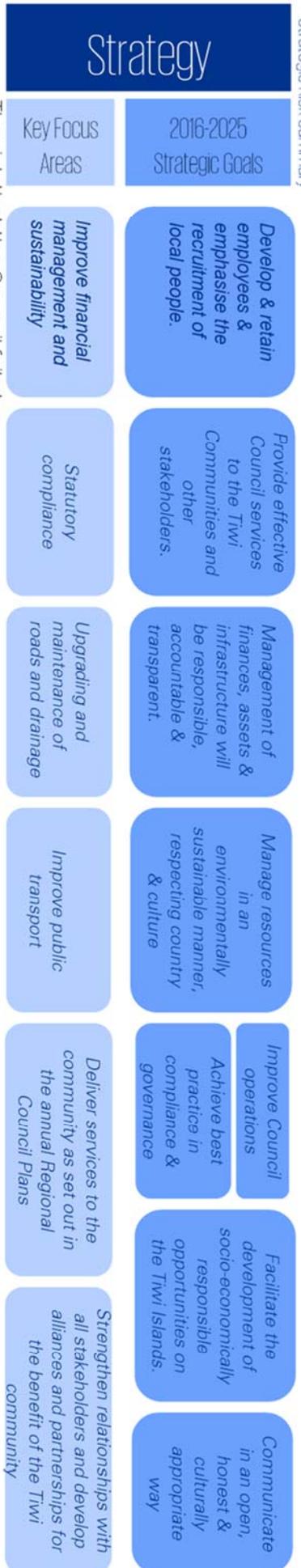
The following three levels are used to rate the capacity of the organisation to influence the risk:

Controllable	Organisation has the capacity to significantly influence the risk rating.
Partially controllable	Organisation has some capacity to influence the risk rating.
Not controllable	Organisation has limited or no capacity to influence the risk rating.

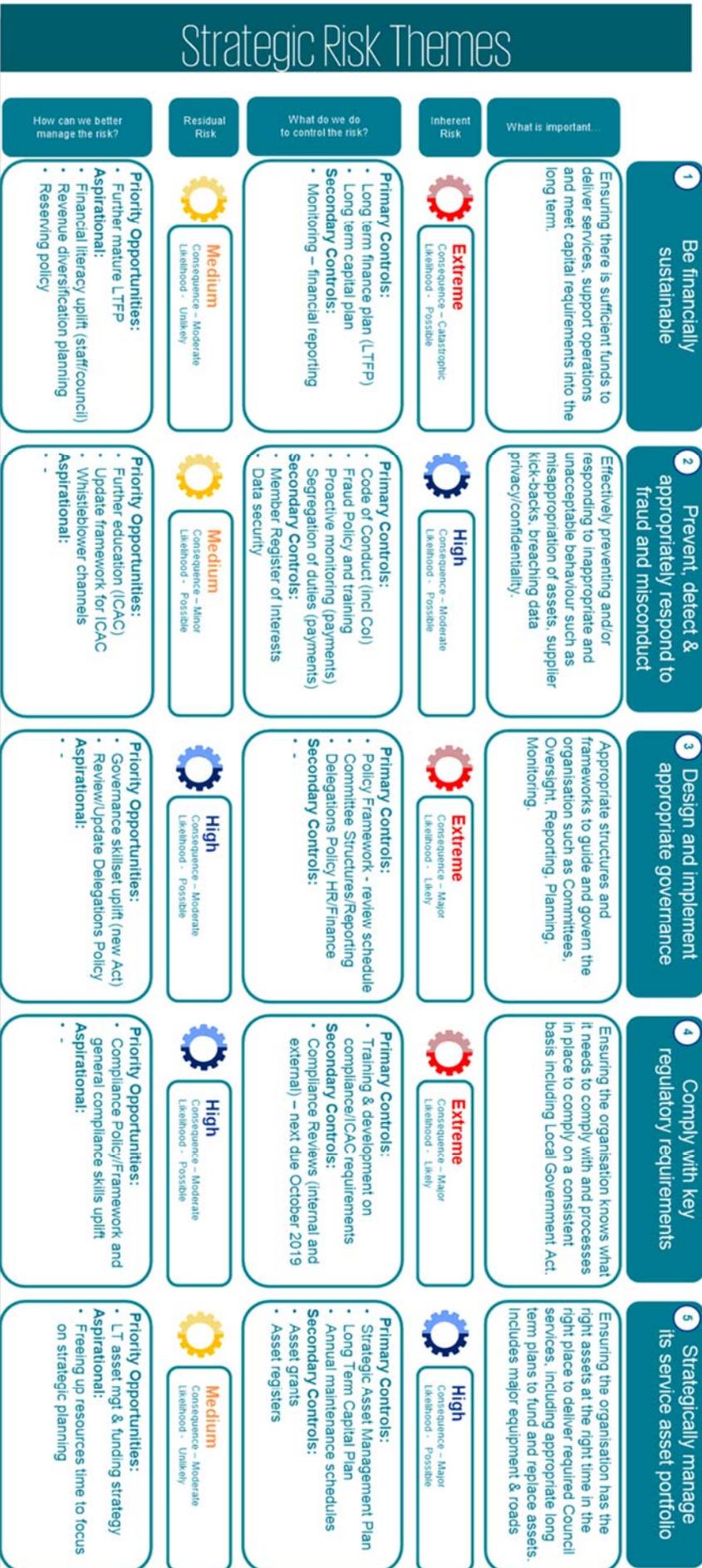
A strategic risk is the threat that an event, action or inaction will adversely affect the organisation from successfully achieving its strategic objectives



Strategic Risk Summary



The risk that the Council fails to...

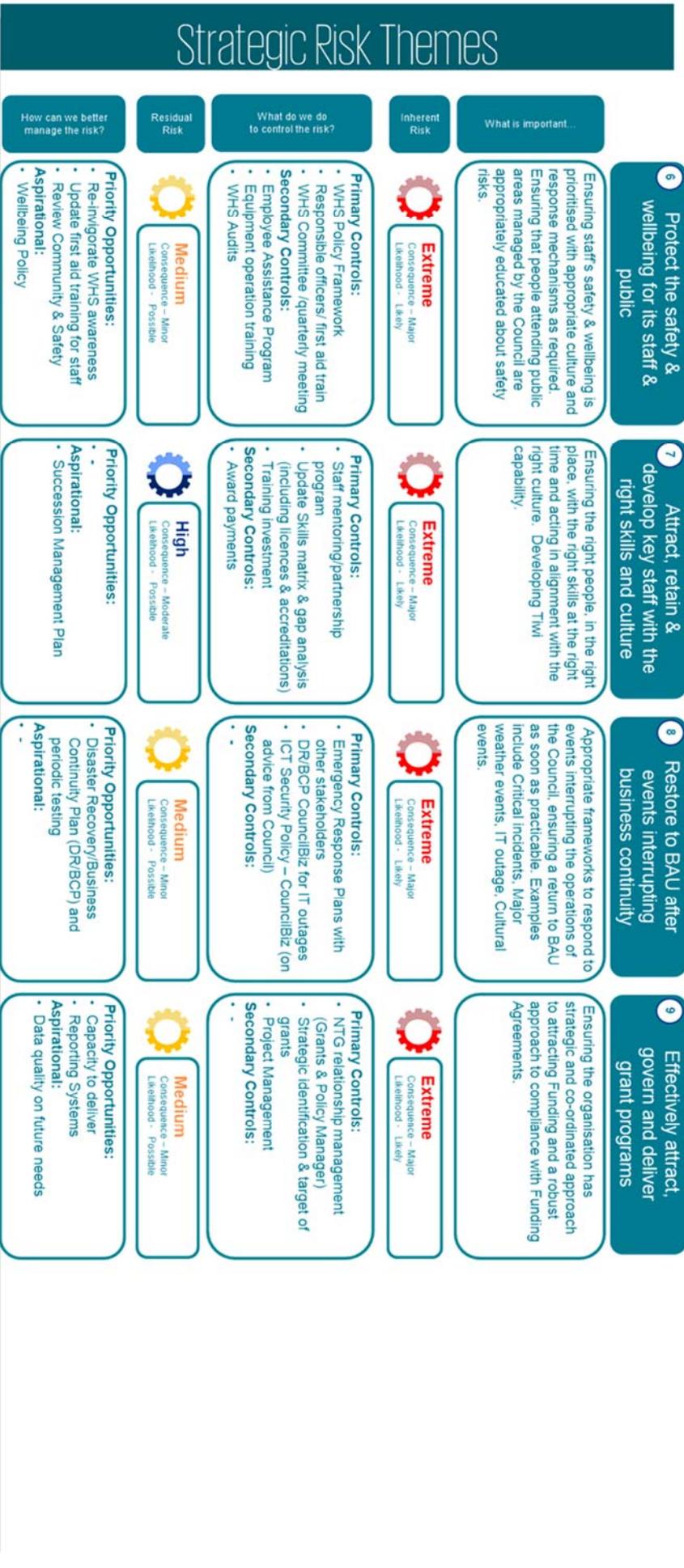


A strategic risk is the threat that an event, action or inaction will adversely affect the organisation from successfully achieving its strategic objectives

Strategic Risk Summary



The risk that the Council fails to...



A strategic risk is the threat that an event, action or inaction will adversely affect the organisation from successfully achieving its strategic objectives

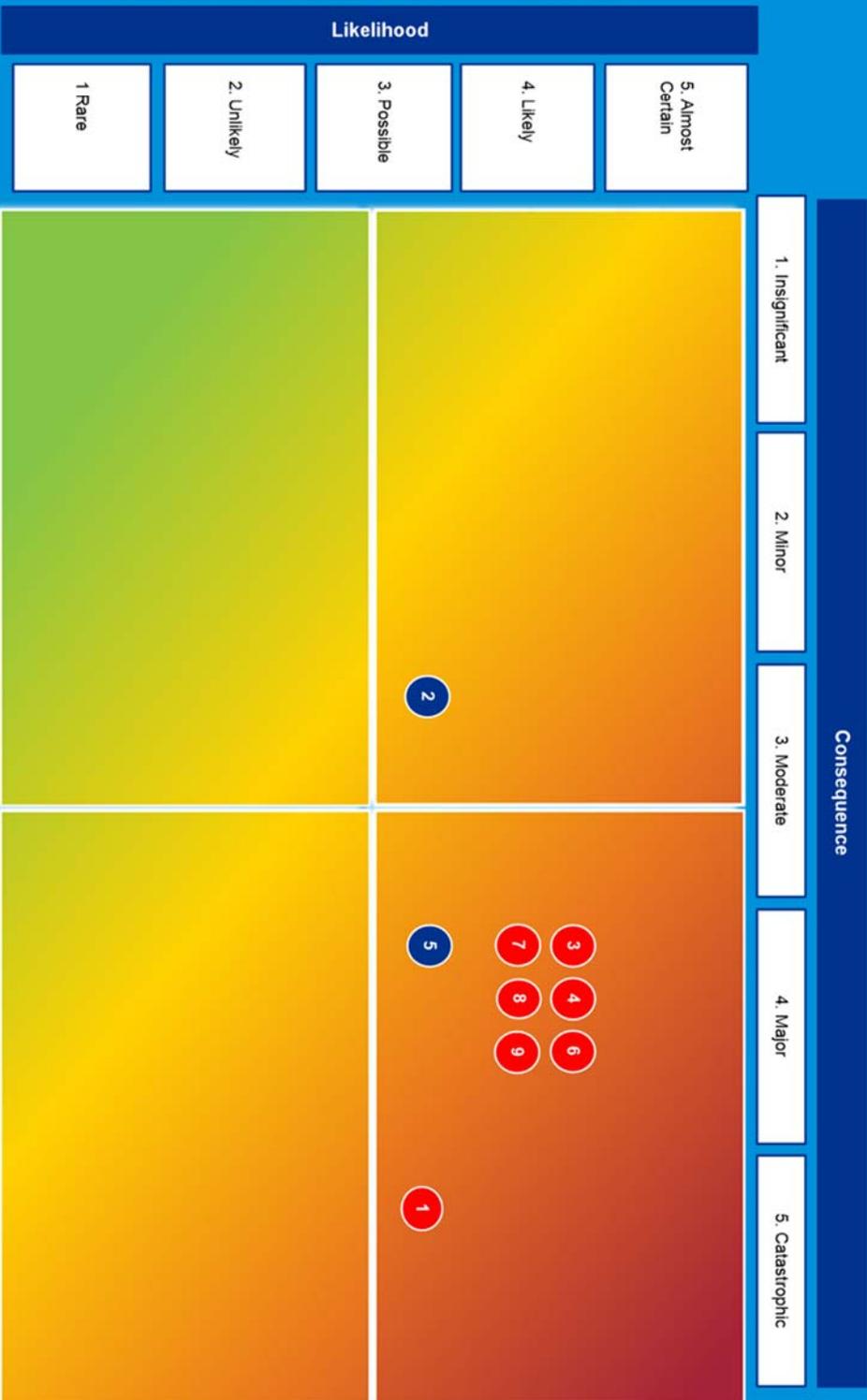
Strategic Risks at a glance
October 2019

Inherent Risks: Before consideration of key controls in place to manage the risk

Key Strategic Risks

The Council fails to...

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 the safety & wellbeing 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 grant programs



A strategic risk is the threat that an event, action or inaction will adversely affect the organisation from successfully achieving its strategic objectives

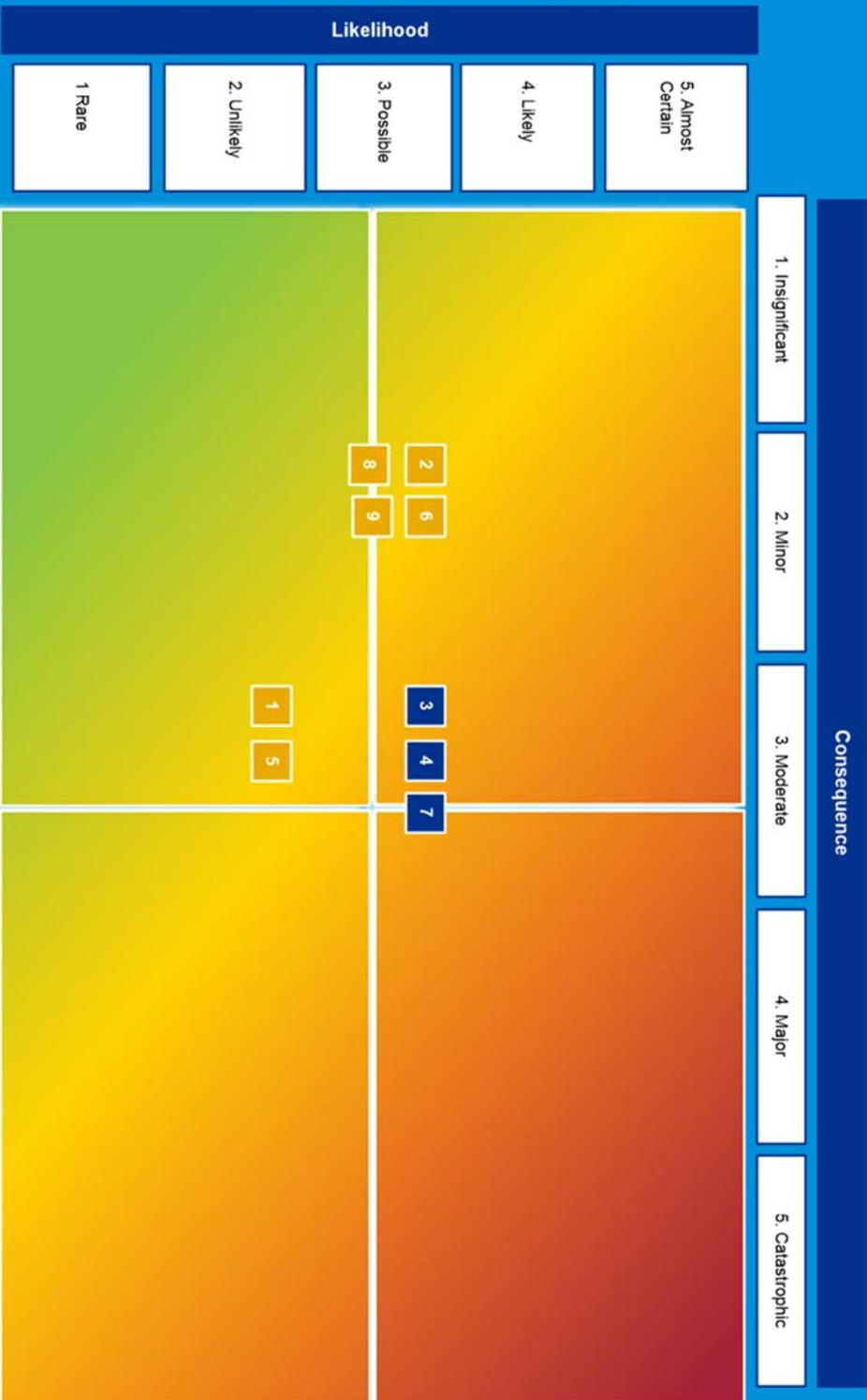
Strategic Risks at a glance
October 2019

Residual Risks: After consideration of key controls in place to manage the risk

Key Strategic Risks

The Council fails to...

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 the safety & wellbeing 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 grant programs



A strategic risk is the threat that an event, action or inaction will adversely affect the organisation from successfully achieving its strategic objectives



Next Steps

Strategic Risk Management

Strategic Risk Management...Next Steps

A risk policy and a strategic risk register are a good start, and now the focus should turn to embedding a risk aware culture at TIRC...

To help mature the risk aware culture, it is recommended that TIRC undertake and implement the following in the next 3 months:

- **Risk Policy:**
 - Update and promulgate the new Risk Policy within TIRC.
 - **Risk Owners:**
 - Identify a risk owner for each risk. This risk owner isn't the person with sole responsibility for managing the risk, their role however will be to communicate with those responsible for management of the risk in their day-to-day roles and those responsible for implementing actions associated with the risk to ensure momentum is occurring.
 - Risk Owners to report to the CEO on: overall progress on the agreed actions; and any changes to the risk ratings or control environment.
 - **Risk Actions Implementation & Monitoring:**
 - Allocate a responsible officer and an estimated completion date to each priority opportunity identified for each risk.
 - Add to either a Business Unit Plan or Action Worklist the action, responsible officer and estimated completion date, so that the progress can be regularly monitored.
 - **Risk Reporting:**
 - Formalise the design of periodic risk reporting and implement reporting to the Audit Committee at least once a quarter. See *Attachment One* for recommended example.
 - Discuss regularly at TIRC Leadership Group meetings (place on Agenda) the progress of risk actions and also any changes to the risk register.
 - **Risk Education:**
 - Each Manager to discuss with their line staff the existence of the Risk Policy, the Strategic Risk Register and their roles in managing risk at TIRC.
 - Each Manager to review the 'Practical Tips to Maturing a Risk Culture' guide provided by KPMG and implement the recommended actions.
- To help mature the risk aware culture, it is recommended that TIRC undertake and implement the following in the next 12-18 months:
- **Risk Appetite:**
 - Develop and implement Risk Appetite Framework and Risk Appetite Statements, with KPI measures against each. Refer *Attachment Two* for example.

Attachment One: Example Risk Reporting

Strategic Risk Report
MONTH 2020

The Council fails to ...

Progress

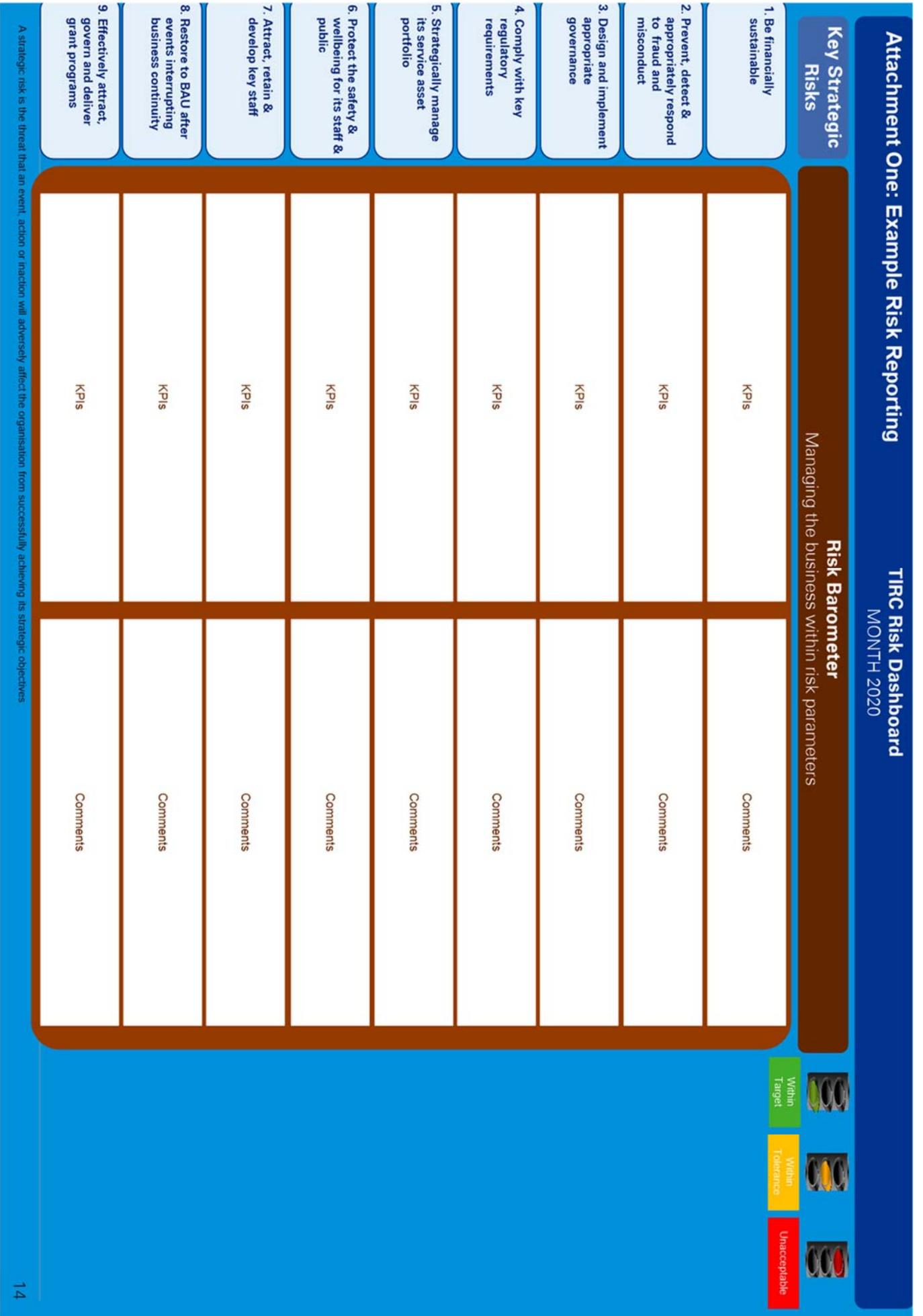
- Emerging Risks**
- Add in here any material risks that are emerging in relation to the strategic achievement that you will need to keep an eye on. Otherwise just state 'No material emerging risks noted since last ARMC report'.

- Existing Risks – any changes**
- Add in here if since the last ARMC report, any of the strategic risks have changed in terms of controls, ratings (inherent or residual) or any new improvement opportunities. Otherwise just state 'No change to strategic risk profile since last ARMC report'.

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 the safety & wellbeing 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 grant programs	

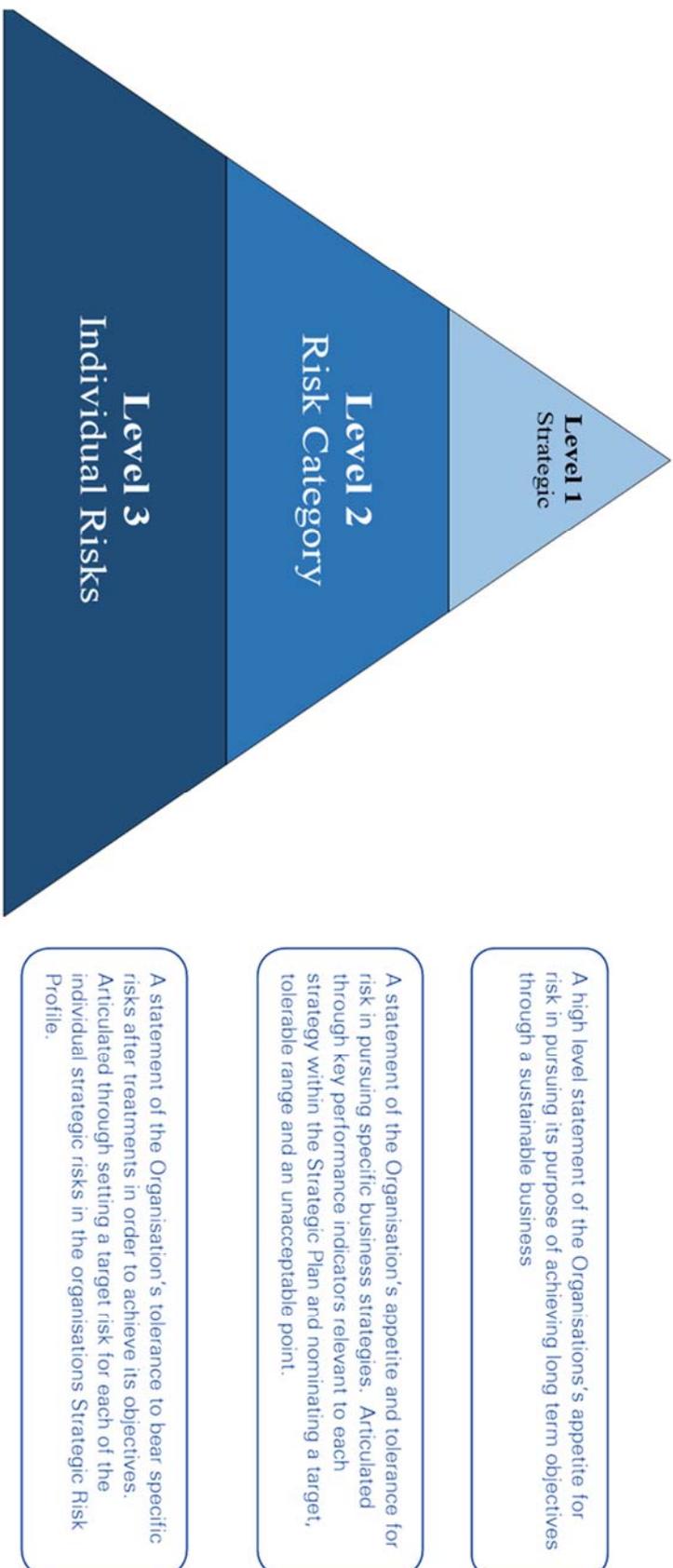
- Existing Risk Mitigation - Progress**
- Add in here commentary, by exception, whether any of the agreed actions the Council have identified through the risk review to improve, is not on target

A strategic risk is the threat that an event, action or inaction will adversely affect the organisation from successfully achieving its strategic objectives



Attachment Two: Example Risk Appetite Framework Risk Appetite Framework

There are three levels at which NT PHN articulate its risk appetite ...



A strategic risk is the threat that an event, action or inaction will adversely affect the organisation from successfully achieving its strategic objectives

Attachment Two: Example Risk Appetite Framework

TIRC RISK APPETITE STATEMENTS

Level 2: Risk Category

Level 2: Risk Category – Operations TIRC aspire to achieve...

- A long term sustainable financial future ... with a risk appetite as follows...
- Strong appetite for maintaining reserves for developing the business
- Low appetite for returning underspent funding
- Strong appetite to diversify revenue streams to lessen reliance on government funding
- Strong appetite for capital structure with minimal debt and physical assets
- Employer of choice...with a risk appetite as follows...
- Strong appetite to retain high performing (HP) staff & appropriately manage succession
- Strong appetite for effective career development planning (CDP) for key staff
- Zero appetite for unsafe work environment & practices for staff & contractors
- Strong appetite for employee diversity
- Strong appetite for high engaged workforce with a culture that values ideas & learning
- Exemplary governance and compliance ...with a risk appetite as follows...
- Zero appetite for fraud & significant misconduct (Code of Conduct)
- Zero appetite for 'significant' regulatory breaches
- Responsible consumer centered decision making & delivery ...with a risk appetite as follows...
- Strong appetite for XXX
- Strong appetite for exemplary data governance
- Influence over XXXX... a risk appetite as follows...
- Strong appetite to XXXX
- Strong appetite for working collaboratively with all stakeholders with value to the NT a primary focus

Level 1: Strategic – TIRC has a strong appetite to be credible in its role to provide quality services and to deliver this with exemplary governance.

The parameters for the business to work within

KPI's	KPI's		
	Target	Tolerable	Unacceptable
BD Reserve	>\$1m	250k-\$1m	<\$250k
Funding Returned	<\$1m	\$1-\$M	>\$5M
% Non-Govt Revenue	>5% per annum	1-4% per annum	<1% per annum
Debt/Equity Ratio Physical Assets	<1%	1-4%	>5%
HP Staff turnover Succession Plans (key)	Nil	2 or less 50-100%	>2 per annum >50%
Key Staff CDP Progress Internally filled Promotions	>60% progress >50%	25-75% Progress 30-50%	<25 % progress <30%
Workplace Injuries (TI)	Nil	1 or less	>1 per annum
Male/Female Ratio Indigenous Ratio	25/75 >5%	20/80 1-5%	<20/80 <1%
Engagement Scorecard	???	???	???
COC Breaches	Nil Major & Minor	Nil Major 1-2 Minor	>1 Major pa >2 Minor
Regulatory Breaches	Nil Major pa	Nil Major 1-2 Minor	>1 major & >2 Minor
Commissioning Framework, Breaches Urban/Remote Balance Evaluation	Nil Major & Minor ???	Nil Major 1-2 Minor ???	>1 Major pa >2 Minor ???
Data governance breach	Nil Major pa	Nil Major 1-2 Minor	>1 major & >2 Minor
Partner Complaints Consumer Scorecards?	Very minor	Minor	Significant
Stakeholder Scorecards?	???	???	???

Level 3: Individual Risks Target Risk Ratings

- 1 Be financially sustainable Low
- 2 Prevent, detect & appropriately respond to fraud and misconduct Low
- 3 Design and implement appropriate governance Low
- 4 Comply with key regulatory requirements Low
- 5 Strategically manage its service asset portfolio Low
- 6 Protect the safety & wellbeing for its staff & public Low
- 7 Attract, retain & develop key staff Low
- 8 Restore to BAU after events interrupting business continuity Low
- 9 Effectively attract, govern and deliver grant programs Low

A strategic risk is the threat that an event, action or inaction will adversely affect the organisation from successfully achieving its strategic objectives