



## **SUPPLEMENTARY AGENDA**

### **ORDINARY COUNCIL MEETING WEDNESDAY, 23 MARCH 2016**

**Deferred to Thursday 31 March 2016**

Notice is given that the next Ordinary Council Meeting of Tiwi Islands Regional Council will be held on:

- Thursday, 31 March 2016 at
- Milikapiti
- Commencing at 10:00 AM

Your attendance at the meeting will be appreciated.

**Marion Scrymgour**  
Chief Executive Officer

## **AGENDA**

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**REPORTS FOR DECISION**

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<b>ITEM NUMBER</b>	6.4
<b>TITLE</b>	TIRC Audit Committee - Appointment of Members
<b>REFERENCE</b>	177854
<b>AUTHOR</b>	Bruce Moller, General Manager Finance & Compliance



This report is provided to Council for the consideration of appointment of the five (5) members of the new TIRC Audit Committee.

**BACKGROUND**

The Compliance Review undertaken by the Dept. Local Government late in 2014 identified that Council did not have a properly constituted Audit Committee (Compliance Report Issue 26) which is a mandatory compliance requirement.

The previous CEO had at around the same time advised Council to establish a combined Council Finance & Audit Committee. This Committee was established to carry out a dual role (to deal with financial matters and accept the monthly Finance Reports for the alternate months when Council did not meet, and to undertake an Audit and risk management advisory role). The Dept. Local Government Compliance Inspectors advised at the time that a combined Committee failed to comply with the *Local Government (Accounting) Regulations*.

Not long after the establishment of the Finance & Audit Committee the Official Manager was appointed in early February 2015 by the Minister and this Committee was subsequently disbanded.

**ISSUES/OPTIONS/CONSEQUENCES**

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.

As stated in the TIRC Audit Committee Terms of Reference the purpose of the Audit Committee is to provide independent assurance and advice in relation to Council's:

- Risk Management
- Internal Controls
- Governance arrangements and performance frameworks
- Financial management and statements
- Legislative & Policy Compliance
- Internal Audit
- External Audit

**CONSULTATION & TIMING**

At the 29 July 2015 Ordinary Council Meeting the Official Manager resolved to establish an Audit Committee and at that Meeting also adopted a Terms of Reference.

As this was during the period of Official Management I have included an extract of the Minutes of the 29 July 2015 Ordinary Council Meeting (Attachment 1), and have also included a copy of the approved Terms of Reference (Attachment 2).

The membership of the Audit Committee is as per the TIRC Terms of Reference document which confirms the makeup of the Committee as five (5) members.

- Three (3) Councillors
- Two (2) external Independent Members

One of the external members is to be appointed by Council as the Chairperson.

During the latter stages of 2015 Council sought public expressions of interest via an advert in the NT News for the two independent member positions (Chairperson and Member).

A number of applications were received and the CEO has now reviewed these applications and is recommending the following people for appointment to the two independent member positions:

- Independent Chairperson      Mr David Blair
- Independent Member              Ms Madhur Evans

For the three (3) Councillors positions on the Audit Committee the following recommendations for appointment are provided as a representative group:

- Mayor Lynette De Santis ( Representing Milikapiti Ward )
- Deputy Mayor Pirrawayingi Puruntatameri ( Representing Pirlangimpi Ward )
- ..... ( Representing Nguiu Ward )

## **MEMBERSHIP TERM**

In accordance with the TIRC Audit Committee Terms of Reference appointments to the Audit Committee are as follows:

- For external members ( up to 4 years and no less than two years )
- For Council Members ( two years )

It is therefore recommended that the Council consider the initial term of the Audit Committee to be two (2) years due to the Local Government General Elections being held in late August 2017.

This would give Council Members approximately 16 months to be members of the Audit Committee before the next LG General Election.

For the two (2) external independent members an initial term of two (2) years would provide for continuity beyond the next LG General Election ( through to March 2018 ).

## **QUORUM & PROXIES**

**Note 1:** A quorum for the Audit Committee is three members and must include 2 independent members.

**Note 2:** In order to ensure continuity and a useful level of knowledge and experience, Audit Committee members are not permitted to send proxies to the meeting.

The first (initial) meeting of the TIRC Audit Committee would be subject to the availability of all members and would be held as soon as possible following Council appointment.

**RECOMMENDATION:**

**That Council:**

- 1. Appoints Mr David Blair as the External Independent Chairperson;**
- 2. Appoints Ms Madhur Evans as the 2<sup>nd</sup> External Independent Member;**
- 3. Appoints Mayor Lynette De Santis to represent the Milikapiti Ward;**
- 4. Appoints Deputy Mayor Pirrawayingi Puruntatameri to represent the Pirlangimpi Ward;**
- 5. Appoints Councillor..... to represent the Nguiu Ward;**
- 6. That the term of appointment for all five (5) members is for 2 years.**

**ATTACHMENTS:**

- 1 Extract - Minutes OCM 29 July 2015 - Page 16 of 21 TIRC Establish Audit Committee.pdf**
- 2 Terms of Reference for TIRC Audit Committee July 2015 - Approved by Council 29 July 2015.pdf**

**6.8 APPOINTMENT OF MERIT PARTNERS AS COUNCIL'S EXTERNAL AUDITORS FOR 2014/15 AND 2015/16**

This report seeks Council to confirm the appointment of Council's External Auditors for 2014/15 and 2015/16.

**27 RESOLUTION**

**Official Managers Determination**

That Council appoints Merit Partners as the Council's External Auditors for the years ending 30 June 2015, and 30 June 2016.

**CARRIED**

**6.9 TIRC - ESTABLISH AUDIT COMMITTEE**

This report is provided to Council to recommend the establishment of an Audit Committee.

**28 RESOLUTION**

**Official Managers Determination**

That Council:

- (a) Approves the establishment of an Audit Committee, and
- (b) Adopts the Draft Terms of Reference, and
- (c) Approves for a (5) Member Audit Committee comprising (2 Independent External Members – one being the Chair), and (3 Councillors)
- (d) Approves public expressions of interest for the 2 Independent External Members during August 2015

**CARRIED**

**6.10 GRANT ACQUITTALS X 4**

Financial Grant Acquittals covering a number of various grants (FSEF – LED Security Lights at Wurrumiyanga Swimming Pool, Shade Structure at Milikapiti Water Park, Water Park Feature Milikapiti and Water Park Milikapiti) are required to be endorsed by Council. Listed below are four (4) grant acquittals that require endorsement.

**29 RESOLUTION**

**Official Managers Determination**

That Council notes and endorses the acquittals of the four (4) grants listed in report number 162128 for the various reporting periods as follows:

1. LED Security lights at Swimming Pool 2014-15 Acquittal – 2012/05669
2. Shade Structure at Milikapiti Water Park 2014-15 Acquittal – 2011/04195
3. Water Park Milikapiti 2014-15 Acquittal – 2012/05669
4. Water Park Milikapiti 2013-14 Acquittal – 2012/05669

**CARRIED**



## Tiwi Islands Regional Council Audit Committee

### Tiwi Islands Regional Council Audit Committee Terms of Reference

#### Introduction

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

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

#### Purpose

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

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

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

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

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

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



## Tiwi Islands Regional Council Audit Committee

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

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

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

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

### Membership

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

- three (3) Councillors
- two (2) external Independent Members

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

Appointments of external independent members to the Audit Committee shall be for a term of up to four years and no less than 2 years.

Appointments of Council Members shall be for a term of two years.

The Council shall appoint one of the Independent Members as Chairperson of the Committee.

### Authority

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

- seek any information it requires from any employee of the Regional Council or external third party (subject to any legal obligations to protect information);





## Tiwi Islands Regional Council Audit Committee

- discuss any matters with the external auditor, or other external parties (subject to confidentiality considerations);
- request the attendance of any of any employees, including the Chief Executive Officer, at Audit Committee meetings; and
- obtain external legal or other independent professional advice with the agreement of the Chief Executive Officer.

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

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

### Specific Roles and Responsibilities

Without prescribing the work and priorities of the Audit Committee (which will need to be determined having regard to the particular circumstances relevant to the Council), the committee will give consideration to reviewing and assessing the following matters:

#### *Risk Management*

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



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### *Internal Control*

- whether management's approach to maintaining an effective internal control framework, including over external parties such as contractors and advisers, is sound and effective;
- the adequacy of strategic and operational planning, its integration with risk management practices and the means by which performance against plans is monitored and assessed;
- whether management has in place relevant policies and procedures, including Chief Executive's Instructions or their equivalent, and that these are periodically reviewed and updated;
- whether the appropriate processes are in place to assess whether key policies and procedures (including delegations) are complied with;
- how management identifies any required changes to the design or implementation of key internal controls; and
- whether management has taken steps to embed a culture that promotes the proper use of resources and is committed to ethical and lawful behaviour.

### *Financial Management and Reporting*

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

### *Legislative and Policy Compliance*

- the effectiveness of the system for monitoring compliance with relevant laws, regulations and associated government policies that the Council must comply with;
- whether management has appropriately considered legal and compliance risks as part of the entity's enterprise risk management plan;
- review the process for building the capacity of Council to manage misconduct risk and its management strategies to enhance resistance to misconduct while at the same time improving Council performance and integrity;

TIRC – Audit Committee - Terms of Reference - Approved by Council 29 July 2015 – Doc ID 177903



## Tiwi Islands Regional Council Audit Committee

- whether there are adequate systems and practices to achieve compliance with Funding Agreements, Service Level Agreements or any other agreements with any funding bodies or agencies;

### *Internal and External Audit*

- act as a forum for communication between the Council, senior management and internal and external audit;
- review the proposed internal audit coverage, ensure the coverage is aligned with key risks, and recommend approval of the Annual Work Plan by the Chief Executive;
- advise the Chief Executive on the adequacy of internal audit resources to carry out its responsibilities, including completion of the approved internal audit work plan;
- review all audit reports and provide advice to the Council and Chief Executive on significant issues identified in audit reports and action to be taken on issues raised, including identification and dissemination of good practice;
- monitor management's implementation of audit recommendations;
- periodically review the internal audit charter and internal audit performance to ensure appropriate authority, access and reporting arrangements are in place;
- provide input and feedback on financial statement and performance audit coverage proposed by external audit, and provide feedback on the audit services provided; and
- provide advice to the Chief Executive on action to be taken on significant issues raised in relevant audit reports.

### **Provision of Information**

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

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

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

### **Meetings**

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



## Tiwi Islands Regional Council Audit Committee

The Audit Committee Meetings shall be considered confidential subject to the Section 65 (2) of Local Government Act and Regulation 8 (c) of Local Government (Administration) Regulations.

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

Meetings can be held in person, by telephone, or by video conference.

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

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

### *Quorum*

A quorum for the Audit Committee is three members and must include 2 Independent Members.

### *Proxies*

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

### *Administrative Support*

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

### *Reporting*

Following each meeting of the Audit Committee, the meeting minutes will be presented to the Council providing information on the meeting and its outcomes.

Audit Committee minutes will be designated confidential.

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

### *Conflict of Interest*

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

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

TIRC – Audit Committee - Terms of Reference - Approved by Council 29 July 2015 – Doc ID 177903



## Tiwi Islands Regional Council Audit Committee

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### *Meeting Sitting Fee*

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

Appropriate travel allowances will be paid to Members.

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

### *Committee Performance and Review*

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

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

The review will also include a review of the Terms of Reference for Audit Committee. New members will receive relevant information and briefings on their appointment to assist them to meet their Committee responsibilities.

### *Legislation referenced in the Terms of Reference*

*Local Government Act*

*Local Government (Accounting) Regulations*

**REPORTS FOR DECISION**

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<b>ITEM NUMBER</b>	S.1
<b>TITLE</b>	CEO Report for Council Meeting 31 March 2016
<b>REFERENCE</b>	177967
<b>AUTHOR</b>	Marion Scrymgour, Chief Executive Officer



This report is provided to Council as an update of meetings and important issues to the end of February 2016.

**Background**

There has been very little slow down in terms of work and activity across the Regional Council.

We have commenced across the organisation particularly the Infrastructure area a systems review task. The areas I have outlined I have already commenced this review by written notification to the GM Infrastructure.

This involves:

***Sub-leases and licences (main communities), and associated insurances***

1. We need to ensure that we have a comprehensive and current register of all sub-lease and licence interests granted to TIRC in each of the communities over which the Executive Director of Township Leasing holds the headlease. This register should include GPS coordinates and should include (or attach) surveyed plans of each sub-lease/licence area. As regards sub-leases the register should break the list of properties down into categories, including staff accommodation, buildings occupied/used by TIRC for operational purposes, and buildings (or parts of buildings) occupied by third parties. There should be an ancillary register in relation to buildings (or parts of buildings) occupied by third parties setting out the terms and conditions of such occupation and specifying what steps have been taken to formalise the arrangement with the third party by way of an under-lease or licence.
2. We need a comprehensive report confirming TIRC has appropriate insurance cover in relation to all lots occupied and/or used by TIRC. To the extent that such cover does not adequately cover TIRC's operations in relation to community land over which TIRC does not currently have sub-lease or licence tenure, we need to ascertain the likely cost of upgrading our insurance to cover such operations (e.g. the recent Wurrumiyanga foreshore clearing work).
3. We need to prepare draft terms and conditions for a proposed licence covering our operations in community land in each of the communities administered by OTL (a starting point for this task will be obtaining a copy of the licence which we have been informed by the Executive Director of Township Leasing was previously in force in favour of TIRC).

5. We need to prepare a report assessing current and future needs and shortfalls in terms of building and staff accommodation, and also a 5 year infrastructure and assets plan focusing in particular on TIRC's role as the principal entity responsible for roads in the Tiwi Islands (for the purposes of the main communities, I am mentioning this here in the context of internal community roads).
6. We need a full audit and report relating to our pool infrastructure in Wurrumiyanga and Pirlangimpi.

#### ***Leases and licences (land outside the main communities)***

7. We need a comprehensive report in relation to the current status and adequacy of the existing dumps/waste facilities servicing each of the main communities, in particular as regards environmental protection and hazards, security, and any occupational health and safety issues. To the extent that the existing locations are inadequate, we need to ascertain what we would require in relation to any alternative site. The report should also provide comparative information in relation to other Councils throughout the Territory in terms of tenure, funding and operational issues.
8. We need to prepare draft terms and conditions for leases to be sought from the Tiwi Aboriginal Land Trust for leasehold tenure over each dump/waste facility which we either currently use or (in the case of an alternative proposed site) which we propose to use.
9. We need to ascertain whether the cost of operating the dumps/waste facilities is adequately factored into our existing cost structures, and whether associated costs recovery would require amendment of the *Local Government Act* (i.e. relating to a service charge not associated to a particular lot in a community occupied by a resident).
10. Roads report (see above). This report to also cover current arrangements in relation to extractions from gravel pits, and the preparation of draft terms and conditions in a licence proposal to be put to the Tiwi Land Council in relation to one or more gravel pit licences. Report to also consider costs recovery for the cost of such gravel pit licence fees.

#### ***Action arising from Wurrumiyanga foreshore clearing project***

11. We need to review (any report that forms part of this review should set out the details) any past authorisation/approval by TIRC for the foreshore clearing project recently undertaken, and in particular the details of any agreement or arrangement between TIRC and Tiwi Enterprises (or any other third party). The report should also review and identify operational procedures and processes in terms of consultation, clarification of legal authority to undertake work in context where the commissioning 'developer' had no tenure status, and what the process was in relation to sacred site clearance checking. The review should lay the foundations for better planning processes which will ensure the TIRC interests are protected. The report should also look into the complaints and concerns raised by Wurrumiyanga Local Authority members at the Local Authority meeting on 25/1/16 (in particular as regards loss of amenity for residents of the aged care facility).

12. We need a broader (and comprehensive) review undertaken covering all current or proposed TIRC work projects, with a view to confirming that all projects have been properly approved and authorised by TIRC (this applies in particular to 'legacy' projects pre-dating my commencement as CEO, and in particular to projects where TIRC has purportedly agreed to act as a de-facto contractor for a third party). This review should look into whether there has been appropriate consultation in relation to each project and confirm that the projects are in the interests of TIRC and the relevant affected Tiwi community. In particular the report should check that all appropriate sacred site clearances have been addressed.
13. We need to engage with AAPA and the Tiwi Land Council to ensure that TIRC (and all relevantly engaged TIRC staff) are aware of the exact locations of any sacred sites on the Tiwi Islands the location of which can be disclosed. Staff should be directed to ensure that any work in the vicinity of any such site should be conducted with great care so as not to cause any damage.
14. Separate from the process of checking with AAPA as to the location of disclosable sites, TIRC staff should be directed to seek site clearance confirmation before undertaking any significance public works (ultimate responsibility for this to rest with the GMI).

### ***Other reviews/reports***

I will need to brief you separately in relation to the cemetery issue, and there are a number of other reviews/reports that will have to be prepared as a matter of urgency. I have given you what documentation I have so that you can read at your leisure. However, the above will be sufficient to keep you busy to start off with.

There will be a full and comprehensive review undertaken of the HR/Payroll section. This will ensure that we are meeting our obligations under the Industry Award and that we have the appropriate systems in place.

This systems review will be done across all program areas in consultation with the relevant GM's to make sure that we are meeting our objectives as stated by the Regional Council. This review is in line with transitioning us to be more effective and meeting best practice standards and that we are compliant across the Organisation – legally and financially.

### **RECOMMENDATION:**

**That Council note the CEO report and agree/not agree on the progress across the organisation to get our systems meeting best practice standards and that we are meeting our legal and financial obligations under our funding arrangements.**

### **ATTACHMENTS:**