



Northern  
Territory  
Government

# **COMPLIANCE REVIEW REPORT**

**TIWI ISLANDS REGIONAL COUNCIL**

**Conducted in 2014**



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# 1 Executive Summary

This report has been prepared by the inspectors of local government who have undertaken a compliance review of the Tiwi Islands Regional Council (TIRC) in accordance with Section 205 of the *Local Government Act* (the Act). The compliance review primarily covered the period July 2013 to November 2014 however, where necessary, the inspectors have also considered information from outside this period in order to assist with the compliance review process.

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

In reaching the conclusions made in this report the inspectors have relied on the information provided by TIRC. The inspectors do however acknowledge the financial information received from TIRC has not been subjected to the final year-end financial statement audit which may have an impact on some of the conclusions reached in this report. As such, the inspectors have assumed the information provided during the course of this review is complete, accurate and free of any material error. As part of the review process, the inspectors have also sought information from Department records relating to the TIRC.

## 1.1 Background

Section 205 of the *Local Government Act* (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, inspectors are required to report their findings back to the relevant council.

Relevant findings can include (but are not limited to) any identified or suspected failures to comply with legislated requirements; deficiencies in internal control processes and/or procedures; adequacy of human resource management; appropriateness and or adequacy of council's governance arrangements; communication protocols; and strength of controls over the management and use of public assets, and expenditure of public monies.

## 1.2 Scope of Work

Inspectors of Local Government have prepared this report which details the findings of the compliance review conducted on the Tiwi Islands Regional Council (TIRC). The compliance review was aimed at testing whether TIRC was conducting its business lawfully.

The compliance review assessed the level of compliance by TIRC against the following legislation and regulatory requirements:

- *Local Government Act* (the Act);
- *Local Government (Accounting) Regulations* (Accounting Regulations);
- *Local Government (Administration) Regulations* (Administration Regulations);
- Ministerial Guidelines made under the Act;
- TIRC's internal policies and procedures; and
- Any relevant Federal and/or other Territory legislative requirements.

### **1.3 Basis of Testing**

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

- site visits at the TIRC office at Bathurst Island on 7, 8 and 31 October 2014 and TIRC office in Darwin on 9 and 10 October 2014;
- consultation and discussions with key personnel;
- 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 control;
- workflow management; and
- review of source and supporting documentation and information held by the TIRC and the Department of Local Government and Community Services.

### **1.4 Formal Notice by inspectors**

Following the initial conclusion of the testing phase, the inspectors issued two formal notices to the CEO under section 210 of the Act.

NOTICE 1: The first notice related to specific questions to be answered by the CEO. This notice was issued for the inspectors to substantiate the CEO's decisions and actions pursuant to the CEO's statutory roles and responsibilities under the Act. A copy of this notice is provided at Attachment B.

NOTICE 2: The second notice related to the provision of specific council documents and records. A copy of this notice is provided at Attachment C.

Details of the information requested have been referenced in Attachment A.

Information and responses to the Notices were to be provided to the Department by 12 December 2014 however, in an email on Monday 15 December 2014, the TIRC CEO advised this would be provided on 18 December 2014. The inspectors acknowledged the TIRC CEO's email and advised the information would be accepted, if received by Thursday 18 December, but this delay in providing the information would be noted in this report.

The TIRC CEO delivered the requested information to the Department on 18 December 2014. No further information was delivered to the Department after 18 December 2014.

## 1.5 Risk Rating

The inspectors have used the following criteria to rank each issue identified through the compliance review.

| Priority Ranking                          | Explanation   |
|---|---|
| High                                      | <p>A control weakness or an issue that is considered to be a serious deficiency. It has the potential to expose the council to an unacceptable level of risk and/or is a clear failure to comply with legislated and/or regulatory requirements.</p> <p>Requires immediate remedial action.</p>   |
| Moderate                                  | <p>An internal weakness or deficient internal controls that have the potential to expose the council to a moderate level of risk; and/or a potential failure to comply with legislated and/or regulatory requirements; and/or is a failure to comply with council's policy.</p> <p>Requires remedial action and/or improvement by council within the next 3 – 6 months.</p> |
| Low/<br>Opportunity<br>for<br>improvement | <p>An issue which if unresolved may expose the council to minor risk.</p> <p>Requires no immediate remedial action but may be of benefit to the internal control environment or improve the efficiency or effectiveness of an existing process.</p>   |

## 1.6 Summary of Findings

Based on the sample testing of material and information obtained from the TIRC, the inspectors have identified a number of issues and failures to comply and/or irregularity with the council's operations which are listed below. These findings are based on the inspectors' interpretation of legislative requirements, which could be finally determined in a court of law. The findings, listed below, are to bring to the attention of council the areas that are considered to be deficient within council and for internal processes to be reviewed to ensure the highest degree of controls and accountability over public assets.

| Issue | Finding   | Risk Rating |
|-------|---|-------------|
| 1     | The CEO has approved two councillors be paid their electoral allowance in advance.  | High        |
| 2     | The council did not obtain at least three quotations or record in writing why three quotes were not obtained for purchases over \$10 000 but not more than \$100 000.   | High        |
| 3     | A number of purchase orders were raised after the invoice date or after work had commenced.   | High        |
| 4     | The council did not call for public tenders for the provision of supplies over \$100 000.   | High        |
| 5     | A review of the 18 September 2014 special council meeting agenda included a report regarding the costs associated with TIRC outsourcing of financial services to CouncilBIZ. The amount in the report did not match the quote provided by CouncilBIZ.   | Moderate    |
| 6     | A review of the 18 September 2014 special council meeting agenda item 6.3 included leasing costs charged by CouncilBIZ on the TIRC's Darwin office premises. The amount included in the report did not reconcile with the quote provided by CouncilBIZ.   | Low         |
| 7     | Insufficient documentation was provided by TIRC to support the balance of expenditure committed post 30 June 2014 for the Milikapiti bonded fuel tanks funded through the Department's special purpose grant.   | Moderate    |
| 8     | No evidence was provided to support the current approval by the council to pay for storage costs of the CEO's personal belongings in Darwin.  | High        |
| 9     | The Finance Reports provided as part of the agenda for the following ordinary council meetings were incomplete, inaccurate and/or incorrectly presented: <ul style="list-style-type: none"> <li>i. 30 July 2014</li> <li>ii. 27 August 2014</li> <li>iii. 24 September 2014</li> <li>iv. 29 October 2014</li> </ul> | High        |
| 10    | The council did not adopt a 2014-15 Regional Plan by the due date of 31 July 2014.  | High        |
| 11    | There is no clear Corporate Services organisational structure.  | High        |
| 12    | Based on the council's internal Credit Card Reconciliations, the supporting documentation for a number of credit card purchases were unable to be provided.   | High        |

| <b>Issue</b> | <b>Finding</b>   | <b>Risk Rating</b>                |
|--------------|--|-----------------------------------|
| 13           | The council's new Travel and Accommodation Policy, adopted 18 September 2014, fails to implement proper controls over expenditure of public funds.   | Moderate                          |
| 14           | The inspectors were unable to determine from documentation provided whether the 2014 lodged Fringe Benefits Tax Return had captured all staff benefits provided and salary sacrifice payments made.                                  | Moderate                          |
| 15           | A review of a sample of employee HR records identified a number of documents were incomplete or missing.   | Low / Opportunity for improvement |
| 16           | The promotion of the Contract Manager to Acting Finance Manager, until the position is filled, appears deficient.  | High                              |
| 17           | The council has no formal policy to cover reimbursement of private travel costs offered to some staff.   | Moderate                          |
| 18           | There is no communication process to notify staff of TIRC's current policies.  | High                              |
| 19           | Based on a review of a number of movement requisition approvals, there was no separation of duties between the CEO applying for and undertaking travel and actual approving of his travel.   | Moderate                          |
| 20           | The council does not have a Portable and Attractive Items Register.  | Moderate                          |
| 21           | The council has not conducted regular stocktakes of its property.  | Moderate                          |
| 22           | The council has failed to comply with significant statutory timeframes.  | High                              |
| 23           | The council does not have a privacy policy.  | Moderate                          |
| 24           | The council does not have a policy relating to borrowings.   | Moderate                          |
| 25           | The CEO has not updated the council's register of interests.   | High                              |
| 26           | The council has not established an Audit committee as required by the Local Government (Accounting) Regulations.   | High                              |
| 27           | The financial functions of the council have not been carried out in the month the council did not meet contrary to the Local Government (Accounting) Regulations requirements.   | Low / Opportunity for improvement |
| 28           | Recommendations made by the council's external auditors were not undertaken within a reasonable time.  | Low / Opportunity for improvement |
| 29           | There are deficiencies in the council's record keeping practices.  | High                              |
| 30           | A number of issues raised with council in prior years, through compliance reviews and external audits, have either not been addressed, have reoccurred, and/or systems have regressed to cause council's operations to be deficient. | High                              |

## 1.7 Conclusion

Based on the selected samples and testing of information against legislated requirements there is strong evidence pointing to serious systemic failures within the Tiwi Islands Regional Council. Such failures encompass poor accountability of public money; procurement activity not following legislative requirements; council policies being deficient or not being followed; poor communication to staff on new and amended council policies; no accountability of the Chief Executive Officer's travel; poor record keeping practices; HR practices not following set procedures; staff being paid allowances with no overarching standard policy; the council not having an active audit committee; and councillors being paid allowances in advance.

It is noted that the Chief Executive Officer (CEO) is the principal employee of the Council and the relationship which exists creates responsibilities for the Council, its members and the CEO. This includes the Council being generally responsible for the CEO, in that the CEO is conducting the Council's affairs in carrying out the day-to-day management of Council operations, either personally or through being the Council employee ultimately responsible for ensuring that management.

The inspectors have found the CEO has ignored council established policies on an ad hoc basis without written explanation as to why those policies have been disregarded. The purpose of a policy is to standardise acceptable behaviour but this purpose is defeated if the CEO does not comply with that policy, particularly without recording an explanation for any divergence. Disregarding council set policies can for example lead to a term or condition in an employment agreement, such as staff relocation repayment conditions, being waived without council approval or knowledge.

Particular focus was on the council's procurement system and the substantiation of quotes and other source documents to assess the level of compliance with procurement requirements as detailed in the Accounting Regulations. It was concerning that during the compliance review this procurement information was not able to be provided due to either senior finance staff not understanding the information required, and consequently providing the wrong information, or staff advising they did not know whether that information existed or, if it did exist, where to find that information.

The quality of the financial reports presented at council meetings was also considered to be of an unacceptably poor standard. The quality of these reports was particularly concerning as council members were being presented with financial information that did not accurately reflect the true financial position of the TIRC thereby compromising council's ability to make resource allocation decisions based on sound financial information.

The record keeping practices of TIRC were considered to be deficient as a number of supporting documents could not be located by staff, particularly with regards to expenditure and procurement activity and decisions by the CEO that were not consistent with council policies and/or legislative requirements. This resulted in the service of formal Notice under section 210 of the Act.

Whilst individually many of the compliance findings could be considered to be a mild to medium failure to comply with regulatory requirements, given the number of issues identified, collectively the inspectors consider the failures are significant. Some of the deficiencies in financial reporting and actions that are in direct contravention with the requirements of the Act are considered to be serious.

If council accepts the compliance review findings and recommendations, the council must implement the recommendations in this report.



The Department will continue to monitor the council until the issues in relation to these findings have been addressed.

Details of individual findings are disclosed at attachment A.

#### **Disclaimer**

In some instances the inspectors have had to exercise judgement 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 TIRC 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 compliance review was exercised, this should not be construed to mean that unreported non-compliance or irregularities do not exist within TIRC. The deterrence and detection of fraud is the responsibility of management. The compliance review alone, even when carried out with professional care, does not guarantee that fraud or other irregularities will be detected.

**Issue 1:**

The CEO approved two councillors be paid their electoral allowance in advance.

**Background:**

Section 101 of the *Local Government 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.

Section 71(5) of the *Local Government Act* provides that allowances are to be paid as determined by the council or by the local government guidelines but are not to be paid in advance.

**Inspector's Notice:**

The CEO was requested to provide the following documents relating to this issue:

**NOTICE 2: Request for documents**

4. All documents and records relating to councillor electoral allowance entitlements under Section 71 of the Act for the period 1 July 2013 to 31 October 2014.
5. A list of all general ledger transactions for allowances under Section 71 of the Act paid or payable for each elected member of the Council for the period 1 July 2013 to 31 October 2014.
6. All documents from each elected member of Council authorising their allowance be used to pay for services received from the Council or another body outside Council for the period 1 July 2013 to 31 October 2014.
7. All reconciliations relating to each allowance entitlement under Section 71 of the Act for each elected member of Council for the period 1 July 2013 to 31 October 2014.
8. A list of Councillors who have received their allowances in advance including amounts, date of payment and reason over the period 1 July 2013 to 31 October 2014.

**Finding:**

The Inspectors found the CEO of TIRC approved via email advance payments of allowances for two councillors. One councillor was approved to receive an advance of \$1 168 and a second councillor an advance of \$250.

According to the council's general ledger print out of councillor allowance payments, records in the council's general ledger states "advance payment of allowance".

**Conclusion**

The CEO has failed to fulfil his responsibilities as required by Section 101 of the Act and has acted in a manner that has failed to comply with section 71(5) of the Act.

**Risk rating: High**

**Recommended Remedial Action:**

The CEO must not take any action or make any decision that is non-compliant with the *Local Government Act*. Councillor's electoral allowance must not be paid in advance.

## **Issue 2:**

In some transactions reviewed, the council did not obtain at least three quotations or record in writing why three quotes were not obtained for purchases over \$10 000 but not more than \$100 000.

## **Background:**

Section 101 of the *Local Government 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 28 of the *Local Government (Accounting) Regulations*, requires that:

- (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 3 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 3 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 3 quotations.

Regulation 14 of the *Local Government (Administration) Regulations*, requires

- (2) The CEO must ensure that the council's records are properly filed and indexed to facilitate access.

## **Inspector's Notice:**

### **NOTICE 2: Request for documents**

9. All documents and flowcharts relating to the council's procurement process for the period 1 July 2013 to 31 October 2014.
10. All documents and records relating to quotes obtained (in the current or prior years) for each transaction listed in Attachment B1.
27. All qualifications for the staff member with Employee ID 4013 who was originally employed as the Contracts Manager.

## **Finding:**

Of the sample selected, each purchase was examined for compliance with procurement requirements.

In response to the Inspectors' initial request for copies of quotes, TIRC finance staff were unable to locate evidence of written quotes being obtained for transactions over \$10,000 relating to the selected sample. After several failed attempts to obtain these documents directly from staff in TIRC Infrastructure Services a follow up request was made to the acting Finance

Manager. On or around 27/10/14, rather than providing copies of quotes as requested, copies of invoices and purchase orders were provided by the acting Finance Manager.

Both the incorrect supply of documents and subsequent email indicated the acting Finance Manager believed the supply of invoices completed the request. This demonstrated a lack of understanding of the council procurement requirements, by the most senior finance staff member, which separately concerned the inspectors (see Issue 16).

As the initial information to substantiate compliance by TIRC with Regulation 28 of the *Local Government (Accounting) Regulations* was deficient a formal notice was issued to the TIRC's CEO for inspectors to ascertain the level of compliance with this legislative requirement.

Following the formal notice by the inspectors to the CEO, evidence was provided of some quotes being obtained as per the requirements of the Accounting Regulations. However, TIRC did not comply with Accounting Regulation 28 in all instances, and compliance with Administration Regulation 14 was generally poor.

**Conclusion:**

At least 3 written quotations were not obtained for the purchase of supplies between \$10 000 and \$100 000 in all instances. Where 3 quotes were not obtained, in some instances there was no evidence provided by TIRC recording in writing its reasons for not obtaining the 3 quotations.

The issue of deficiencies in the council's procurement practices has previously been raised by the Department and separately by TIRC's external auditors.

**Risk rating: High**

**Recommended Remedial Action:**

The council must follow the requirements of the Act and related legislated requirements at all times.

The CEO must review TIRC's record keeping system to ensure records of all procurement activity, including quotes received or reasons why at least 3 quotes could not be obtained, are appropriately recorded in TIRC's information management system and staff are aware of how to access this information.

### **Issue 3:**

A number of purchase orders were raised after the invoice date or after work had commenced.

### **Background:**

Section 101 of the *Local Government 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 to ensure that financial and other records are properly made and maintained.

Regulation 10 of the *Local Government (Accounting) Regulations* provides the CEO must establish and maintain internal controls to:

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

### **Inspector's Notice:**

#### **NOTICE 1: Answers to specific questions**

1. An explanation of why each purchase order listed at Attachment A1 was raised after the invoice date and/or after works had commenced within the Council.

#### **NOTICE 2: Request for documents**

9. All documents and flowcharts relating to the council's procurement process for the period 1 July 2013 to 31 October 2014.

### **Finding:**

TIRC 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 personal use.

Following discussions with TIRC staff, it was confirmed purchase orders are raised as part of the council's procurement process and they are to be raised before goods / services are ordered. However, the inspectors noted this practice was not followed in all instances.

From a sample of 22 purchase orders, 20 purchase orders were either raised after the date of the invoice or after works had commenced for TIRC.

In response to the formal notice by the inspectors, the TIRC CEO advised in writing, "*the purchase orders referred to are all, except for that for tilt tray hire services, invoices for contracted personal services.*"

*All were retained on an hourly charge basis and, with it not being possible to predetermine how many hours of work would be undertaken each month, purchase orders were prepared when the exact hours to be paid were ascertained”.*

The inspectors consider the CEO’s response and practice is not consistent with the requirements of the Accounting Regulations which specifically requires the CEO to implement proper controls over expenditure.

The raising of a purchase order after works have commenced or on or after the invoice date negates the purpose of a purchase order as the use of purchase orders allows the council to be aware of its actual or estimated financial commitment upon entering into an agreement to purchase supplies or services. The delay in raising purchase orders is also indicative of poor budget management practices as it appears staff do not know or do not have a reasonable estimate of the cost of a particular service and therefore the level of expenditure being committed by the council is effectively unknown.

This practice also undermines the council’s financial delegation policy as staff are committing public money by entering into procurement arrangements where the value of procurement for a particular service is unknown.

**Conclusion:**

The CEO has not adequately implemented proper controls over expenditure or ensured financial and other records are properly made and maintained. This is a failure to comply with Section 101 of the *Local Government Act* and Regulation 10 of the *Local Government (Accounting) Regulations*.

**Risk rating: High**

**Recommended Remedial Action:**

It is recommended the CEO ensures there are proper controls over expenditure; that financial and other records are properly made and maintained; and that council staff adhere to council’s set procurement processes at all times.

#### **Issue 4:**

The council did not call for public tenders for the provision of supplies over \$100 000.

#### **Background:**

Section 101 of the *Local Government 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 29 of the *Local Government (Accounting) Regulations*, requires that 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.

#### **Inspector's Notice:**

##### **NOTICE 2: Request for documents**

3. All tender documents, including any documents or records of a tender committee for the period 1 July 2013 to 31 October 2014
9. All documents and flowcharts relating to the council's procurement process for the period 1 July 2013 to 31 October 2014.
11. All documents and records relating to the procurement process followed by Council for goods or services provided by:
  - I. WTD Construction Services Pty Ltd (ABN 24 151 412 789)
  - II. Norman Vanderlaan trading as Tonkas & Toys Mechanical Repair Solutions (ABN 52 422 886 219)
  - III. Harmer Contracting Pty Ltd (ABN 16 128 542 361)

#### **Finding:**

Of the sample collected, there were 3 suppliers where council had procured services valued at over \$100 000 but did not call for public tenders.

Whilst it is acknowledged that for some services it may be difficult for the council to know the exact value of services to be provided, based on the historical value of services provided by a particular supplier and the period of time the supplier is engaged, the council should be in a position to estimate the value of the services to be procured in the medium to longer term. It is unrealistic for a council to not know that it will be consuming services valued at over \$100,000 well before actually incurring that expense.

Accounting Regulations 30(1)(b) contains specific provisions for a council to seek the Minister's approval for an exemption from the tendering process. However the council did not seek any such exemption.



**Conclusion:**

The CEO has failed to implement proper controls over expenditure and ensure financial and other records are properly made and maintained. This is a failure to comply with Section 101 of the *Local Government Act* and Regulation 29 of the *Local Government (Accounting) Regulations*.

**Risk rating: High**

**Recommended Remedial Action:**

It is recommended all procurement action by TIRC complies with the Act.

### **Issue 5:**

A review of the 18 September 2014 special council meeting agenda included a report regarding the costs associated with TIRC outsourcing of financial services to CouncilBIZ. The amount in the report did not match the quote provided by CouncilBIZ.

### **Background:**

Section 13 (f) of the *Local Government Act* provides one of council's objectives is to seek to ensure that council resources are used fairly, effectively and efficiently.

Section 101 of the *Local Government Act* provides that the CEO is responsible to the council to provide or obtain for the council, the information and advice the council reasonably requires for effectively carrying out its functions.

### **Inspector's Notice:**

#### **NOTICE 1: Answers to specific questions**

2. Who prepared Agenda item 6.3 for the 18 September 2014 special council meeting?
3. Did you review the content of Agenda item 6.3 for the 18 September 2014 special council meeting including the figures included in that report?
4. Why was the amount of \$320,000 stated "as Quoted" in Agenda item 6.3 for the 18 September 2014 special council meeting different to the quote provided by CouncilBIZ for the provision of financial services?

#### **NOTICE 2: Request for documents**

12. All documents and records relating to the correspondence to and from CouncilBIZ titled "Tiwi Islands Financial Processing Proposal".

### **Finding:**

As part of the agenda circulated for the special council meeting on 18 September 2014, Item 6.3 titled "Options for Darwin based Council services" was prepared by the CEO. The agenda item presented to council included costs associated with the outsourcing of TIRC's financial services to CouncilBIZ.

Specifically, the information presented at the council meeting in Item 6.3 included the option:  
"Contract most of our financial support services to CouncilBIZ...."

|                                     |                    |
|-------------------------------------|--------------------|
| <i>As quoted</i>                    | <i>\$320,000</i>   |
| <i>Additional services required</i> | <i>\$ 60,000</i>   |
| <i>Total</i>                        | <i>\$380,000".</i> |

However, the actual CouncilBIZ proposal was for a quoted cost of \$302 200.

The formal notice issued by the inspectors requested the TIRC CEO explain why there was a difference between the two figures (of \$17 800). In response the CEO said: "... *The original proposal from Councilbiz was for \$302,000 but did NOT include items indicated by us that were required..... this was for council information only, not for them to make any decision, was to garner their input as to whether we should even continue with an office based in Darwin...*".

The CEO is responsible to the council to provide or obtain for the council, the information and advice the council reasonably requires for effectively carrying out its functions, all information included in council agenda items should represent information that is clear and concise and accurately reflects information provided by third parties.

**Risk rating: Moderate**

**Recommended Remedial Action:**

It is recommended the CEO exercise better care when providing advice to council concerning legislated responsibilities under the Act.

## **Issue 6:**

A review of the 18 September 2014 special council meeting agenda item 6.3 included leasing costs charged by CouncilBIZ on the TIRC's Darwin office premises. The amount included in the report did not reconcile with the quote provided by CouncilBIZ.

## **Background:**

Section 13(f) of the *Local Government Act* provides one of council's objectives is to seek to ensure that council resources are used fairly, effectively and efficiently.

Section 101 of the *Local Government Act* provides that the CEO is responsible to the council to provide or obtain for the council the information and advice the council reasonably requires for effectively carrying out its functions.

## **Inspector's Notice:**

### **NOTICE 1: Answers to specific questions**

2. Who prepared Agenda item 6.3 for the 18 September 2014 special council meeting?
3. Did you review the content of Agenda item 6.3 for the 18 September 2014 special council meeting including the figures included in that report?
5. How was the figure of \$110,000 included in Agenda item 6.3 for the 18 September 2014 special council meeting calculated?
6. Was there any discussion at the 18 September 2014 special council meeting on the \$110,000 office cost? If so, what was the discussion?

### **NOTICE 2: Request for documents**

13. All documents and records relating to the new lease arrangement for Council's Darwin office premises in Winnellie which will come into effect by December 2014.

## **Finding:**

As part of the agenda circulated for the special council meeting on 18 September 2014, Item 6.3 titled "Options for Darwin based Council services" was prepared by the CEO. The paper presented to the council included costs associated with the leasing of the council's Darwin office from CouncilBIZ.

Specifically, the information provided in the Item 6.3 stated: "*Stay as and where we are whilst this would show considerably reduced costs for staffing we would still be facing office running costs in excess of \$110K on top of wages*".

The inspectors have been advised that the office leasing costs charged by CouncilBIZ for TIRC's Darwin office premise is approximately \$55 000 per annum.

The formal notice by the inspectors requested the CEO to explain how the figure of \$110 000 was calculated and was there any discussion regarding costs at that meeting. In response the CEO stated: "*The figure of \$110,000 was a rounded estimate based on costs which included basic leasing (\$55,000), a share of body corporate costs (up to \$20,000) IT and communication hardware recurrent costs (\$18,000), cleaning (\$7,500) and provision for miscellaneous costs of \$9,500. The only discussion was around this, firstly being less than our basic leasing costs of*

*\$130,000 when we were located in Parap, but probably excessive for the small number of staff (3) then employed in Darwin”.*

This information does not appear to have been made known to councillors. Agenda Item 6.3, of the special council meeting on 18 September 2014, was only for noting with a final report to be presented later. The inspectors found the next reference to the Darwin office location was made in the 29 October 2014 ordinary council meeting minutes (Item 5.2 under Other Business) where: *“the CEO advised council that our lease at the current location... is not being renewed and that a smaller office has been secured in Winnellie”*. The inspectors did not find the final report which was to be present to council.

**Conclusion:**

As the CEO is responsible to the council to provide or obtain for the council, the information and advice the council reasonably requires for effectively carrying out its functions, the information included in council agenda items should represent information that is clear and concise and accurately reflects information relating to costs charged by third parties.

**Risk rating: Low**

**Recommended Remedial Action:**

It is recommended the CEO exercise better care when providing advice to council concerning legislated responsibilities under the Act.

### **Issue 7:**

Insufficient documentation was provided by TIRC to support the balance of expenditure committed post 30 June 2014 for the Milikapiti banded fuel tanks funded through the Department's special purpose grant.

### **Background:**

Section 101(f) of the *Local Government Act* provides the CEO is responsible to council to ensure that proper standards of financial management are maintained and, in particular, proper controls over expenditure.

Regulation 14 of the *Local Government (Administration) Regulations*, requires

(2) The CEO must ensure that the council's records are properly filed and indexed to facilitate access.

### **Inspector's Notice:**

#### **NOTICE 2: Request for documents**

14. All documents and records relating to the Milikapiti Banded Fuel Tanks which was funded by the Special Purpose Grant from the Department of Local Government and Regions.

15. Copies of all invoices in relation to the Milikapiti Banded Fuel Tanks coded to the general ledger accounts:

- 3351 – Exp purchase equipment
- 3352 – WIP equipment
- 7225 – Hire equipment

### **Finding:**

Substantial prepayment of funds in relation to this special purpose grant had previously been investigated by the Department and a report provided. On 9 October 2014 TIRC provided incomplete acquittal documentation showing expenditure for the full amount of the grant funding had been made.

An email was sent to the Acting Finance Manager (who was also the Contract Manager) on 9 October 2014 with a summary of the general ledger information provided and a request for copies of invoices supporting the total expenditure amounts. An email reminder was sent to the Acting Finance Manager of outstanding information on 22 October 2014 with a request to provide the information by 29 October 2014. Copies of two invoices were provided by TIRC on 24 October 2014.

On 24 October 2014 an email request for the balance of invoices was made, in particular the committed expenditure post 30 June 2014. A reminder email was sent on 28 October 2014. The Acting Finance Manager acknowledged the outstanding documents via a return email on 28 October 2014 and advised the documents would be provided to the inspector on that day.

On 29 October 2014 the Acting Finance Manager acknowledged by email the failure to provide the required documents and that TIRC would provide them after midday that day. No further documentation has been received.

The formal notice by the inspectors, issued under section 210 of the Act, requested the CEO to provide copies of all invoices in relation to the Milikapiti Bunded Fuel Tanks coded to specific general ledger accounts.

In response the CEO provided two empty folders, labelled Item 14 and 15 respectively, with a note on both stating “*Previously provided via DLGR investigation*”. The previous Department investigation was in relation to the advance payment of \$65 573 (excluding GST) acquitted in 2012/13. Of primary interest in this review was expenditure for the balance of the special purpose grant funding of \$106 286 which TIRC claimed to have acquitted in 2013/14.

The information requested was not provided by the CEO which is a failure to comply with section 210(4) of the Act which states a person must comply with a requirement under this section.

The council has not provided all invoices supporting expenditure of a special purpose grant funding recorded as committed at 30 June 2014 and paid after the end of the financial year as reported in the grant acquittal paperwork provided to the Department in early October 2014.

Further the inspectors could not ascertain if the expenditure reported in the TIRC general ledger extract provided is as a result of a third party quote/invoice or whether the amounts in question are as a result of an unsubstantiated journal entry.

**Conclusion:**

The CEO has failed to implement proper controls over expenditure and ensure financial and other records are properly made and maintained. This is a failure to comply with section 101 of the *Local Government Act*

The CEO has failed to comply with section 210(4) of the Act *Local Government Act*.

**Risk rating: Moderate**

**Recommended Remedial Action:**

It is recommended TIRC maintain proper standards of financial management particularly in controlling, recording and reporting council expenditure and the CEO complies with all sections of the Act.

### **Issue 8:**

No evidence was provided to support the current approval by the council to pay for storage costs of the CEO's personal belongings in Darwin.

### **Background:**

Section 101 of the *Local Government 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 to ensure that financial and other records are properly made and maintained.

Section 104 of the *Local Government Act* provides a council must ensure that its policies on human resource management give effect to the following principles:

(c) staff must be treated fairly and consistently and must not be subject to arbitrary or capricious decisions.

### **Inspector's Notice:**

#### **NOTICE 2: Request for documents**

1. All reports, agenda items, resolutions and minutes, created for confidential and special meetings of the Council for the period 1 July 2013 to 31 October 2014.

16. All documents and records relating to the purpose and approval for all storage costs paid by the Council to the Grace Removals Group (ABN 90 070 345 845).

### **Finding:**

The Inspectors have found the council has paid an amount of \$2 863.64 in the 2013/14 financial year for the storage of CEO's personal belongings in Darwin.

A formal notice issued by the inspectors requested the CEO provide all documents related to the approval of private storage payments being made by council. In response the CEO provided an email dated 4 October 2010 sent to the council finance staff stating: "*At its May meeting Council agreed with a minor variation to my employment contract as follows: Rather than pay further removal costs (as provided in the CEO's employment contract) Council would alternatively meet storage costs.*" The CEO did not provide a copy of the minutes of this May council meeting and no other supporting documentation was provided to substantiate this expenditure item.

The terms and conditions of the current CEO employment contract are silent on the council paying either personal removal costs or storage costs.

This additional employment condition appears to be unknown by council's HR staff and by the person/s responsible for preparing the 2014 Fringe Benefits Tax Return for council.

### **Conclusion:**

The CEO has failed to implement proper controls over expenditure and ensure financial and other records are properly made and maintained. This is a failure to comply with section 101 of the *Local Government Act*



**Risk rating: High**

**Recommended Remedial Action:**

The council must ensure that its policies on human resource management give effect to the principle that staff must be treated fairly and consistently and must not be subject to arbitrary or capricious decisions. The council must also exercise better controls over the use of public monies.

### **Issue 9:**

The Finance Reports provided as part of the agenda for the following ordinary council meetings were incomplete, inaccurate and/or incorrectly presented:

- i. 30 July 2014
- ii. 27 August 2014
- iii. 24 September 2014
- iv. 29 October 2014

### **Background:**

Section 13(f) of the *Local Government Act* provides one of council's objectives is to seek to ensure that council resources are used fairly, effectively and efficiently.

Section 101 of the *Local Government Act* provides the CEO is responsible to the council to ensure that proper standards of financial management are maintained and, in particular, proper controls over expenditure.

Regulation 18 of the *Local Government (Accounting) Regulations*, requires:

(1) The CEO must, in each month, lay before a meeting of the council a report, in a form approved by the council, setting out:

- (a) the actual income and expenditure of the council for the period from the commencement of the financial year up to the end of the previous month; and
- (b) the forecast income and expenditure for the whole of the financial year.

(2) The report must include:

- (a) details of all cash and investments held by the council (including money held in trust); and
- (b) a statement on the debts owed to the council including the aggregate amount owed under each category with a general indication of the age of the debts; and
- (c) other information required by the council.

### **Inspector's Notice:**

#### **NOTICE 1: Answers to specific questions**

7. Who prepared the financial statements included as an Agenda item for the following:

- i. 30 July 2014 ordinary council meeting
- ii. 27 August 2014 ordinary council meeting
- iii. 24 September 2014 ordinary council meeting
- iv. 29 October 2014 ordinary council meeting

8. Did you review the content of the financial report presented at the following council meetings:

- i. 30 July 2014 ordinary council meeting
- ii. 27 August 2014 ordinary council meeting
- iii. 24 September 2014 ordinary council meeting
- iv. 29 October 2014 ordinary council meeting

9. Did you check the budget included in the financial report presented at the 24 September 2014 and 29 October 2014 ordinary council meetings?

22. Did you take into consideration Employee ID 4013's formal qualifications when the Acting Finance Manager appointment was made?

23. Did you take into consideration Employee ID 4013's skills and capacity to undertake the Acting Finance Manager's role whilst also undertaking the Contracts Manager's role?

**NOTICE 2: Request for documents**

2. A copy of the replacement financial report tabled by the Acting Finance Manager at the 30 July 2014 ordinary council meeting.

27. All qualifications for the staff member with Employee ID 4013 who was originally employed as the Contracts Manager.

**Finding:**

The inspectors identified a number of significant issues with the quality of financial reports circulated at the following council meetings

**At the 30 July 2014 ordinary council meeting:**

- The financial report circulated as part of the meeting agenda, prepared by the Deputy Director of Corporate Services, was incomplete, inaccurate and incorrectly presented.
- The financial report contained a Balance Sheet that did not balance.
- The non-current assets reported in the Balance Sheet were incorrectly reported as negative amounts.
- The schedule of the Current Operating Accounts and Trade and Other Receivables did not balance with the figures reported on the Balance Sheet.
- A statement on the debts owed to the council, including the aggregate amount owed under each category with a general indication of the age of the debts aged receivables report, was not included.
- The figures quoted in the narrative section did not match with the actual revenue and expenditure figures included in the report.

The minutes of the 30 July 2014 meeting noted a replacement financial report was tabled by the Acting Finance Manager. A request for a copy of this replacement financial report was included in the formal notice to the CEO and the following deficiencies in this replacement financial report, prepared by the Acting Finance Manager, were noted:

- The replacement financial report continued to be incomplete, inaccurate and incorrectly presented.
- The replacement financial report contained two Balance Sheets and both did not balance.
- The non-current assets reported in the replacement Balance Sheet were incorrectly reported as negative amounts.
- The replacement schedule of the Current Operating Accounts and Trade and Other Receivables did not balance with the figures reported on the Balance Sheet.

At the special council meeting on 22 August 2014 TIRC adopted the final budget and forward 4 year budget projections.

**At the 27 August 2014 ordinary council meeting:**

- The financial report circulated as part of the meeting agenda, prepared by the Acting Finance Manager, was incomplete, inaccurate and incorrectly presented.
- The financial report stated it included reporting on: Income and Expenditure; Balance Sheet; Ageing Payables; Ageing Receivables; Cash Flows. However the report did not contain a council Balance Sheet or Cash Flow.

- The finance report which contained the heading “Balance Sheet as at 31 July” was in fact an Income and Expenditure statement.
- The information reported in the Profit and Loss Report contained a column for actual and budget information. The figures reported under the budget heading were the same figures as that reported under actuals – the recently adopted final budget figures were not reported against.
- The council cash figure reported under the heading Current Operating Accounts as at 31 July 2014 totalled \$2 981 670 was not the reported Balance Sheet amount of \$2 650 614 (this figure appeared not to have been updated from the prior month’s finance report).

At the 24 September 2014 ordinary council:

- The financial report circulated as part of the meeting agenda, prepared by the Acting Finance Manager, was incomplete, inaccurate and incorrectly presented.
- The financial report stated it included reporting on: Income and Expenditure; Balance Sheet; Ageing Payables; Ageing Receivables; Cash Flows however it did not contain a Balance Sheet nor Cash Flows.
- The finance report contained the heading “Balance Sheet as at 31 August” but the information reported under that heading was in fact an Income and Expenditure statement.
- The financial report contained a narrative statement regarding the total income and expenditure of the council, but the figures quoted in the narrative did not match the YTD Income and YTD Expenditure figures included in the report.
- The report did not contain a forecast of income and expenditure for the whole of the financial year as required by the Accounting Regulations.

At the 29 October 2014 ordinary council meeting:

- The financial report circulated as part of the meeting agenda was prepared by the Acting Finance Manager was incomplete, inaccurate and incorrectly presented
- The financial report contained a Balance Sheet that did not balance and reported negative asset balances and an incorrect negative equity balance.
- The cash figure reported in the Balance Sheet is reported as if in overdraft of some \$190 284 but the table titled “Current Operating Accounts & Cash on Hand Account Balances as at 28 February 2014” reports a cash balance of \$2 775 728.40 - a huge discrepancy.
- There are various other figures in the report that have not been updated and notes that do not reconcile with the Balance Sheet.
- The Profit and Loss Report compares actual against budget but the budget figures do not match with the budget adopted at the 22 August 2014 special council meeting. The budget reported appears to be the prior year budget.

The formal notice by the inspectors requested the CEO to confirm if he had reviewed the contents of the financial reports to which he replied “yes” for all meetings.

**Conclusion:**

Very poor quality financial reports have been persistently presented at council meetings which then limits the council’s ability to seek to ensure that council resources are used fairly, effectively and efficiently. Further, the quality of the reports being provided to council raises questions on the financial skills and knowledge of those preparing and presenting these reports.

The CEO has failed to ensure that proper standards of financial management are maintained. This is a failure to comply with section 101 of the *Local Government Act* and Regulation 18 of the *Local Government (Accounting) Regulations*.

**Risk rating: High**

**Recommended Remedial Action:**

It is recommended the CEO exercise proper care when providing advice to council concerning legislated responsibilities under the Act.

**Issue 10:**

The council did not adopt a 2014-15 Regional Plan by the due date of 31 July 2014.

**Background:**

Section 24(1) of the *Local Government Act*, provides that a council must adopt its municipal, regional or shire plan (or revisions to its municipal, regional or shire plan) between 1 April and 31 July in each year and forward a copy of the plan (or the revised plan) to the Agency by the latter date.

**Finding:**

The council adopted its 2014-15 Regional Plan on 22 August 2014, at its ordinary meeting which is later than the legislated timeframe of 31 July.

**Conclusion:**

The council has not complied with section 24(1) of the Act.

**Risk rating: High**

**Recommended Remedial Action:**

It is recommended that council exercise better planning to ensure all statutory timeframes prescribed by the Act are met.

### **Issue 11:**

There is no clear Corporate Services organisational structure.

### **Background:**

Section 103 of the *Local Government Act* provides the CEO is responsible for the appointment of staff in accordance with a staffing plan approved by the council. This provision enables the council to operate within its scope and powers. Structural clarity and certainty, particularly in the financial management area, contributes to proper controls over council expenditure and proper record keeping practices.

### **Inspector's Notice:**

#### **NOTICE 1: Answers to specific questions**

22. Did you take into consideration Employee ID 4013's formal qualifications when the Acting Finance Manager appointment was made?

23. Did you take into consideration Employee ID 4013's skills and capacity to undertake the Acting Finance Manager's role whilst also undertaking the Contracts Manager's role?

#### **NOTICE 2: Request for documents**

25. A copy of the Council's staff structure as at 31 October 2014, including all vacant positions.

27. All qualifications for the staff member with Employee ID 4013 who was originally employed as the Contracts Manager.

### **Finding:**

Key financial roles have been temporarily filled, left vacant and/ or split between other Corporate Services staff to undertake. Changes in staffing and responsibility have resulted in confusion as to which staff member is responsible for an activity both in the Corporate Services finance area and other areas dealing with finance area of Corporate Services.

The financial reports, prepared by the Acting Finance Manager and provided to the CEO for inclusion in the council reports at the ordinary meetings on 30 July 2014, 27 August 2014, 24 September 2014 and 29 October 2014 are seriously deficient.

Key financial information requested during the compliance review was not provided, despite numerous requests with expanded explanation to assist in understanding the information being sought. Either no information or incorrect duplicate information was provided raising questions as to financial understanding and capabilities of senior finance staff.

The CEO did not provide the qualifications of the Acting Finance Manager as requested however the CEO answered "Yes" to having considered the staff member's formal qualifications before appointing the Acting Finance Manager. The CEO also advised: "*This person holds a law degree, has several years' experience in Local Government in roles where she was responsible for a multiple of financial task, has recently been accepted as a Masters level candidate at a major Australian University and had demonstrated an integral knowledge of accounting and statutory requirements relevant to our needs. Concurrently, with her appointment, action was commenced to recruit additional senior accounting staff and, whilst delayed is now nearing completion.*"

The audited financial statements for 2013-14 have not been completed for inclusion in the council Annual Report which was due to the Minister by 15 November 2014. An external party has been commissioned to prepare the annual financial report which, the inspectors understand, was previously prepared in-house by senior TIRC finance staff.

In response to the formal notice by the inspectors, to provide a copy of the council's staff structure as at 31 October 2014, the CEO provided an in depth multi-coloured spreadsheet of council positions; the parent reporting position and the level in which the position sits in the council hierarchy. A review of this spreadsheet report against the operational structure in the 2014 TIRC Strategic Plan shows differences in the functional structure to the published staff plan set by the council. The current Accounting and Policy Manual provided by TIRC in this review has a different organisation chart.

The inspectors have concluded the lack of certainty in the corporate structure, and the slow appointment of appropriately skilled staff in the finance area, have contributed to the failure to follow proper accounting processes and reporting practices.

**Risk rating: High**

**Recommended Remedial Action:**

The CEO must appoint staff in accordance with the council approved staffing plan to enable the council to operate within its scope and powers. Structural clarity and certainty, particularly in the financial management area, contributes to proper controls over council expenditure and proper record keeping practices.



## **Issue 12:**

Based on the council's internal Credit Card Reconciliations, the supporting documentation for a number of credit card purchases was unable to be produced.

### **Background:**

Section 101 of the *Local Government 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.

By keeping invoices and receipts the council ensures it has evidence to substantiate expenditure and it contributes towards the expenditure being allocated to the correct cost code/s.

### **Inspector's Notice:**

#### **NOTICE 1: Answers to specific questions**

10. Did you review all credit card transactions for the month of August 2014 (except for your own corporate credit card)? If not, provide details of any other staff member who reviewed all credit card transactions for the month of August 2014.

11. Did you approve all credit card reconciliations, except your own, for the month of August 2014? If not, provide details of any other staff member who approved all credit card transactions for the month of August 2014.

12. Did you query any credit card transactions for August 2014 or the information provided to substantiate expenditure? If yes, provide the particulars and any supporting documents.

13. Has the Council's credit card policy been communicated to all staff issued with a credit card?

14. Did all credit card transactions for the month of August 2014 comply with the Council's credit card policy? If not, what action was taken?

### **Finding:**

The Council's current credit card policy requires cardholders to obtain a tax invoice for every purchase and that an EFTPOS receipt is not a Tax Invoice and will not be accepted on its own as proof of purchase.

A review of TIRC corporate credit card reconciliations noted several instances of missing receipts and invoices and/or monthly reconciliation forms that were submitted incomplete.

Based on the sample selected, the CEO failed to ensure the council's financial records are properly maintained and the CEO did not follow the council's credit card policy as reconciliation forms were accepted with missing receipts.

**Risk rating: High**

**Recommended Remedial Action:**

It is recommended that invoices and receipts be kept for all council purchases to comply with the *Local Government Act*.

### **Issue 13:**

The council's new Travel and Accommodation Policy, adopted 18 September 2014, fails to implement proper controls over expenditure in relation to travel allowance and CEO travel.

### **Background:**

Section 101 of the *Local Government Act*, provides that the CEO is responsible to the council to ensure that 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.

Regulation 10 of the *Local Government (Accounting) Regulations* the CEO must establish and maintain internal controls to:

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

### **Inspector's Notice:**

#### **NOTICE 1: Answers to specific questions**

15. Did you compare the council's current Travel Allowance entitlement against the Australian Taxation Office's "Reasonable Travel and Meal Allowance" rates?

16. Has the council kept a record of all staff holding a corporate credit card who have elected to pay for meals and incidentals with their credit card rather than claim Travelling Allowance? If yes, provide the reconciliation for each card holder from 1 July 2013 to 31 October 2014.

18. Are Council's staff required to acquit travel?

#### **NOTICE 2: Request for documents**

32. Council's policy on CEO travel.

### **Finding:**

The Travel and Accommodation Policy adopted by council 18 September 2014 included a list of staff authorised to approve travel for staff under their direct line of supervision and elected members travel costs to be approved by the CEO. However this policy did not include a provision as to the appropriate officer to approve the CEO's travel (see Issue 19) and there is no requirement for staff to acquit their travel.

This policy also allows holders of council issued credit cards to elect to pay travel expenses via their council credit card rather than claim Travel Allowance. This policy however does not stipulate an upper expenditure limit, if the credit card use option is chosen, instead it merely states staff should be "*mindful of the allowances otherwise payable when incurring expenditure*".

There are no specific records kept of staff that elected to pay for their meals and incidentals with their corporate credit card rather than claim Travelling Allowance. Part of the CEO's response to the inspectors' question 16 was: "*We have recently instigated a supplementary process of checking that there is no duplication such as prior payment of allowances for the same purpose*".

The CEO's response to question 18 asked by the inspectors in the formal notice was "No" staff are not required to acquit travel "*but where there are variations because of either shortened travel, meals provided or extended travel adjustment (either way) are made to entitlements.*" No council CEO travel policy was provided however written advice was given that "*CEO travel on a day to day basis is an operational matter and not generally something that involves council. Exceptional travel is generally approved by the Mayor or discussed with council depending on the purpose or context.*"

**Conclusion:**

The new Travel and Accommodation Policy therefore fails to provide proper controls over the CEO's travel expenditure, and for any council credit card holders who have opted for travel expenditure to be paid via their council credit card rather than allowance. Thus the CEO has failed to ensure proper standards of financial management are maintained and, in particular, proper controls over expenditure.

**Risk rating: Moderate**

**Recommended Remedial Action:**

It is recommended the council's Travel & Accommodation Policy is amended to include:

1. a delegation approving CEO travel;
2. a requirement for travel to be acquitted within a certain period after travelling; and
3. an upper expenditure limit for all staff paying for meals and incidentals with their corporate credit card in lieu of claiming Traveling Allowance.

#### **Issue 14:**

The inspectors were unable to determine from documentation provided whether the 2014 lodged Fringe Benefits Tax Return had captured all staff benefits provided and salary sacrifice payments made.

#### **Background:**

Section 101(f) of the *Local Government Act* provides the CEO is responsible to council to ensure that proper standards of financial management are maintained and, in particular, proper controls over expenditure.

#### **Inspector's Notice:**

##### **NOTICE 1: Answers to specific questions**

17. Since July 2013 has there been any private expenditure on Council credit cards? If yes, provide the particulars and Council's response.

19. Did you review the claimed list of benefits provided to Council staff before the Fringe Benefits Tax Return for 31 March 2014 was lodged with the ATO?

20. Was the Fringe Benefits Tax Return for 31 March 2014 reviewed by a tax professional?

##### **NOTICE 2: Request for documents**

26. All documents and records in relation to the preparation of the Council's Fringe Benefits Tax Return for 31 March 2014 including general ledger extracts, motor vehicle log book readings, if relevant, and any exemption declarations.

#### **Finding:**

On 28 October 2014 an email was sent to the Deputy Director of Corporate Services requesting assistance to populate a spreadsheet to determine what benefits, outside of salary and wages, were being provided to TIRC staff. This updated spreadsheet was completed 31 October 2014, and it highlighted the many varied TIRC employment agreements and sub-agreements in existence, but did not include storage costs previously identified in Issue 8 of this report being paid by TIRC for the benefit of the CEO.

In response to the inspectors' notice the CEO provided the FBT working papers, prepared by a person who has since left TIRC's employment, however those documents did not contain general ledger extracts of benefits paid or salary sacrifice payments made nor was it clear if benefits such as the private storage cost payments made by council were included in the FBT calculation.

Nevertheless the CEO answered "Yes" when asked if he had reviewed the list of 2014 benefits provided by council to staff and "No" when asked if this 2014 FBT Return had been reviewed by a tax professional.

The inspectors are of the opinion, from the information provided and council behaviour observed, the flow of TIRC information, in particular in relation to employee benefits, is disjointed and inconsistent. There is a risk the person responsible for preparing the Fringe Benefits Tax Return may not have access to all the information required to complete this task

and either overstate or understate TIRC's tax liability (i.e. not capture all the non-salary and wage benefits provided to staff like the private storage expenditure).

Further there is a risk the HR person responsible for preparing the ATO employee payment summary may not include the correct grossed up Fringe Benefit amount on the relevant person's summary.

**Risk rating: Moderate**

**Recommended Remedial Action:**

The CEO must ensure proper controls over council expenditure and proper record keeping practices are being followed to comply with the Act.

### **Issue 15:**

A review of a sample of employee HR records identified a number of documents were incomplete or missing.

### **Background:**

Section 101(f) of the *Local Government Act* provides the CEO is responsible to council to ensure that proper standards of financial management are maintained and, in particular, proper controls over expenditure.

Regulation 14 of the *Local Government (Administration) Regulations*, requires

(2) The CEO must ensure that the council's records are properly filed and indexed to facilitate access.

### **Inspector's Notice:**

#### **NOTICE 1: Answers to specific questions**

21. In relation to Employee ID 4013, what date did Council receive each qualification as listed in the staff member's Curriculum Vitae?

24. Did you authorise Council staff to waive the repayment of the initial relocation costs paid by Council as set out in the letter of offer and signed by Employee ID 4026?

#### **NOTICE 2: Request for documents**

27. All qualifications for the staff member with Employee ID 4013 who was originally employed as the Contracts Manager.

28. Documentation authorising the waiver of the repayment of the initial relocation costs paid by Council as set out in the letter of offer and signed by Employee ID 4026.

29. Council's policy on payment and recoupment of staff relocation costs.

### **Finding:**

The current Deputy Director Corporate Services responsible for the HR functions began with TIRC 23 September 2013 and the Employee Relations Officer began 17 March 2014. TIRC has an existing HR Manual and the council is progressively updating some of the policies, procedures and HR forms - such as the new Higher Duties Policy adopted by council on 18 September 2014.

A sample of 10 newly hired TIRC employees and 10 terminated (via redundancy, resignation or termination) TIRC employee files were reviewed by the inspectors who found much of the early documentation pre the current Deputy Director of Corporate Services employment time was not available and a couple of HR documents for council staff employed since 1 July 2013 were not available, such as copies of professional qualifications and CEO written authorisation to waive an agreed employment condition.

Despite the inspectors' notice to supply documents the CEO did not provide the requested employee qualifications and no reason was supplied. The CEO did however respond to the inspectors' question concerning the date the council received the HR required documents, by saying: "*I am not aware of when or whether these were provided and required to be provided,*

*however both the then CFO and myself cited copies of university degree qualifications soon after her arrival.”*

In relation the employee repayment of relocation costs question put to the CEO the CEO provided an email sent to the Deputy Director the day the employee was terminated stating *“there is no repayment of relocation costs required.”* The CEO also stated, in regards to providing a staff relocation policy, *“There is no policy document...Relocation costs are a standard part of the letter of offer; it applies to staff who are relocating to the islands to take up work... this is within the CEO’s authority whether this is actioned. The amount is up to \$3000 payable on production of receipts, but the amounts claimed vary... The requirement to repay is more a means to make people think seriously about their commitment to take up employment and hopefully improve the retention of staff for at least 12 months.”* Unfortunately reasons for the CEO decision were not provided.

**Conclusion:**

The inspectors have observed a distinct improvement in the council’s HR practices, including record keeping, in the past 12 months however the HR team appears to have to continuously remind senior management, including the CEO, of their obligations to follow processes and complete and provide the required supporting HR paperwork.

To avoid making, or being accused of making, capricious HR decision the delegated officer should document and record in the HR records the reasoning behind the decision. TIRC Management has also been updating the various HR forms and procedures.

**Risk rating: Low / Opportunity for improvement**

**Recommended Remedial Action:**

The CEO must ensure proper controls over council expenditure and proper record keeping practices are being followed to comply with the Act.



### **Issue16:**

The promotion of the Contract Manager to Acting Finance Manager, until the position is filled, appears deficient.

### **Background:**

Section 105 of the *Local Government Act* requires the CEO ensure employment policies cover, amongst other things, recruitment and promotion.

Section 104 of the *Local Government Act* requires the council ensure policies on human resource management on selection processes for appointment or promotion are based on merit and are fair and equitable.

Regulation 14 of the *Local Government (Administration) Regulations*, requires

(2) The CEO must ensure that the council's records are properly filed and indexed to facilitate access.

### **Inspector's Notice:**

#### **NOTICE 1: Answers to specific questions**

22. Did you take into consideration Employee ID 4013's formal qualifications when the Acting Finance Manager appointment was made?

23. Did you take into consideration Employee ID 4013's skills and capacity to undertake the Acting Finance Manager's role whilst also undertaking the Contracts Manager's role?

#### **NOTICE 2: Request for documents**

27. All qualifications for the staff member with Employee ID 4013 who was originally employed as the Contracts Manager.

### **Finding:**

The TIRC Human Resource Manual does not contain a policy on the temporary promotion of staff to long-term vacant positions.

A Higher Duties Policy was accepted by council at the special meeting on 18 September 2014 to be used to fill positions during leave of absence of two or more weeks of senior staff. This policy does require consideration of the employee's knowledge, ability and capacity to undertake the higher duty role but much of the emphasis is on building staff capacity and skills.

The Contracts Manager, who began with TIRC on 9 February 2014, was on 22 July 2014 promoted, during her six month initial employment probationary period, to act as the Finance Manager pending the recruitment of a new staff member. A higher duties allowance form for this temporary promotion was completed but no written reasons were included to show the Contracts Manager's knowledge, ability and capacity was considered by the Deputy Director Corporate Services and CEO when making this appointment.

TIRC did not have copies of qualifications held by the current Acting Finance Manager in the individual's personnel file though the Acting Finance Manager's CV stated she had a degree in law and a qualification in trust accounting. In response to the inspectors' question, on whether the employee's qualifications were considered when making the Acting Finance Manager

appointment, the CEO said “Yes” and “*This person holds a law degree, has several years’ experience in Local Government in roles when she was responsible for a multitude of financial tasks, has recently been accepted as a Masters level candidate at a major Australian University and had demonstrated an integral knowledge of accounting and statutory requirements relevant to our needs. Concurrently, with her appointment, action was commenced to recruit additional senior accounting staff and, whilst delayed is now near completion.*”

Despite the inspectors’ notice to supply specified documents the CEO did not provide the requested employee qualifications and no reason was supplied.

The inspectors have found the financial reports, prepared by the Acting Finance Manager and provided to the CEO for inclusion in the council reports at the ordinary council meetings on 30 July 2014, 27 August 2014, 24 September 2014 and 29 October 2014 are seriously deficient. The inspectors also found procurement information requests made to the Acting Finance Manager were misinterpreted and the incorrect financial information was supplied.

**Conclusion:**

No evidence has been provided to show TIRC has properly considered the current Acting Finance Manager’s qualifications, knowledge, skills and capacity to undertake the Finance Manager’s role at a key point in the council’s accounting cycle.

The state of the financial reports provided to council since July 2014; the delay in completing the end of year audit; and the delay in providing the council Annual Report to the Minister which was due 15 November 2014 demonstrates the Acting Finance Manager’s inability to undertake this key financial role, particularly whilst also undertaking the Contract Manager’s role.

**Risk rating: High**

**Recommended Remedial Action:**

The CEO must ensure council procedures and practices in relation to recruitment and promotion of council staff are adhered to; that appropriately qualified finance staff be employed immediately; that the relevant council financial reports be corrected and reissued to council; and any financial decisions made by council during the relevant period be reconsidered having regard to the revised financial reports.

### **Issue 17:**

The council has no formal policy to cover reimbursement of private travel costs offered to some staff.

### **Background:**

Section 104 of the *Local Government Act*, provides a council must ensure that its policies on human resource management give effect to the following principles:

(c) staff must be treated fairly and consistently and must not be subject to arbitrary or capricious decisions.

Section 105 of the *Local Government Act*, provides the CEO must maintain an up-to-date statement of the council's employment policies which must cover access to employment related benefits.

Section 101 of the *Local Government Act*, provides that the CEO is responsible to the council to ensure that 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.

### **Inspector's Notice:**

#### **NOTICE 1: Answers to specific questions**

25. Is the private travel reimbursement benefit offered to some Council staff calculated on a financial year or calendar year?

26. Is private travel reimbursement claims and entitlements confined to annual claim and entitlements or can staff claim for eligible travel outside the current year?

27. Since 1 July 2013, has there been any over claimed and paid private travel reimbursement? Has council recovered or waived the over expenditure?

#### **NOTICE 2: Request for documents**

30. Council's policy on reimbursement of private travel costs.

31. A list of staff eligible for reimbursement of private travel costs, the amount and the conditions associated with each staff members reimbursement claim.

32. Council's policy on CEO travel.

### **Finding:**

TIRC offers a private travel reimbursement entitlement of up to \$5 000 per year to its senior staff as part of their employment package. According to the CEO, in response to the notice request to provided documents, "*There is no policy. Reimbursement of staff travel costs forms part of the employment contract arrangements for senior staff or may be added to employment arrangements of senior staff in lieu of extra wages when changes in job roles entail extra duties to be assumed*".

Whilst it is acknowledged that it is not unusual for staff to be offered extra incentives to work in regional and remote areas of the Northern Territory, all employee entitlements should be based on a set policy and clear guidelines and be offered on a fair and consistent basis.

The following variations to this entitlement were observed by inspectors:

- different family member travel reimbursement costs were claimed i.e. spouse only or spouse and children (with the number of children not specified).
- there were different destination limitations i.e. overseas travel, or travel only between Darwin and the Tiwi Islands, or all interstate travel
- staff already employed with TIRC and temporarily acting in a more senior role were immediately offered this full entitlement as opposed to a prorate amount
- Definition of “year” is not made clear in the offer i.e. it could be calendar year, financial year or the anniversary of an eligible staff member working in a particular TIRC position or with TIRC generally.

According to the CEO, in response to the inspector’s notice, this private travel reimbursement entitlement is per “*Calendar year*” and unspent entitlements can and have been carried forward and permitted, with approval limitations, to be used in subsequent years.

**Conclusion:**

All staff entitlements must be fair and transparent and must not be subject to arbitrary or capricious decisions. The lack of a clear policy exposes TIRC to the risk of staff claiming for expenditure reimbursements over their employment agreement.

The lack of a clear policy over the payment of such entitlements has the effect of weakening controls over the use of public monies.

**Risk rating: Moderate**

**Recommended Remedial Action:**

A standard policy / framework for all employee entitlements must be developed and strictly adhered to.

### **Issue 18:**

There is no communication process to notify staff of TIRC's current policies.

### **Background:**

Section 105 of the *Local Government Act*, provides the CEO must maintain an up-to-date statement of the council's employment policies.

Section 101 of the *Local Government Act*, provides that the CEO is responsible to the council to ensure that the council's policies, plans and lawful decisions are implemented and that proper standards of financial management are maintained.

The establishment of policies is a critical tool for ensuring council is conducting its business lawfully and that staff are aware of such policies which in large are established to safeguard council's assets as well as a mechanism for providing support and guidance to staff on HR related matters. The effectiveness of a policy is largely dependent on how well policies are communicated and resultantly adhered to by staff.

### **Finding:**

The inspectors observed TIRC had approved updates to a number of its policies at its special meeting held on 18 September 2014. As part of this review the inspectors were provided with comprehensive HR Manual which covered a range of HR related matters.

Following discussions with various individual staff regarding the recent changes to a number of finance and HR related policies, the inspectors observed that staff were either unaware of the changes to existing policies; that new policies had been adopted by the council; and / or where to obtain a policy copy. Of particular concern was the council's TechOne accounting and procurement system had not been updated to reflect the changes made in the delegations policy.

At the time of the inspectors' first on-site visit, on 7 October 2014, the council policies, both old and new, were not readily available to staff in the various council office locations.

### **Conclusion:**

The lack of internal protocols in place to communicate all council policies to staff increases the risk of council's business not being conducted in a lawful or systematic manner as intended by the Council.

The CEO has failed in his responsible to ensuring the council's policies, plans and lawful decisions are made known to council staff in a timely fashion and correctly implemented.

### **Risk rating: High**

### **Recommended Remedial Action:**

A communication protocol be immediately developed and implemented to ensure all council policies, plans and lawful decisions are effectively communicated and made available to all staff on a timely basis.

### **Issue 19:**

Based on a review of a number of movement requisition approvals, there was no separation of duties between the CEO applying for and undertaking travel and actual approving of his travel.

### **Background:**

Section 101 of the *Local Government Act*, provides that the CEO is responsible to the council to ensure that the council's policies, plans and lawful decisions are implemented and that proper standards of financial management are maintained.

Regulation 10 of the *Local Government (Accounting) Regulations* the CEO must establish and maintain internal controls to:

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

### **Inspector's Notice**

#### **NOTICE 2: Request for documents**

32. Council's policy on CEO travel.

### **Finding:**

The inspectors observed TIRC's Travel and Accommodation Policy and Delegations Policy did not contain any specific requirement relating to the approval process for the CEO's travel.

A review of movement requisitions for the CEO's travel highlighted there was no separation of duties between the CEO undertaking travel and approving his own movement requisition form. Signatures on the movement requisitions were either that of the CEO himself, or his executive officer who signed on behalf of the CEO.

In response to the inspectors notice the CEO provided advice which said: "*CEO travel on a day to day basis is an operational matter and not generally something that involves council. Exceptional travel is generally approved by the Mayor or discussed with council depending on the purpose or context... Council does not have a detailed policy regarding CEO travel.*"

### **Conclusion:**

Segregation of duties is a key element of generally accepted financial management practices aimed at establishing a strong and effective internal control environment.

Whilst the current lack of approval process for the CEO's travel does not appear to contradict any of TIRC's current policies, the CEO is responsible for establishing best council practices to ensure proper standards of financial management are maintained.

This current lack of segregation of duties does not promote the highest degree of accountability or control over public money. In this regard the CEO has not implemented proper standards of financial management, in particular, proper controls over his own council travel expenditure.

**Risk rating: Moderate**

**Recommended Remedial Action:**

The Travel and Accommodation Policy be reviewed to establish and clearly articulate an appropriate approval process for the CEO's travel activity.

## **Issue 20:**

The council does not have a Portable and Attractive Items Register.

## **Background:**

Regulation 10 of the *Local Government (Accounting) Regulations*, provides the CEO must establish and maintain internal controls to:

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

## **Inspector's Notice:**

### **NOTICE 2: Request for documents**

21. A copy of the Council's Register of attractive and portable items.

## **Finding:**

The inspectors requested in the notice to the CEO a copy of the council's portable and attractive items register to which the response was: "*Council does not currently have such a register. Whilst identified as being desirable this measure is yet to be implemented due to staff shortages in related areas.*"

Sample testing of credit card purchases revealed there were a number of portable and attractive items purchased by council issued credit cards, for example a sewing machine by the Acting Finance Manager and a refrigerator by the CEO. However, inspectors did not find any evidence that those items have been accounted for beyond recording the expenditure in the council's ledger.

## **Conclusion:**

The CEO has failed to ensure proper control over portable and attractive items.

**Risk Rating: Moderate**

## **Recommended Remedial Action:**

It is recommended that the council should maintain a Portable and Attractive Items Register to record the receipt, movement and disposal of non-consumable items of a portable and attractive nature.

This register should include the following information for each item:

- Description
- Serial / model number
- Brand / manufacturer
- Purchase / acquisition date
- Purchase cost
- Location where the item is held
- Disposal date and details of disposal



### **Issue 21:**

The council has not conducted regular stocktakes of its property.

### **Background:**

Regulation 10 of the *Local Government (Accounting) Regulations*, provides the CEO must establish and maintain internal controls to:

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

Regulation 22 of the *Local Government (Accounting) Regulations*, states:

- (1) the CEO is responsible for the safekeeping of all council property (including stores, materials and tools).
- (2) the CEO must ensure that adequate records are kept of council property.
- (3) the CEO must ensure that stocktakes of council property are carried out regularly in accordance with the Accounting Standards and any applicable council policies.

### **Inspector's Notice**

#### **NOTICE 2: Request for documents**

20. All documents and records relating to the Council's latest stocktake over all major property, plant and machinery assets.

### **Finding:**

During the compliance review, the inspectors found the council had only conducted stocktakes on housing, post office and workshop items. No evidence was provided that stocktakes were conducted on council motor vehicles and plant and equipment. Further the council did not have any written procedures in place for conducting regular stocktakes.

In response to the inspectors' notice the CEO provided copies of the 30 June 2010 Maloney Field Services valuation report on council plant and equipment (including motor vehicles) and buildings and structures.

### **Conclusion:**

The CEO has failed to comply with legislated requirements to establish and maintain internal controls to safeguard council assets and ensure adequate records are kept to reflect the condition of those assets.

### **Risk Rating: Moderate**

### **Recommended Remedial Action:**

It is recommended the council develop written procedures in regard to conducting stocktakes on a regular basis for all its assets. These procedures should include an actual physical check of each asset and a report to council on any discrepancies found.

## **Issue 22:**

The council has failed to comply with significant statutory timeframes.

### **Background:**

Section 24(1) of the *Local Government Act* provides the council must adopt its municipal, regional or shire plan (or revisions to its municipal, regional or shire plan) between 1 April and 31 July in each year and forward a copy of the plan (or the revised plan) to the Agency by the latter date.

Section 132 of the *Local Government Act* provides the annual financial statement must be prepared, and referred to the council's auditor for audit:

- (a) as soon as reasonably practicable after the end of the relevant financial year; and
- (b) in any event, in time to ensure that the audited statements will be available no later than 15 November in the calendar year in which the financial year ends.

Section 199(1) of the *Local Government Act* provides a council must, on or before 15 November in each year, report to the Minister on its work during the financial year ending on the preceding 30 June.

Regulation 17 of the *Local Government (Accounting) Regulations* provides a council must, on or before 15 November in each year:

- (a) forward the council's audited annual financial statement for the previous financial year to the Northern Territory Grants Commission.

Section 210(1) of the *Local Government Act* provides: for the purposes of a compliance review or investigation, an inspector may, by notice, require a person:

- (a) to provide, within the time allowed in the notice, written answers to specified questions or other specified written information; or
- (c) to produce specified records or documents or records or documents of a specified kind.

### **Finding:**

#### **Council regional plan:**

The TIRC final 2013-14 regional plan, due by 31 July 2013, was not adopted by council until the 6 August 2013 special council meeting. The subsequent 2014-15 TIRC regional plan, due by 31 July 2014, was not adopted until a special council meeting on 22 August 2014.

#### **Council audited financial statements and annual report:**

The council's 2013-14 annual financial statements were not prepared and made available to the auditors to ensure the audited statements were available for inclusion in the Annual Report, to be provided to the Minister and the Northern Territory Grants Commission, by 15 November 2014.

In discussions with council staff the inspectors learnt, on or around 7 October 2014, the final audit visit had been delayed at the last minute by the council and that preparation of the financial statements had been outsourced, whereas previously they had been prepared by council staff.

On 20 November 2014 the Northern Territory Grants Commission received a letter from the TIRC CEO saying: "*We refer to our requirements under section 132(b) of the Local Government Act to ensure that the audited statement will be available no later than 15 November in the calendar year. Due to significant staff changes and organisational restructure we will be unable*

*to meet this deadline therefore request a one calendar month extension to lodge annual financial statement”.*

In response to the TIRC extension of time request a letter by the CE of the Department was sent on 1 December 2014 which said: *“the Local Government Act requires all councils to submit their annual report to the Minister for Local Government and Regions by 15 November of each year. Whilst there is no formal power in the Act to allow for an extension, I accept the reasons you have provided as to why your council requires additional time to complete the financial component of the annual report and I acknowledge your council’s intention to submit its annual report on or before 22 December 2014”.*

The TIRC annual report was not provided to the Minister or the Northern Territory Grants Commission by 22 December 2014.

**Notices issued by the compliance review inspectors:**

A notice to provide written answers to specified questions by 12 December 2014, pursuant to section 210 of the *Local Government Act*, was issued to the TIRC CEO by the inspectors on 21 November 2014. Separately a notice to produce specified records and documents by 12 December 2014, pursuant to section 210 of the *Local Government Act*, was issued to the TIRC CEO by the inspectors on 21 November 2014.

On 15 December 2014 an email was received from the TIRC CEO stating: *“Just to confirm we are very close to having everything together. There is simply far too great a volume in what you have requested to either email or post. I will be in Darwin on Thursday morning and will deliver all that we have during the day on Thursday”.*

Two archive boxes of documents and written answer to the specified questions by statutory declaration were delivered by the CEO on Thursday 18 December 2014.

**Conclusion:**

The council has persistently failed to comply with statutory timeframes.

**Risk Rating: High**

**Recommended Remedial Action:**

The inspectors recommend the council implement a plan and procedures to comply with statutory timeframes, particularly in relation to managing the council’s annual compliance requirements.

**Issue 23:**

The council does not have a privacy policy.

**Background:**

Section 130(3) of the *Local Government Act*, provides that a council must have a privacy policy protecting members and staff of the council from undue intrusion into their private affairs.

**Inspector's Notice:**

**NOTICE 2: Request for documents**

17. A copy of the Council's privacy policy and the date the policy was approved.

**Finding:**

In response to the inspectors' notice to provide the council's privacy policy the CEO advised: *"Council also had a Privacy Policy in the website of the former TILG (which was active in the early period of the new TISG). We are attempting to obtain an extract of this Privacy Policy form the old TILG website records (and will provide as soon as this is available)"*,

**Conclusion:**

The council has not complied with section 130(3) of the Act.

**Risk Rating: Moderate**

**Recommended Remedial Action:**

It is recommended that council immediately implement a privacy policy, as well as communicate and make available that policy to council members and staff to protect those persons from undue intrusion into their private affairs.

#### **Issue 24:**

The council does not have a policy relating to borrowings.

#### **Background:**

Guideline 3.1 of the Local Government Borrowings Guideline provides a council must have a policy in regard to borrowings before any borrowing takes place and it states what this borrowing policy must include.

#### **Inspector's Notice**

##### **NOTICE 2: Request for documents**

19. A copy of the Council's borrowing policy and the date the policy was approved.

#### **Finding:**

The CEO, in response to the notice to provide documents from the inspectors, stated: "*Other than the debt to the NTG, Council has NO borrowings and a "stated" policy only of not borrowing. As such a policy only on how any borrowings should be accounted for is included in our accounting policy to ensure transparency and that any borrowing is reported*".

An extract from the council's Accounting and Policy Manual – Feb 2014 was provided by the CEO however this extract refers to the accounting treatment of council borrowings and not the circumstances or considerations council must consider when borrowing.

The council does not have a borrowing policy which is compliant with the legislation.

#### **Conclusion:**

The council has failed to comply with the Local Government Borrowings Guideline.

**Risk Rating: Moderate**

#### **Recommended Remedial Action:**

The council implement a policy relating to borrowings. The council can refer to the Local Government Guidelines for guidance, which can be obtained from the Department's website at [www.localgovernment.nt.gov.au/home/legislation](http://www.localgovernment.nt.gov.au/home/legislation).

### **Issue 25:**

The CEO has not updated the council's register of interests.

### **Background:**

Under section 74 of the Local Government Act:

- (1) As soon as practicable after a member becomes aware of a conflict of interest in a question that has arisen or is about to arise before the council, local authority, or council committee, the member must disclose the personal or financial interest that gives rise to the conflict (the relevant interest):
  - (a) at a meeting of the council, local authority or council committee; and
  - (b) to the CEO.
- (2) The CEO must record the disclosure in a register of interests kept for the purpose.
- (3) A member must not, without Minister's approval:
  - (a) be present at a meeting of the council, local authority, local board or council committee while a question in which the member has a conflict of interest is under consideration; or
  - (b) participate in any decision on the question.

### **Finding:**

The Inspectors have determined the register has not been updated since April 2013, to record any conflict of interest matters regarding members of the council, local authority or council committees, despite declarations of interest being declared and recorded in council minutes since that date.

The inspectors also noted in the minutes of the ordinary council meeting held on 2 October 2013 item 1.5 contains a declaration of interest by the member but the minutes do not show the member removing them self from the meeting and the time they returned to the meeting.

### **Conclusion:**

The CEO has failed to comply with section 74 of the *Local Government Act*.

**Risk Rating: High**

### **Recommended Remedial Action:**

The CEO must update the council's register of interest as soon as practicable to comply with the Act.

## **Issue 26:**

The council has not established an Audit committee as required by the Local Government (Accounting) Regulations.

### **Background:**

Section 101 of the *Local Government Act*, provides that the CEO is responsible to the council to ensure that the council's policies, plans and lawful decisions are implemented and that proper standards of financial management are maintained.

Regulation 10 of the *Local Government (Accounting) Regulations* the CEO must establish and maintain internal controls to:

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

Regulation 10(3) of the *Local Government (Accounting) Regulations*, councils are required to establish and maintain an audit committee.

Regulation 11 of the *Local Government (Accounting) Regulations* requires a council to establish a committee to deal with financial matters where council does not hold a monthly ordinary meeting ('finance committee').

### **Inspector's Notice:**

#### **NOTICE 2: Request for documents**

22. All documents and records relating to the establishment and operations of Council's current Finance Committee.

23. All documents and records relating to the establishment and operations of Council's current Audit Committee.

### **Finding:**

At the 18 September 2014 special council meeting agenda item 5.2 titled "Frequency and nature of council meetings" the council was asked to consider both the frequency and nature of council meetings and a schedule of meetings on a trial basis to 30 June 2015 was proposed. The council endorsed the following proposed schedule of meetings.

|   |   |
|---|---|
| <i>"Ordinary council meetings</i>       | <i>September, October, December, February, April and June</i>   |
| <i>Audit/Finance committee meetings</i> | <i>October (allowing for an immediate start), November, January, March and May. (Additional meetings as required)".</i> |

In response to the inspectors notice the CEO provided the Agenda and reports of the Finance Committee meeting which was to be held 26 November 2014. The Agenda was titled Finance Committee however the general business section included item 2.1 "Establishment of Council's Finance & Audit Committee" report by the CEO and item 2.2 "Finance & Audit Committee – Terms of Reference".

The CEO's report, item 2.1 "*Establishment of Council's Finance & Audit Committee*" states: *These has been a view put forward from the Department of Local Government and Regions that Council should have two (2) separate committees (Finance) and (Audit) as the roles of each*

*committee is different. The Finance Committee is generally recommended as an Executive Committee (Decision making) as they would accept the Finance Reports on behalf of the Regional Council each month. The Audit Committee is generally recommended as an Advisory Committee (non-decision making)."* The CEO report recommends: *"That the Finance and Audit Committee discuss the different roles of (Finance) & (Audit) and finalise a draft Terms of Reference for Council endorsement"*.

The CEO also provided the Agenda and reports of the Finance and Audit Committee meeting which was to be held 11 December 2014. The Agenda, titled Finance and Audit Committee, included a report from the Governance Manager item 2.1 "Draft Minutes – Finance & Audit Committee Meeting dated Wed 26-11-14" that stated the first meeting was held but a quorum was not obtained.

The proposed Finance and Audit Committee terms of reference (TOR), originally included in the first meeting on 26 November 2014, was also included in the next meeting papers for the 11 December 2014 meeting. This TOR paper at item 2 states: *"Tiwi Islands Regional Council has established a Finance and Audit Committee in relation to governance of the Council. The Committee is a body to assist Council on an advisory basis as it has no regulatory powers or authority in its own right, apart from the authority to accept periodical financial reports"*. Item 10 of the TOR paper states: *"The Committee has no executive powers, unless delegated to it by the Council"*.

At agenda item 6.1 of the ordinary council meeting to be held 17 December 2014 the report from the Chairman – Finance/Audit Committee states: *"Regrettably at the Committee Meeting held on 26/11/14 and on 11/12/14 a quorum of members was not achieved"*. The draft terms of reference (TOR) of the Finance and Audit Committee was included in agenda item 6.1 of the ordinary council meeting to be held 17 December 2014.

At the date of this report it is not clear if the ordinary council meeting set for 17 December 2014 was held.

The role of an audit committee is to provide advice to the council on financial reporting, accountability and transparency. An audit committee is neither accountable nor responsible for the financial affairs of the council and it has no decision making capabilities or powers.

In contrast, a finance committee is given delegated powers to carry out, on behalf of the council, the financial functions that would normally be undertaken at an ordinary council meeting. This includes reviewing variance analysis of actual performance against budget, reviewing the debtor and creditor lists and ensuring sufficient funds are available to pay forthcoming debts.

The Inspectors have found the council has a combined Finance and Audit Committee which fails to comply with the *Local Government (Accounting) Regulations*.

### **Conclusion:**

The council has not complied with regulation 10(3) of the *Local Government (Accounting) Regulations* as it has established an audit committee with delegated, and the capacity for further delegated, decision making powers.

**Risk rating: High**



**Recommended Remedial Action:**

The council must comply with regulation 10 of the *Local Government (Accounting) Regulations* and establish an audit committee that is separate from other council committees with delegated decision making capabilities.

## **Issue 27:**

The financial functions of the council have not been carried out in the month the council did not meet contrary to the Local Government (Accounting) Regulations requirements.

## **Background:**

Section 101 of the *Local Government Act*, provides that the CEO is responsible to the council to ensure that the council's policies, plans and lawful decisions are implemented and that proper standards of financial management are maintained.

Regulation 11 of the *Local Government (Accounting) Regulations* requires a council to establish a committee to deal with financial matters where council does not hold a monthly ordinary meeting ('finance committee').

## **Inspector's Notice:**

### **NOTICE 2: Request for documents**

22. All documents and records relating to the establishment and operations of Council's current Finance Committee.

## **Finding:**

At the 18 September 2014 special council meeting for agenda item 5.2 titled "Frequency and nature of council meetings" the council was asked to consider both the frequency and nature of council meetings and the following schedule of meetings on a trial basis to 30 June 2015 was proposed:

|   |   |
|---|---|
| <i>"Ordinary council meetings</i>       | <i>September, October, December, February, April and June</i>   |
| <i>Audit/Finance committee meetings</i> | <i>October (allowing for an immediate start), November, January, March and May. (Additional meetings as required)".</i> |

The minutes of the ordinary council meeting held 29 October 2014 at agenda item 9 states the next council meeting is 17 December 2014 and that council had "resolved to move to holding bi-monthly Ordinary Council Meetings, with the Finance Committee Meetings to be held in the alternate months". No ordinary council meeting was held in November 2014.

In response to the inspectors notice to provide specific documents the CEO provided the Agenda and reports of:

1. the Finance Committee meeting to be held 26 November 2014; and
2. the Finance and Audit Committee meeting to be held 11 December 2014.

At agenda item 6.1 of the ordinary council meeting to be held 17 December 2014 the report from the Chairman – Finance/Audit Committee states: "*Regrettably at the Committee Meeting held on 26/11/14 and on 11/12/14 a quorum of members was not achieved*". The October 2014 finance report, which was to be considered in November 2014 by the Audit/Finance committee, was included in the 17 December 2014 ordinary council meeting agenda and reports (along with the November 2014 finance report).

A draft terms of reference (TOR) of the Finance and Audit Committee was included in agenda item 6.1 of the ordinary council meeting to be held 17 December 2014.

At the date of this report it is not clear if the ordinary council meeting set for 17 December 2014 was held.

The role of the finance committee is to carry out, on behalf of the council, the financial functions that would normally be undertaken at an ordinary council meeting. This includes reviewing variance analysis of actual performance against budget, reviewing the debtor and creditor lists and ensuring sufficient funds are available to pay forthcoming debts.

The Inspectors have found the council, through its delegated committee, did not carry out the financial functions of council in the month of November 2014 as required by the *Local Government (Accounting) Regulations*.

**Conclusion:**

The committee delegated to undertake the council's financial functions on a bi-monthly basis, starting November 2014, was not properly established and as such the October 2014 financial report was not considered at the required time pursuant to regulation 11 of the *Local Government (Accounting) Regulations*.

**Risk rating: Low / Opportunity for improvement**

**Recommended Remedial Action:**

The council must comply with regulation 11 of the *Local Government (Accounting) Regulations* and it must ensure it has a functioning finance committee before the council agrees to hold future bi-monthly ordinary council meetings.

### **Issue 28:**

Recommendations made by the council's external auditors were not undertaken within a reasonable time.

### **Background:**

Section 101(f) of the *Local Government Act* provides the CEO is responsible to council to ensure that proper standards of financial management are maintained and, in particular, proper controls over expenditure.

### **Inspector's Notice:**

#### **NOTICE 2: Request for documents**

24. A copy of the Council's response to the 2012-13 external audit management letter.

### **Finding:**

In response to the inspectors' notice to provide documents the CEO provided the draft Closing Report to Council for the Year ended 30 June 2013 (audit management letter) prepared by Merit Chartered Accountants. The audit management letter contained recommendations unresolved from the 2012 audit and the 2013 audit. A copy of an email accompanied this report stated this management letter had not been finalised before the CFO took approved extended leave. The CEO also advised: "*the auditors had done considerable interim work on the subsequent financial year's processing (especially in the latter half of the financial year) since the letter was originally drafted.*"

The CEO also stated in his advice accompanying the requested audit management letter that: "*they [Merit Chartered Accountants] acknowledged that many of the issues raised had been addressed*". At the date of this report the audited financials for 2013-14 and audit management letter have not been supplied by the CEO thus the inspectors are unable to test the veracity of this statement.

### **Conclusion:**

Past recommendations made by the council's external auditors were not properly considered and dealt with in a timely manner to ensure proper standards of financial management are maintained.

**Risk rating: Low / Opportunity for improvement**

### **Recommended Remedial Action:**

The CEO must ensure the recommendations given by the external auditors are properly consider and acted upon in a timely manner to ensure proper controls over council expenditure are followed and proper standards of financial management are maintained.

### **Issue 29:**

There are deficiencies in the council's record keeping practices.

### **Background:**

Section 101(g) of the *Local Government Act* requires the CEO ensure that financial and other records are properly made and maintained.

### **Finding:**

There are numerous instances where documents have been requested, in some cases repeatedly, by the inspectors and those documents have not been available in the relevant area of responsibility; they have could not be found; or the documents supplied are incomplete. Examples of this are listed previously in:

- Issue 2 regarding purchases over \$10,000 but not more than \$100,000;
- Issue 4 regarding tending for goods/services over \$100,000;
- Issue 7 regarding a special purpose grant funding project;
- Issue 12 regarding council credit card expenditure records;
- Issue 14 regarding calculation and reporting of Fringe Benefits Tax liability;
- Issue 15 regarding HR records;
- Issue 20 regarding accounting for portable and attractive items;
- Issue 21 regarding maintaining stock take records;
- Issue 25 regarding maintain TIRC's register of interests; and
- Issue 28 regarding TIRC's management response to the 2013 external auditor's recommendations.

### **Conclusion:**

Properly managed records enable the council to maintain its information, it supports council employees to do their work more effectively; it improves employee retention; and it enhances continuity of council business.

The CEO has not complied with the *Local Government Act* to ensure council's financial and other records are properly made and maintained and this non-compliance has contributed to the systematic failure of council operations.

**Risk rating: High**

### **Recommended Remedial Action:**

The CEO must comply with section 101(g) of the *Local Government Act* and ensure council's records are properly made and maintained.

**Issue 30:**

A number of issues raised with council in prior years, through compliance reviews and external audits, have either not been addressed, have reoccurred, and/or systems have regressed to cause council's operations to be deficient.

**Background:**

Section 101 of the *Local Government Act* provides the CEO is responsible to council to ensure that proper standards of financial management are maintained and, in particular, proper controls over expenditure.

**Finding:**

A number of issues identified through Items 1 – 29 of the current compliance review have been raised previously with TIRC. More specifically, the following listed shortcomings have been previously flagged for TIRC's attention either by the department and/or by TIRC's external auditors:

| <b>Issue</b>   | <b>External Auditor</b> | <b>DLGR</b> |
|--|-------------------------|-------------|
| Deficiencies in procurement practices  | X                       | X           |
| Timing of TIRC's Regional Plan not completed per the Local Government Act  |                         | X           |
| Council Budget not finalised by 30 July  |                         | X           |
| Failure to maintain a Disclosure of Interest Register  |                         | X           |
| Deficiencies in Human Resource principals and policies   |                         | X           |
| Lack of Employment Policies  |                         | X           |
| Poor availability of records for inspection  | X                       | X           |
| Lack of communication to advise staff of changes to policies and where those policies are retained for staff reference |                         | X           |
| Failure to conduct and manage regular stock takes of council property  | X                       | X           |
| Failure to maintain internal controls  |                         | X           |

**Conclusion:**

The council has not adequately maintained proper systems, operations and controls to safeguard council property and as such the CEO has not complied with section 101 of the *Local Government Act*.

**Risk rating: High**

**Recommended Remedial Action:**

The CEO must comply with CEO's responsibilities listed in section 101 of the Local Government Act.



**Compliance Unit**

RCG House  
83-85 Smith Street  
Darwin NT 0800

**Postal address** GPO Box 4621  
Darwin NT 0801  
**Tel** 08 8999 8477

**File No:**

Mr Alan Hudson  
Tiwi Islands Regional Council  
PMB 267  
WURRUMIYANGA NT 0822

Also via email to:  
Alan.Hudson@tiwiislands.nt.gov.au

Dear Mr Hudson

**2014 COMPLIANCE REVIEW – TIWI ISLANDS REGIONAL COUNCIL**

**Re: Notice to Provide Written Answers to Specified Questions**

This notice is issued pursuant to section 210 of the *Local Government Act* (the Act).

As you are aware, the Agency, acting through the Chief Executive Officer of the Department of Local Government and Regions, is currently undertaking a compliance review of the Tiwi Islands Regional Council (the Council).

Under subsection 210(1) of the *Local Government Act*, I require you to provide written answers to the following specified questions;

1. An explanation of why each purchase order listed at Attachment A1 was raised after the invoice date and/or after works had commenced within the Council.
2. Who prepared Agenda item 6.3 for the 18 September 2014 special council meeting?
3. Did you review the content of Agenda item 6.3 for the 18 September 2014 special council meeting including the figures included in that report?
4. Why was the amount of \$320,000 stated “as Quoted” in Agenda item 6.3 for the 18 September 2014 special council meeting different to the quote provided by CouncilBIZ for the provision of financial services?



5. How was the figure of \$110,000 included in Agenda item 6.3 for the 18 September 2014 special council meeting calculated?
6. Was there any discussion at the 18 September 2014 special council meeting on the \$110,000 office cost? If so, what was the discussion?
7. Who prepared the financial statements included as an Agenda item for the following:
  - i. 30 July 2014 ordinary council meeting
  - ii. 27 August 2014 ordinary council meeting
  - iii. 24 September 2014 ordinary council
  - iv. 29 October 2014 ordinary council meeting
8. Did you review the content of the financial report presented at the following council meetings:
  - i. 30 July 2014 ordinary council meeting
  - ii. 27 August 2014 ordinary council meeting
  - iii. 24 September 2014 ordinary council
  - iv. 29 October 2014 ordinary council meeting
9. Did you check the budget included in the financial report presented at the 24 September 2014 and 29 October 2014 ordinary council meetings?
10. Did you review all credit card transactions for the month of August 2014 (except for your own corporate credit card)? If not, provide details of any other staff member who reviewed all credit card transactions for the month of August 2014.
11. Did you approve all credit card reconciliations, except your own, for the month of August 2014? If not, provide details of any other staff member who approved all credit card transactions for the month of August 2014.
12. Did you query any credit card transactions for August 2014 or the information provided to substantiate expenditure? If yes, provide the particulars and any supporting documents.
13. Has the Council's credit card policy been communicated to all staff issued with a credit card?
14. Did all credit card transactions for the month of August 2014 comply with the Council's credit card policy? If not, what action was taken?
15. Did you compare the council's current Travel Allowance entitlement against the Australian Taxation Office's "Reasonable Travel and Meal Allowance" rates?
16. Has the council kept a record of all staff holding a corporate credit card who have elected to pay for meals and incidentals with their credit card rather than claim Travelling Allowance? If yes, provide the reconciliation for each card holder from 1 July 2013 to 31 October 2014.

17. Since July 2013 has there been any private expenditure on Council credit cards? If yes, provide the particulars and Council's response.
18. Are Council's staff required to acquit travel?
19. Did you review the claimed list of benefits provided to Council staff before the Fringe Benefits Tax Return for 31 March 2014 was lodged with the ATO?
20. Was the Fringe Benefits Tax Return for 30 June 2014 reviewed by a tax professional?
21. In relation to Employee ID 4013, what date did Council receive each qualification as listed in the staff member's Curriculum Vitae?
22. Did you take into consideration Employee ID 4013's formal qualifications when the Acting Finance Manager appointment was made?
23. Did you take into consideration Employee ID 4013's skills and capacity to undertake the Acting Finance Manager's role whilst also undertaking the Contracts Manager's role?
24. Did you authorise Council staff to waive the repayment of the initial relocation costs paid by Council as set out in the letter of offer and signed by Employee ID 4026?
25. Is the private travel reimbursement benefit offered to some Council staff calculated on a financial year or calendar year?
26. Is private travel reimbursement claims and entitlements confined to annual claim and entitlements or can staff claim for eligible travel outside the current year?
27. Since 1 July 2013, has there been any over claimed and paid private travel reimbursement? Has council recovered or waived the over expenditure?

Pursuant to subsection 210(2) of the *Local Government Act*, I require you to verify your answers by statutory declaration.

I require you to provide the answers to these specified questions by close of business Friday 12 December 2014 by post to:

Inspector of Local Government  
Department of Local Government and Regions  
GPO Box 4621  
Darwin NT 0801

The written answers to specified questions you provide will be used for the purposes of the compliance review report.

Please note that you must comply with this notice. Failure to comply with this notice, without a reasonable excuse may be an offence under section 210 of the *Local Government Act*.

You are not required to answer written questions which may incriminate you. If you are unsure of your rights and obligations in relation to this notice, you should seek legal advice.

Should you require any further information about this notice, please contact the inspector of Local Government Ms Jocelyn Nathanael-Walters on 8999 8993 or via email to [jocelyn.nathanael-walters@nt.gov.au](mailto:jocelyn.nathanael-walters@nt.gov.au)

Yours sincerely



Inspector of Local Government  
(Card Number: REF-0606)

21 November 2014

## Diesel Dave Services (24 Hr Mechanical & Towing Services)

Attachment A1

| Per TechOne |            |              |                                      |                |                     | Per Invoice |              |  |                  |                          |
|-------------|------------|--------------|--------------------------------------|----------------|---------------------|-------------|--------------|--|------------------|--------------------------|
| PO No.      | PO Date    | Request Date | Description                          | Order Quantity | PO Amount (Inc GST) | Invoice No. | Invoice Date | Description  | Invoice Quantity | Invoice Amount (Inc GST) |
| PO014512    | 11/04/2014 | 11/04/2014   | Contract labour                      | 76             | 6,600.00            | 36003       | 9/05/2014    | Labour (5.5hrs 3/4/14; 9.5hrs 4/4/14; 6hrs 5/4; 9hrs on days 7/4-12/4/14)  | 75               | 6,600.00                 |
| PO014712    | 12/05/2014 | 12/05/2014   | Contract labour at Mili              | 88             | 5,588.00            | 36004       | 9/05/2014    | Labour (9hrs on days 15/4-17/4/14; 9.5hrs 18/4/14; 9hrs on days 21/4-23/4/14)  | 63.5             | 5,588.00                 |
| PO014711    | 12/05/2014 | 12/05/2014   | Contract labour at Mili              | 63.5           | 5,588.00            | 36005       | 9/05/2014    | Labour (10.5hrs 24/4/14; 8hrs 25/4/14; 9hrs on days 28/4-2/5/14)   | 63.5             | 5,588.00                 |
| PO014873    | 30/05/2014 | 30/05/2014   | Contract labour                      | 82.5           | 7,260.00            | 36017       | 27/05/2014   | Labour (9hrs 5/5/14; 9.5hrs 6/5/14; 9hrs on days 7/5-8/5/14; 9.5hrs 9/5/14; 9hrs on days 12/5-13/5/14; 9.5hrs 14/5/14; 9hrs 15/5/14) | 82.5             | 7,260.00                 |
| PO014872    | 30/05/2014 | 30/05/2014   | Contract labour                      | 63             | 5,544.00            | 36019       | 30/05/2014   | Labour (9hrs 16/5/14; 9hrs on days 19/5-23/5/14)   | 63               | 5,544.00                 |
| PO015512    | 29/08/2014 | 29/08/2014   | Labour                               | 133            | 11,704.00           | 36105       | 28/08/2014   | Labour (6hrs 18/7/14; 9hrs 19/7/14; 11hrs 21/7/14; 12hrs on days 22/7-27/7/14; 12hrs 29/7/14; 11hrs 30/7/14; 12hrs 31/7/14)          | 133              | 11,704.00                |
| PO015513    | 29/08/2014 | 29/08/2014   | Labour                               | 78             | 6,864.00            | 36106       | 28/08/2014   | Labour (12hrs 1/8/14; 11hrs 2/8/14; 12hrs 3/8/14; 12hrs on days 5/8-7/8/14; 7hrs 8/8/14)   | 78               | 6,864.00                 |
| PO015524    | 4/09/2014  | 4/09/2014    | Various tilt tray transport services | Various        | 1,267.26            | 36107       | 29/08/2014   | Various services and charges   | Various          | 1,267.26                 |

## Tonkas & Toys (Mechanical Repair Solutions)

| Per TechOne |            |              |   |                      |                     | Per Invoice |              |  |                        |                          |
|-------------|------------|--------------|---|----------------------|---------------------|-------------|--------------|--|------------------------|--------------------------|
| PO No.      | PO Date    | Request Date | Description                             | Order Quantity (hrs) | PO Amount (Inc GST) | Invoice No. | Invoice Date | Description  | Invoice Quantity (hrs) | Invoice Amount (Inc GST) |
| PO014618    | 29/04/2014 | 29/04/2014   | Labour                                  | 157.5                | 16,458.75           | 353         | 28/04/2014   | Mechanical labour (15/4-28/4/14 - 14 days)   | 157.5                  | 16,458.75                |
| PO014737    | 13/05/2014 | 13/05/2014   | Contract labour                         | 167                  | 17,451.50           | 354         | 12/05/2014   | Mechanical labour (29/4-12/5/14 - 14 days)   | 167                    | 17,451.50                |
| PO014799    | 22/05/2014 | 22/05/2014   | Contract labour                         | 79                   | 8,255.50            | 355         | 26/05/2014   | Mechanical labour (13/5-19/5/14 - 7 days)  | 79                     | 8,255.50                 |
| PO014919    | 10/06/2014 | 10/06/2014   | Contract labour                         | 66                   | 6,897.00            | 356         | 8/06/2014    | Mechanical labour (3/6-8/6/14 - 6 days)  | 66                     | 6,897.00                 |
| PO015011    | 23/06/2014 | 23/06/2014   | Mechanical contract labour              | 164                  | 17,138.00           | 357         | 22/06/2014   | Mechanical labour (9/6-22/6/14 - 14 days)  | 164                    | 17,138.00                |
| PO015123    | 7/07/2014  | 9/07/2014    | Labour & 1 x Alternator                 | 165                  | 17,542.49           | 358         | 7/07/2014    | Mechanical labour (23/6-6/7/14 - 14 days) Supply 1 x alternator                        | 165                    | 17,542.49                |
| PO015217    | 21/07/2014 | 21/07/2014   | Labour                                  | 58.5                 | 6,113.25            | 359         | 20/07/2014   | Mechanical labour (7/7/14; 16/7-20/7/14 - 6 days)                                      | 58.5                   | 6,113.25                 |
| PO015312    | 6/08/2014  | 5/08/2014    | Hours & 2 x Tie rod boots & 2 x sockets | 163.5                | 17,441.75           | 360         | 3/08/2014    | Mechanical labour (21/7-3/8/14 - 14 days) 2 x Tie rod boots 2 x sockets                | 163.5                  | 17,441.75                |
| PO015412    | 18/08/2014 | 18/08/2014   | Contract labour                         | 1                    | 16,699.65           | 361         | 17/08/2014   | Mechanical labour (4/8-17/8/14 - 14 days) parts for hot water blaster                  | 159.5                  | 16,699.65                |
| PO015532    | 4/09/2014  | 4/09/2014    | Contract labour & parts                 | 150                  | 17,028.54           | 362         | 31/08/2014   | Mechanical labour (18/8-31/8/14 - 14 days) various listed parts                        | 150                    | 17,029.54                |
| PO015610    | 15/09/2014 | 15/09/2014   | Labour, 2 x fuel hose & freight         | 59.5                 | 6,322.25            | 363         | 14/09/2014   | Mechanical labour (1/9-4/9/14; 13/9-14/9/14 - 6 days) 2 x fuel hoses courier & freight | 59.5                   | 6,322.25                 |
| PO015770    | 29/09/2014 | 29/09/2014   | Contract labour                         | 157.5                | 16,458.75           | 364         | 28/09/2014   | Mechanical labour (15/9-28/9/14 - 14 days)   | 157.5                  | 16,458.75                |
| PO015831    | 13/10/2014 | 13/10/2014   | Contract labour                         | 132                  | 13,794.00           | 365         | 12/10/2014   | Mechanical labour (29/9-10/10/14 - 12 days)  | 132                    | 13,794.00                |

**Compliance Unit**  
RCG House  
83-85 Smith Street  
Darwin 0801

**Postal address** GPO Box 4621  
Darwin NT 0801  
**Tel** 08 8999 8988

Mr Alan Hudson  
Chief Executive Officer  
Tiwi Islands Regional Council  
PMB 267  
WURRUMIYANGA NT 0822

Dear Mr Hudson

## **2014 COMPLIANCE REVIEW – TIWI ISLANDS REGIONAL COUNCIL**

### **Re: Notice to Produce Specified Records and Documents**

This notice is issued pursuant to section 210 of the *Local Government Act* (the Act).

The Agency, acting through the Chief Executive Officer of the Department of Local Government and Regions, is currently undertaking a compliance review of the Tiwi Islands Regional Council (the Council).

For the purpose of completing the compliance review, under subsection 210(1) of the Act, I require you to produce the following documents and records:

1. All reports, agenda items, resolutions and minutes, created for confidential and special meetings of the Council for the period 1 July 2013 to 31 October 2014
2. A copy of the replacement financial report tabled by the Acting Finance Manager at the 30 July 2014 ordinary council meeting.
3. All tender documents, including any documents or records of a tender committee for the period 1 July 2013 to 31 October 2014
4. All documents and records relating to councillor electoral allowance entitlements under Section 71 of the Act for the period 1 July 2013 to 31 October 2014.

5. A list of all general ledger transactions for allowances under Section 71 of the Act paid or payable for each elected member of the Council for the period 1 July 2013 to 31 October 2014.
6. All documents from each elected member of Council authorising their allowance be used to pay for services received from the Council or another body outside Council for the period 1 July 2013 to 31 October 2014.
7. All reconciliations relating to each allowance entitlement under Section 71 of the Act for each elected member of Council for the period 1 July 2013 to 31 October 2014.
8. A list of Councillors who have received their allowances in advance including amounts, date of payment and reason over the period 1 July 2013 to 31 October 2014.
9. All documents and flowcharts relating to the council's procurement process for the period 1 July 2013 to 31 October 2014.
10. All documents and records relating to quotes obtained (in the current or prior years) for each transaction listed in Attachment B1.
11. All documents and records relating to the procurement process followed by Council for goods or services provided by:
  - I. WTD Construction Services Pty Ltd (ABN 24 151 412 789)
  - II. Norman Vanderlaan trading as Tonkas & Toys Mechanical Repair Solutions (ABN 52 422 886 219)
  - III. Harmer Contracting Pty Ltd (ABN 16 128 542 361)
  - IV. David Eldridge trading as Diesel Dave Services (ABN 91 524 481 389)
12. All documents and records relating to the correspondence to and from CouncilBIZ titled "Tiwi Islands Financial Processing Proposal".
13. All documents and records relating to the new lease arrangement for Council's Darwin office premises in Winnellie which will come into effect by December 2014.
14. All documents and records relating to the Milikapiti Bunded Fuel Tanks which was funded by the Special Purpose Grant from the Department of Local Government and Regions.
15. Copies of all invoices in relation to the Milikapiti Bunded Fuel Tanks coded to the general ledger accounts:
  - 3351 – Exp purchase equipment
  - 3352 - WIP equipment
  - 7225 – Hire equipment

16. All documents and records relating to the purpose and approval for all storage costs paid by the Council to the Grace Removals Group (ABN 90 070 345 845).
17. A copy of the Council's privacy policy and the date the policy was approved.
18. A copy of the Council's investment policy and the date the policy was approved.
19. A copy of the Council's borrowing policy and the date the policy was approved.
20. All document and records relating to the Council's latest stocktake over all major property, plant and machinery assets.
21. A copy of the Council's Register of attractive and portable items.
22. All document and records relating to the establishment and operations of Council's current Finance Committee.
23. All document and records relating to the establishment and operations of the Council's current Audit Committee.
24. A copy of the Council's response to the 2012-13 external audit management letter.
25. A copy of the Council's staff structure as at 31 October 2014, including all vacant positions
26. All documents and records in relation to the preparation of the Council's Fringe Benefits Tax Return for 31 March 2014 including general ledger extracts, motor vehicle log book readings, if relevant, and any exemption declarations.
27. All qualifications for the staff member with Employee ID 4013 who was originally employed as the Contracts Manager.
28. Documentation authorising the waiver of the repayment of the initial relocation costs paid by Council as set out in the letter of offer and signed by Employee ID 4026.
29. Council's policy on payment and recoupment of staff relocation costs.
30. Council's policy on reimbursement of private travel costs.
31. A list of staff eligible for reimbursement of private travel costs, the amount and the conditions associated with each staff members reimbursement claim.
32. Council's policy on CEO travel.

I require you to produce any such documents or records, on or before Friday 12 December 2014. The documents must be provided to:

Inspector of Local Government  
Department of Local Government and Regions  
GPO Box 4621  
Darwin NT 0801



Please note that you must comply with this notice. Failure to comply with this notice, without a reasonable excuse may be an offence under section 210 of the *Local Government Act*. If you are unsure of your rights and obligations in relation to this notice, you should seek legal advice.

Should you require any further information about this notice, please contact the Inspector of Local Government Ms Jocelyn Nathanael-Walters on 8999 8993 or at [jocelyn.nathanael-walters@nt.gov.au](mailto:jocelyn.nathanael-walters@nt.gov.au)

Yours sincerely



Inspector of Local Government  
(Card Number: REF-0606)

21 November 2014

**ATTACHMENT B1**

| <b>Ledger Name</b> | <b>Account Number</b> | <b>Short Description</b> | <b>Date 1</b> | <b>Period</b> | <b>Reference 1</b> | <b>Document Type</b> | <b>Outstanding Amount</b> | <b>Paid/Allocated</b> | <b>Amount 1</b>   |
|--------------------|-----------------------|--------------------------|---------------|---------------|--------------------|----------------------|---------------------------|-----------------------|-------------------|
| APACT              | 10086                 | HARVEY NORMAN F          | 31/12/2013    | 0             | 010772             | APRUNEFT             | 0.00                      | 10,828.00             | 10,828.00         |
| APACT              | 10098                 | BIG MOWER                | 31/07/2013    | 0             | 009956             | APRUNEFT             | 0.00                      | 33,512.71             | 33,512.71         |
| APACT              | 10135                 | NORSIGN NT PT            | 31/12/2013    | 0             | 010776             | APRUNEFT             | 0.00                      | 13,313.73             | 13,313.73         |
| APACT              | 10163                 | PUMA ENERGY ( W          | 19/07/2013    | 0             | 009908             | APRUNEFT             | 0.00                      | 14,095.49             | 14,095.49         |
| APACT              | 10192                 | ARK ANIMAL HOSP          | 29/11/2013    | 0             | 010635             | APRUNEFT             | 0.00                      | 14,642.78             | 14,642.78         |
| APACT              | 10220                 | MIRAMBEENA RESO          | 01/05/2014    | 11            | 011523             | APRUNEFT             | 0.00                      | 36,053.00             | 36,053.00         |
| APACT              | 10255                 | TIWI ISLANDS SH          | 01/08/2013    | 0             | 002763             | APMANCHQ             | 0.00                      | 10,000.00             | 10,000.00         |
| APACT              | 10271                 | POOL DOCTOR, L&          | 28/04/2014    | 10            | 011475             | APRUNEFT             | 0.00                      | 25,938.00             | 25,938.00         |
| APACT              | 10332                 | WESTERN DIESEL           | 31/10/2013    | 0             | 010481             | APRUNEFT             | 0.00                      | 12,278.35             | 12,278.35         |
| APACT              | 10366                 | TRADE BUILDING           | 31/07/2013    | 0             | 009975             | APRUNEFT             | 0.00                      | 25,009.92             | 25,009.92         |
| APACT              | 10793                 | JLT                      | 28/04/2014    | 10            | 011499             | APRUNEFT             | 0.00                      | 11,220.32             | 11,220.32         |
| APACT              | 10886                 | SKM                      | 20/09/2013    | 0             | 010276             | APRUNEFT             | 0.00                      | 13,431.00             | 13,431.00         |
| APACT              | 10925                 | NT AUTOMOTIVE            | 10/03/2014    | 0             | 011191             | APRUNEFT             | 0.00                      | 60,584.34             | 60,584.34         |
| APACT              | 11658                 | PETRO INDUSTRIA          | 10/03/2014    | 0             | 011203             | APRUNEFT             | 0.00                      | 66,000.00             | 66,000.00         |
| APACT              | 11684                 | BURSON AUTOPART          | 28/02/2014    | 0             | 011158             | APRUNEFT             | 0.00                      | 19,845.36             | 19,845.36         |
| APACT              | 11739                 | TONKAS & TOYS            | 14/05/2014    | 11            | 011592             | APRUNEFT             | 0.00                      | 17,451.50             | 17,451.50         |
|                    |                       |                          |               | <b>42</b>     |                    |                      | <b>0.00</b>               | <b>384,204.50</b>     | <b>384,204.50</b> |