



# **AGENDA**

## **AUDIT COMMITTEE MEETING**

### **WEDNESDAY, 17 JUNE 2020**

Notice is given that the next Audit Committee Meeting of the Roper Gulf Regional Council will be held on:

Wednesday, 17 June 2020 at 10.00AM  
The Roper Room, Roper Gulf Regional Council  
2 Crawford Street, Katherine, NT

Your attendance at the meeting will be appreciated.

Phillip LUCK  
**CHIEF EXECUTIVE OFFICER**

## PLEDGE

“We pledge to work as one towards a better future through effective use of all resources.

We have identified these key values and principles of Honesty, Equality, Accountability, Respect and Trust as being integral in the achievement of our vision, that the Roper Gulf Regional Council is Sustainable, Viable and Vibrant.”

## PRAMIS BLA WI

“Mela pramis bla wek gudbalawei bla meigim futja bla wi wanwei, en bla yusim ola gudwan ting bla helpum wi luk lida.

Mela bin luk ol dijlod rul, ebrobodi gada tok trubalawei, wi gada meik so wi gibit firgo en lisiin misalp, abum rispek en trastim misalp bla jinggabat bla luk lida, Roper Galf Rijinul Kaunsul deya maindim en kipbum bla wi pramis, dum wek brabli gudbalawei, en im laibliwan.”

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- 14.2 Finance Manager Secondment Project - update  
*The report will be conducted in accordance with the Local Government Act 2008 s 65(2) and Local Government (Administration) Regulations 2008 reg 8(a) (e).*
- 14.3 Risk Management Plan  
*The report will be conducted in accordance with the Local Government Act 2008 s 65(2) and Local Government (Administration) Regulations 2008 reg 8(c)(4).*
- 14.4 Recent Compliance Issues  
*The report will be conducted in accordance with the Local Government Act 2008 s 65(2) and Local Government (Administration) Regulations 2008 reg 8(e).*

## **15 CLOSE OF MEETING**

## **CONFIRMATION OF PREVIOUS MINUTES**

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<b>ITEM NUMBER</b>	6.1
<b>TITLE</b>	Audit Committee Meeting - 04 March 2020
<b>REFERENCE</b>	929459
<b>AUTHOR</b>	Narelle PERROTT, Governance Officer

### **RECOMMENDATION**

**That the Audit Committee confirms the minutes from the meeting held on the 04 March 2020 and affirms them to be a true and accurate record of that meetings decisions and proceedings.**

### **BACKGROUND**

The Audit Committee met on the 04 March 2020 in Katherine and via teleconference. Attached are the recorded minutes from that meeting for the committee review.

The next scheduled Audit Committee Meeting is on the 16 September 2020 at 10.00am.

### **ISSUES/OPTIONS/SWOT**

Nil.

### **FINANCIAL CONSIDERATIONS**

Nil.

### **ATTACHMENTS**

- 1 Audit Committee 2020-03-04 [1460] Minutes.DOCX



MINUTES OF THE AUDIT COMMITTEE OF THE ROPER GULF REGIONAL  
COUNCIL MEETING HELD AT THE ROPER ROOM,  
ROPER GULF REGIONAL COUNCIL SUPPORT CENTRE  
2 CRAWFORD STREET, KATHERINE, NT ON WEDNESDAY ON  
4 MARCH 2020 AT 10:00AM

## 1 PRESENT/STAFF/GUESTS

### 1.1 Members

- Councillor Donald GARNER;
- Independent Member Garry LAMBERT, Chairperson; and
- Independent Member Sheldon SMITH.

### 1.2 Staff

- Phillip LUCK, Chief Executive Officer;
- Marc GARDNER, General Manager Corporate Services and Sustainability;
- Dave HERON, Chief Financial Officer;
- Naomi HUNTER, Executive Manager; and
- Ashleigh ANDERSON, Local Authority Coordinator.

### 1.3 Guests

- Cheryl CHASE, Deloitte; and
- Wasique ZAFAR, Deloitte

## 2 MEETING OPENED

The Audit Committee Meeting opened at 9:54am and the Roper Gulf Regional Council Pledge was read.

## PRESENTATION

9:58am – 10:25am Audit Strategy Document Presentation from Deloitte.

## 3 APOLOGIES AND LEAVE OF ABSENCE

### 3.1 APOLOGIES AND LEAVE OF ABSENCE

1/2020 RESOLVED (Sheldon SMITH/Donald GARNER)

CARRIED

That the Audit Committee accepts the apologies of Councillor Eric Roberts and Councillor David Murrungun.

#### 4 CONFIRMATION OF PREVIOUS MINUTES

##### 4.1 AUDIT COMMITTEE MEETING - 20 NOVEMBER 2019

2/2020 RESOLVED (Sheldon SMITH/Donald GARNER) *CARRIED*

That the Audit Committee confirms the previous minutes from the meeting held on Wednesday 20 November 2019, and confirms them to be a true and accurate record of that meetings decisions and proceedings.

#### 5 BUSINESS ARISING FROM PREVIOUS MINUTES

##### 5.1 ACTION LIST

3/2020 RESOLVED (Donald GARNER/Sheldon SMITH) *CARRIED*

That the Audit Committee:

- (a) Receives and notes Action List; and,
- (b) Approves the removal of completed items.

#### 6 CALL FOR ITEMS OF GENERAL BUSINESS

#### 7 DISCLOSURES OF INTEREST

There were no declarations of interest at this Audit Committee Meeting.

#### 8 INCOMING CORRESPONDENCE

Nil.

#### 9 OUTGOING CORRESPONDENCE

Nil.

#### 10 OPERATIONAL REPORTS

Nil.

#### 11 GENERAL BUSINESS

##### 11.1 2018/2019 FINANCIAL AUDIT MANAGEMENT LETTER UPDATE

4/2020 RESOLVED (Donald GARNER/Sheldon SMITH) *CARRIED*

That the Audit Committee receives and notes the update in relation to the 2018/2019 Financial Audit Management Letter.

**11.2 ACCOUNTING AND POLICY MANUAL**

5/2020 RESOLVED (Donald GARNER/Sheldon SMITH) CARRIED

That the Audit Committee receives and notes the report in relation to the Accounting and Policy Manual and requests that the Committee receives the Accounting and Policy Manual to review annually.

**11.3 HR004 - RECRUITMENT AND SELECTION POLICY**

6/2020 RESOLVED (Sheldon SMITH/Donald GARNER) CARRIED

That the Audit Committee notes the report in relation to the Recruitment and Selection Policy.

**11.4 BUDGET PREPARATION TIMETABLE**

7/2020 RESOLVED (Donald GARNER/Sheldon SMITH) CARRIED

That the Audit Committee notes the report in relation to the budget preparation timetable.

**11.5 LOCAL GOVERNMENT ACT 2019 CHANGES**

8/2020 RESOLVED (Donald GARNER/Sheldon SMITH) CARRIED

That the Audit Committee notes the report in relation to the *Local Government Act 2019* changes.

**12 ITEMS FOR NEXT MEETING**

Nil.

**13 MOVE TO CLOSED SESSION****13.1 MOVE TO CONFIDENTIAL SESSION**

9/2020 RESOLVED (Donald GARNER/Sheldon SMITH) CARRIED

That the Audit Committee resolves to move into the confidential session of the Audit Committee Meeting.

**14 RESUMPTION OF MEETING****14.1 RESUMPTION OF MEETING**

10/2020 RESOLVED (Donald GARNER/Sheldon SMITH) CARRIED

That the Audit Committee moves to return to the open session of the Audit Committee meeting and declare the resolutions made in the confidential session not be available to the public in accordance with the *Local Government Act 2008*, section 201.



## **15 CLOSE OF MEETING**

The meeting terminated at 11:40am.

This page and the proceeding pages are the Minutes of the Audit Committee meeting held on Wednesday, 4 March 2020 and will be confirmed on Wednesday, 17 June 2020.

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Chairperson Garry LAMBERT

**BUSINESS ARISING FROM PREVIOUS MINUTES**

<b>ITEM NUMBER</b>	7.1
<b>TITLE</b>	Action List
<b>REFERENCE</b>	929320
<b>AUTHOR</b>	Naomi HUNTER, Executive Manager

**RECOMMENDATION**

That the Audit Committee :

- a) Receives and notes Action List; and
- b) Approves the removal of completed items.

**BACKGROUND**

The Action List is a summary of tasks that the Audit Committee meeting has requested be undertaken by Council staff. The table also identifies the Staff member assigned to the task by the Chief Executive Officer and the current status.

Date	Agenda Item #	Item Description	Responsible Person	Comments/ Details	Ongoing	Status Comments - Completion Date
19-September-2018	11.2	New Policies	Executive Manager	That the standard operating procedure applicable to the mandatory reporting policy be presented to the November Audit Committee.	Completed	
19-June-2019	13.2	Information Rights Management	Information Systems Manager	Contractor to overhaul entire EDRMS and records management processes, including IRM.	Completed	Inhouse Project manager has been appointed and the GMCSS is the project Executive

**ATTACHMENTS:**

**OPERATIONAL REPORTS**

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<b>ITEM NUMBER</b>	12.1
<b>TITLE</b>	COVID - 19 Update
<b>REFERENCE</b>	929310
<b>AUTHOR</b>	Naomi HUNTER, Executive Manager

**RECOMMENDATION**

**That the Audit Committee receives and notes the COVID-19 Update Report.**

**BACKGROUND**

A temporary role of a COVID-19 Risk Management Coordinator position commenced on 15 May 2020 to ensure compliance with restrictions.

**ISSUES/OPTIONS/SWOT**

The COVID-19 Risk Management Coordinator has:

- Coordinated the application and renewal process for over 50 Northern Land Council (NLC) Permits and Approved Remote Essential Worker (AREW) Identification Cards for council staff;
- Assisted in the facilitation of the Council Services Coordinator (CSC) Forum held on the 28-29 May 2020 to plan for lifting of biosecurity travel restrictions on 5 June;
- Presented to the CSC Forum an update on COVID-19, Dispute Resolution and assisted in facilitation of other sessions;
- Consulted with CSC's, managers and directors on the submission of over 70 COVID-19 Safety Plans;
- Distributed promotional material to communities on COVID-19;
- Contributed content for Social Media regarding COVID-19;
- Coordinating the Health Checks for Council's multitude of business places; and
- Commenced research for Council's Business Continuity Plan.

**FINANCIAL CONSIDERATIONS**

Nil.

**ATTACHMENTS**

There are no attachments for this report.

**OPERATIONAL REPORTS**

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<b>ITEM NUMBER</b>	12.2
<b>TITLE</b>	Information Management Systems Update
<b>REFERENCE</b>	929323
<b>AUTHOR</b>	Cristian COMAN, Manager Information Systems

**RECOMMENDATION**

**That the Audit Committee receives and notes the update pertaining to the Corporate Information Management development.**

**BACKGROUND**

Council's corporate information management has not been formalised since it was formed on 01 July 2008. Council has made several attempts at records management, introducing administrative and software processes however, these have been sporadic, and not implemented to a standard required by applicable law.

Records Management has been a standing item on the Committee's agenda since the appointment of the current Committee in September 2017.

The Records Management Standards for Public Sector Organisations (the Standards) are statutory instruments of, and made pursuant to the ss 137 and 138 provisions of the *Information Act 2002*. The Standards were Gazetted on 14 February 2018 and outline the parameters of corporate information management which Council must comply with.

The Standards prescribe five (5) categories which Council's Corporate Information System must accommodate and comply with:

- (1) Governance;
- (2) Capture;
- (3) Discovery;
- (4) Security; and
- (5) Disposal.

These categories apply to Council's records as a whole rather than what it captured solely by the Electronic Documents and Records Management System (EDRMS) which is a separate item within the Corporate Information System.

The Corporate Information Services business unit was created in November 2019 with the specific mandate to overhaul and design Council's Corporate Information System which is inclusive of policy, framework, process and actual software, rather than a tweak to the EDRMS.

The Corporate Information Services business unit has the activity code of 118, is led by the Manager Information Systems, and has a Records Officer position which is currently being recruited for.

**ISSUES/OPTIONS/SWOT**

Since commencing operations, the Manager Information Systems has undertaken a comprehensive assessment of Council's current corporate information management, which is being used as the basis of the development of that system.

The Manager Information System compiled a comprehensive project plan for the upgrading and configuration of the MagiQ EDRMs, however the implementation was impacted by the COVID-19 pandemic response which limited the availability of key resources.

The Manager Information System has developed a comprehensive Corporate Information System Framework which covers the overall layout and principles of the system, as well as compliance with the prescribed standards and applicable law.

The Manager Information System is currently developing an integrated Business Classification Scheme with a Retention and Disposal Schedule and Naming Convention. This Scheme is a foundational document and applicable at the universal level. It is not software dependent.

Estimated time of completion for the Scheme is end of June 2020, with the next step towards system configuration and implementation estimated for July 2020.

The Corporate Information Services business unit operates in close consultation and collaboration with the Information Communication Technology business unit and with CouncilBiz.

Consultation with the Executive and unit Managers forms part of the development and implementation of the Business Classification Scheme.

#### **FINANCIAL CONSIDERATIONS**

Not evident at this time.

#### **ATTACHMENTS**

There are no attachments for this report.

**GENERAL BUSINESS**

<b>ITEM NUMBER</b>	13.1
<b>TITLE</b>	Draft Budget 2020-21
<b>REFERENCE</b>	927257
<b>AUTHOR</b>	Dave HERON, Chief Financial Officer

**RECOMMENDATION**

**That the Committee notes the Draft Budget 2020-21 report.**

**BACKGROUND**

The draft budget for 2020-21 was presented and approved at the Finance Committee Meeting (FCM) in May 2020 for inclusion in the 2020-21 Regional Plan on 27 May 2020. The Regional Plan is undergoing a period of 21 days public consultation and is scheduled for final approval at the Ordinary Council Meeting on 24 June 2020. Council may approve amendments to the budget based on public submissions received or new information uncovered by the council officers that materially relate to the budget for the next financial year.

**ISSUES/OPTIONS/SWOT**

The budget is prepared to meet the regulatory obligations of the *Local Government Act*. The following notes are prepared to provide more context to the budget papers that include the draft 2020-21 budget.

- The format of the budget is prepared with reference to proposed new *Local Government Regulations* and seeks to separate operational and capital budgets. These regulations are now not to be introduced until the start of the 2021-22 year, however this format was decided upon before the delay was announced.
- Section 13 of the *Local Government (Accounting) Regulations* does not allow the Council to budget for a deficit but does allow for the write back of non-cash depreciation from the operational result. Many Councils require this adjustment to be able to reflect a surplus budget. The effect however is that it reflects that Council is unable to fully recognise depreciation as an operating expense which therefore negatively influences the ability to renew assets.
- Use of Accumulated Funds and General Reserves are for specific capital funding requirements where capital grant funding has not been able to be obtained.
- The presentation of Item 4 Infrastructure maintenance Budget, though meaningless at the moment, is a requirement of Section 127 (c) of the *Local Government Act 2008*. A more detailed R&M schedule will begin to be presented once the Asset Management Plan is rolled out.
- The Rates Summary is for budget purposes only and not the Rates Declaration which will be presented for Council approval in June. The increase in the Rates proposed in the original document presented to the FCM was 1.5% which is the annual Darwin CPI as at the March quarter. Other options for consideration may be the annual national CPI of 2.2% or the recognised Local Government Index of 1%. In light of subsequent economic and social circumstances the Council may decide on no increase or another formula. At the FCM on 27 May it was proposed not to increase rates above the 2019-20 levels.
- The Conditional Rating for Pastoral and Mining Leases are set by the Minister of Local Government pursuant to Section 142 (2) of the *Local Government Act 2008*.
- The Capital Expenditure Budget was prepared in consultation with the Infrastructure and Asset Services Directorate references local priorities and community needs. Greater importance is now being placed on the ability to identify the source funding externally or internally. Projects will not be budgeted for without a sufficient business case and an identified source of funding.

Since the adoption of the draft budget 2020-21 at the FCM on 27 May, there has been further information received regarding several capital grants and projects, and amendments to some operational expenditure that will require amendments to the budget before final approval. A list of the current internally requested amendments is attached and it, along with any other changes from the public consultation, will take approved by the Strategic Leadership Team before inclusion into the final budget for adoption by the Council on 24 June 2020.

**FINANCIAL CONSIDERATIONS**

Nil.

**ATTACHMENTS**

- 1 Budget Papers.docx
- 2 Budget 20-21 Final Amendments.xlsx



# Roper Gulf Regional Council

## Budget 2020/21

### *Our Mission*

Working as one towards a better future through effective use of all resources

### *Our Vision*

Roper Gulf Regional Council, sustainable, viable, vibrant

### *Our Values*

**Honesty – Equality – Accountability – Respect – Trust**



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  3. Income & Expenditure Budget 2020/21
  4. Infrastructure Maintenance
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  7. Elected Member Allowances
- Appendix A: Graphical Presentations  
Appendix B: Capital Expenditure Budget  
Appendix C: Income & Expenditure Budget by Location

### 1. Introduction

An Annual Budget must be prepared by the Council in accordance with section 127 of the *Local Government Act (2008)*. The budget outlines the financial expectations for the Council in delivering its services to the communities.

The budget process involves meeting with managers delivering the services and those providing support services to establish a baseline cost of delivery. The expenditure estimate includes salaries and wages and direct and indirect staff, materials, contracts to external parties and overheads required at the community and support centre level. Funding to deliver the services is established through rate income, user charges, contract and grant income and miscellaneous revenues. Capital needs are also considered to provide the assets and infrastructure required to support the services delivery.

### 2. Goals & Objectives

The Roper Gulf Regional Council has adopted the following strategic goals:

- Goal One: Strong Leadership through Good Governance, Strong Financial Management, Corporate Planning and Operational Support
- Goal Two: To Protect and Care for our Physical Environment
- Goal Three: Safe, Strong and Vibrant Communities
- Goal Four: Support Employment, Training and Economic Development

The preparation is required by legislation but also meets the values of Goal 1 by providing an element to good governance, strong financial management and corporate planning. The finance department, which manages the development and monitoring of the budget also provides operational support to all the various councils departments delivering services to the community.

### 3. Income & Expenditure Budget 2020/21

The budget for 2020/2021 has been completed on a consultative basis and aims to address the needs of residents and the programs under the Roper Gulf Regional Council's direction.

During the 2020/2021 Financial Year, Roper Gulf Regional Council is expected to receive operational revenue of \$ 38.9 million. Of this revenue, 55 percent is expected to be sourced from grants, 32 percent from government contracts and agency services, 7 percent from rates and remaining 6 percent from other sources.

In operating expenditure terms, it is expected that \$ 42.4 million will be spent with the five largest service delivery program areas for the Council are: Community Development Program (CDP), Night Patrol, Territory Housing Repairs and Maintenance Contract, Municipal Services, and Council Services General. The largest component of operating expenditure is on wages and salaries, for a total of \$ 21 million or 50 per cent. This is budgeted to fund 356 employment positions across the Region. This makes the Council one of the largest employers in the Big Rivers Region, and the largest employer of Indigenous people in the Roper Gulf Regional Council area.

Additionally, the council has budgeted \$12.3 million for capital expenditure. The majority of this budget will be used for renewal of ageing plant, machinery and vehicles but there are also major road works and new infrastructure construction projects planned. Major capital upgrades are planned for Borroloola, Mataranka, Ngukurr and Numbulwar.

The council is expecting to receive \$ 2.5 million in grants to cover a portion of the capital expenditure and will be looking to use the reserves of \$ 8.1 million for funding capital expenditure and some operational expenses relating to local authority projects.

#### **BUDGET ASSUMPTIONS AND FACTS**

- All current services will continue to be provided by the Regional council.
- Amounts of carried forwards include the unspent from operational grant funded programs.
- Use of Reserves as carried forwards are used for covering most part of capital Expenditure and some local authority project funding
- In the absence of a significant rates base, the Commonwealth and Territory Government will continue to fund services
- The budget has been set with the assumption that there will be minimal CPI increase in government funding due to the COVID-19 budget measures. The exact impact will not be known until the federal and territory budgets to be released in October 2020.
- No direct control on Grants and agency income for future years
- In absence of a long term asset management plan, council's capital expenditure can only be estimated to the amount of depreciation expense
- There are no additional major initiatives planned over the next five years, outside the Council Plan. This is largely due to any major initiatives being wholly dependent on additional funding and there is currently no indication of significant increases that would enable major increases to be considered.

## Budget 2020/21

	<b>BUDGET 2020/2021</b>	<b>BUDGET 2020/2022</b>	<b>BUDGET 2020/2023</b>	<b>BUDGET 2020/2024</b>
<b>Income Rates</b>	-2,739,996.75	-2,767,396.72	-2,795,070.68	-2,823,021.39
<b>Income Council Fees and Charges</b>	-1,068,724.28	-1,079,411.52	-1,090,205.64	-1,101,107.69
<b>Income Operating Grants Subsidies</b>	-21,589,534.26	-21,805,429.60	-22,023,483.90	-22,243,718.74
<b>Income Investments</b>	-300,000.00	-303,000.00	-306,030.00	-309,090.30
<b>Income Reimbursements</b>	-10,000.00	-10,100.00	-10,201.00	-10,303.01
<b>Income Agency and Commercial Services</b>	-12,562,749.78	-12,688,377.28	-12,815,261.05	-12,943,413.66
<b>Other Income</b>	-660,568.18	-667,173.86	-673,845.60	-680,584.06
<b>Operating Income</b>	<b>-38,931,573.25</b>	<b>-39,320,888.98</b>	<b>-39,714,097.87</b>	<b>-40,111,238.85</b>
<b>Employee Expenses</b>	21,012,009.36	21,222,129.45	21,434,350.75	21,648,694.26
<b>Contract and Material Expenses</b>	10,743,566.73	10,851,002.40	10,959,512.42	11,069,107.55
<b>Fleet, Plant &amp; Equipment</b>	1,076,522.08	1,087,287.30	1,098,160.17	1,109,141.78
<b>Depreciation, Amortisation &amp; Impairment</b>	5,316,000.00	5,369,160.00	5,422,851.60	5,477,080.12
<b>Other Operating Expenses</b>	4,280,352.42	4,323,155.94	4,366,387.50	4,410,051.38
<b>Finance Expenses</b>	12,140.00	12,261.40	12,384.01	12,507.85
<b>Operating Expenses</b>	<b>42,440,590.59</b>	<b>42,864,996.50</b>	<b>43,293,646.46</b>	<b>43,726,582.93</b>
<b>Budgeted Operating Surplus/Deficit</b>	<b>3,509,017.34</b>	<b>3,544,107.51</b>	<b>3,579,548.59</b>	<b>3,615,344.07</b>
<b>Income Capital Grants</b>	-2,531,805.17	0.00	0.00	0.00
<b>Budgeted Surplus/Deficit</b>	<b>977,212.17</b>	<b>3,544,107.51</b>	<b>3,579,548.59</b>	<b>3,615,344.07</b>

	<b>BUDGET 2020/2021</b>	<b>BUDGET 2020/2022</b>	<b>BUDGET 2020/2023</b>	<b>BUDGET 2020/2024</b>
<b>Capital Expenditure</b>	12,334,727.66	2,500,000.00	2,500,000.00	2,500,000.00
<b>Depreciation, Amortisation &amp; Impairment</b>	-5,316,000.00	-5,369,160.00	-5,422,851.60	-5,477,080.12
<b>Net Budget Surplus/(Deficit)</b>	7,995,939.83	674,947.51	656,696.99	638,263.96
<b>Accumulated Funds</b>	-6,673,731.82	-674,947.51	-656,696.99	-638,263.96
<b>General Reserves</b>	-1,434,924.00	0.00	0.00	0.00
<b>Net budgeted operating position</b>	-112,715.99	0.00	0.00	0.00

#### 4. Infrastructure Maintenance Budget

Building & Infrastructure	\$ 884,317
Fleet, Plant & Equipment	\$ 36,821

## 5. Rates Summary 2020-2021

The following rates proposal has been prepared as per section 158 of the Local Government Act. Adjustments have been made to incorporate the Minister for Local Government's approved conditional rating levies for mining and pastoral leases.

The rates declaration for 2020-21 will levy approx. \$1,431,054 in rates revenue. The Waste Collection charges would be approx. \$ 1,231,917.75 in 2020-21. The special rates to cover for the Animal Health Management in various communities are \$ 76,125.

Please note that revenue estimates for pastoral and mining leases are based on accepted rates proposal by the Minister for Local Government and Community Services.

The proposed Rates and User Charges for 2020-21 are:

<b>Zone/Class</b>	<b>2019-20</b>	<b>2020-21</b>
Residential Rate 1 Aboriginal Land	\$ 1,235.21	\$ 1,235.21
Residential Rate 2 Borroloola, Mataranka, Larrimah & Daly Waters	\$ 1,171.48	\$ 1,171.48
Residential Rate 3 Vacant Land not on Aboriginal Land	\$ 1,171.48	\$ 1,171.48
Commercial Rate 1 Aboriginal Land	\$ 1,417.13	\$ 1,417.13
Commercial Rate 2 Borroloola, Mataranka, Larrimah & Daly Waters	\$ 1,379.31	\$ 1,379.31
Commercial Rate 3 Tourist Commercial /Caravan Parks	7.1289% of UCV	7.1289 of UCV
Rural Rate 1 Under 200 hectares	\$ 1,180.48	\$1,180.48
Rural Rate 2 Over 200 hectares	\$ 1,211.34	\$ 1,211.34
Conditional Rate 1 Pastoral Leases valued < \$ 1,230,000	\$ 376.45	\$ 376.45
Conditional Rate 2 Pastoral Leases valued > \$ 1,230,000	0.0306% of UCV	0.0306% of UCV
Conditional Rate 3 Mining Leases valued < \$ 255,100	\$ 890.96	\$ 890.96
Conditional Rate 4 Mining Leases valued > \$ 255,100	0.3475% of UCV	0.3475% of UCV

	2019-20	2020-21
Other		
All other properties	\$ 1,235.21	\$ 1,235.21
Special Rate – Animal Control	\$ 125.00	125.00
Waste Management Charge		
Per standard rubbish bins multiplied by		
The number of collections per week	\$ 426.58	\$ 426.58

## 6. Assessment of the Social and Economic Effects of the Rating Policy and Declaration

The Council has considered the effect of the COVID-19 crisis on the regions social and economic factors and whilst always mindful and prepared to initiate measures to protect the communities from the virus' impact, the Council is largely guided by the Commonwealth and Northern Territory Government' decisions. In line with this the Council has signed up to the NT Government's rate relief program to provide assistance to those rate-payers which are detrimentally affected by the Coronavirus.

Rates to be levied on property owners by Roper Gulf in 2020-21 remain affordable and at very low levels compared to other local government jurisdictions in Australia. Further, rates levied on Territory Housing dwellings are paid in the first instance by Territory Housing, so have no direct financial impact on public housing tenants. As such, the Council does not anticipate any detrimental socio-economic impact from levying rates in 2020-21.

Additionally, rates revenue remains a small proportion of the Council's total budget, at less than 7 per cent of the total operating revenue. This underlies the fact that the Council is effective in securing significant non-rate revenue for all of its communities, including government grants and contracts. This allows for services and employment opportunities to be delivered to Council residents far above what the rates revenue would alone enable, resulting in a net positive socio-economic impact for residents.

Despite having mining and pastoral properties in the council's area, the rate capping imposed by the Territory Government for this category, restricts council's ability to generate increased revenue. This adversely affects council to provide increased services to the communities.

## 7. Elected Member Allowances

### Table of Maximum Council Member Allowances for 2020-21

A council must resolve to fix member allowances for the financial year when it adopts the budget for the financial year. A council must adopt its 2020-21 budget on or before 31 July 2020.

The amounts in these tables indicate the maximum level at which allowances may be set. A council needs to consider allowances in the overall context of its budget and a council can resolve to pay less than the maximum levels. Once the budget has been approved, a council may adopt an amendment to its budget but the amendment cannot have the effect of increasing the amount of allowances for the financial year for the council members.

	Approved Amount \$	Budget Amount \$
Councillor – base (1)	13,509.96	148,609.56
Electoral (2)	4,943.73	59,324.76
Deputy Mayor – base (1)	27,776.12	27,776.12
Electoral (2)	4,943.73	4,943.73
Mayor – base (2)	75,116.61	75,116.61
Electoral (2)	19,771.29	19,771.29
<b>TOTAL BASE+ELECTORAL ALLOWANCE</b>		<b>335,542.07</b>

### Professional Development Allowance (3)

Including: Course Fees, Travel, Meals and Accommodation  
 \$3,753.17 max per elected member 48,791.21

### Extra Meeting Allowance (4)

**\$125 per meeting maximum claimable \$9,006.64 per Councillor**  
 As per CL006 Councillor Allowances Policy  
 \$ 125.00 per meeting per Councillor 12,000.00

### Acting Principal Member (5)

**\$260.04 per day maximum claimable 90 days \$23,403.60**  
 \$ 261.34 per day 23,520.60

#### 1. Base Allowance Claims

The base allowance is automatically paid to council members each month or at such frequency as resolved by council, in arrears.

#### 2. Electoral Allowance Claims

The electoral allowance is automatically paid to council members each month or at such frequency as resolved by council, in arrears.

#### 3. Professional Development Allowance Claims

- (i) The allowance is available to all council members.
- (ii) The professional development allowance may be claimed multiple times each year, but the total value of those claims must not exceed the maximum specified in the table (see clause 8).
- (iii) The professional development allowance is to be used to cover the cost of travel to the course or conference, course or conference fees, meals and accommodation for the duration of the course or conference.
- (iv) Claims must be made using the forms approved by council. (v) Only approved courses/conferences consistent with council policy attract professional development allowance.

#### 4. Extra Meeting Allowance Claims

- (i) Council members may only claim an extra meeting allowance for meetings referred to in the council policy.
- (ii) An extra meeting allowance may be claimed for up to a maximum of two meetings per day. (iii) Council members must not claim for an extra meeting more than once for the same meeting.
- (iv) When a council member is required to travel in order to attend an approved extra meeting, the council member may claim an extra meeting allowance for each full day of travel, unless that travel falls on the same day on which the meeting is held. In this context, a full day of travelling means at least four hours of travelling, which may include time in transit.

- (v) Claims must be made using the forms approved by council.
- (vi) Forms must include the date on which the meeting was held and indicate the period of time the member was present at the meeting.
- (vii) The member must have attended at least 75 per cent of the duration of the meeting to claim an extra meeting allowance.
- (viii) Claims for extra meeting allowance must be made by the second working day in the month following the meeting for which the claim is made, or as resolved by council. Payment of extra meeting allowance is monthly or as resolved by council.
- (ix) Claims for extra meeting allowance not made in accordance with (viii) will be regarded as a late claim and paid with the next monthly payment. However, if the claim is not made within three months of the meeting for which the extra meeting allowance is claimed, the right to an extra meeting allowance for that meeting is forfeited.
- (x) Claims forms must be submitted by the approved method.

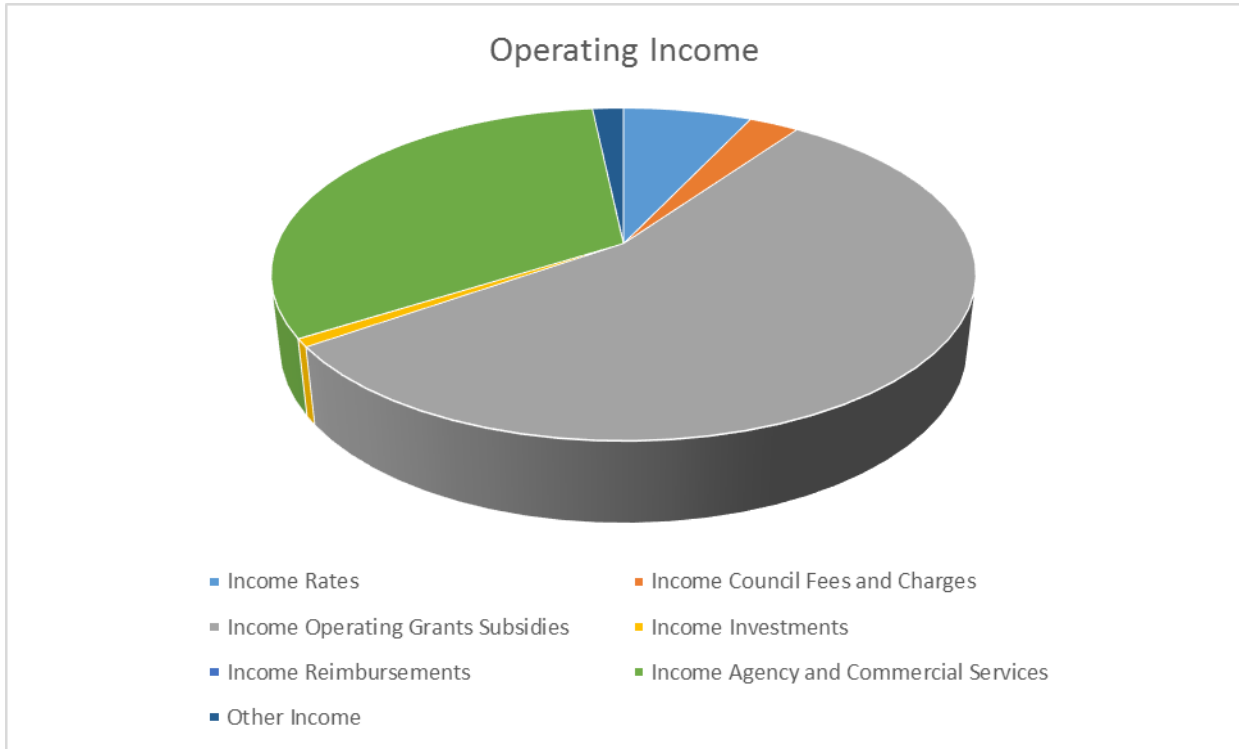
#### **5. Acting Principal Member Claims**

- (i) When the deputy principal member carries out the functions of the principal member as outlined in section 43(2)(b) and section 43(2)(c) of the *Local Government Act*, the deputy principal member is entitled to be paid an allowance as the acting principal member.
- (ii) If some other council member is acting as the principal member in accordance with section 43(3) of the *Local Government Act*, the member is entitled to be paid an allowance as the acting principal member.
- (iii) The acting principal member is entitled to be paid the daily rate, as outlined in the table of allowances. While a council member is acting principal member, the extra meeting and base allowances are suspended. In the case of base allowance, this is on a pro rata basis. The member is still entitled to their usual electoral allowance. The daily rate includes Saturdays, Sundays and public holidays.
- (iv) The maximum number of days (including Saturdays, Sundays and public holidays) that a council member may be paid as the acting principal member is an aggregate of 90 days in a financial year. A member may continue to hold the position for a longer period if council so resolves, however, the allowance reverts to the usual rate for that member

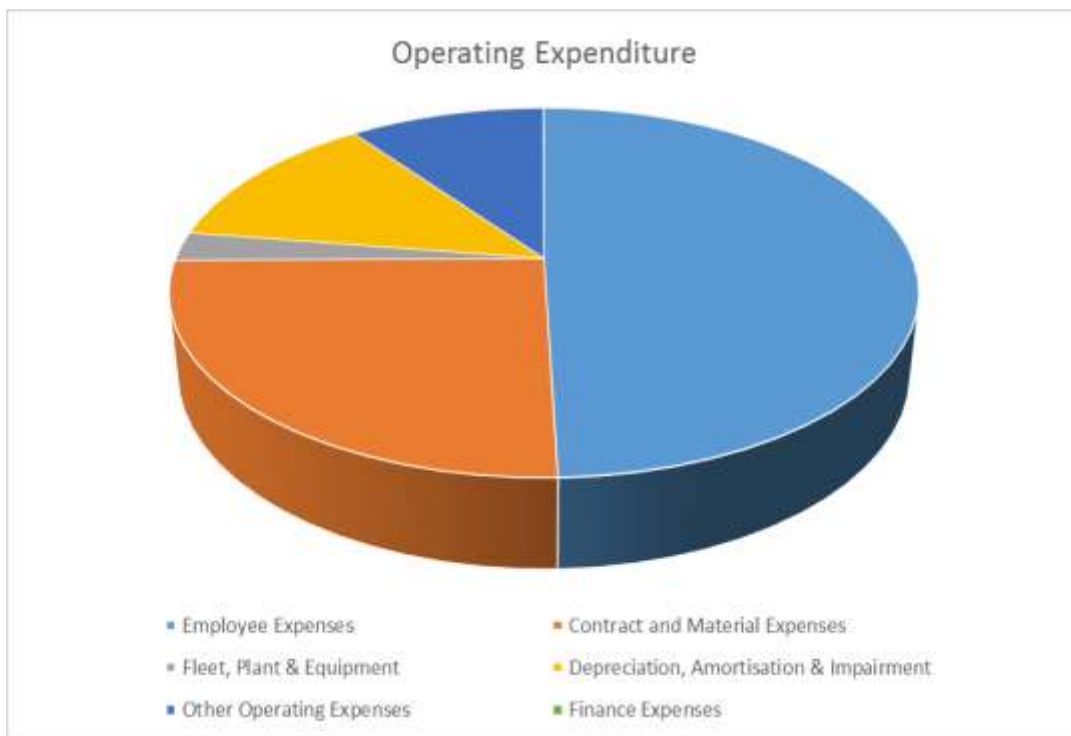


## Appendix A: Graphical Presentations

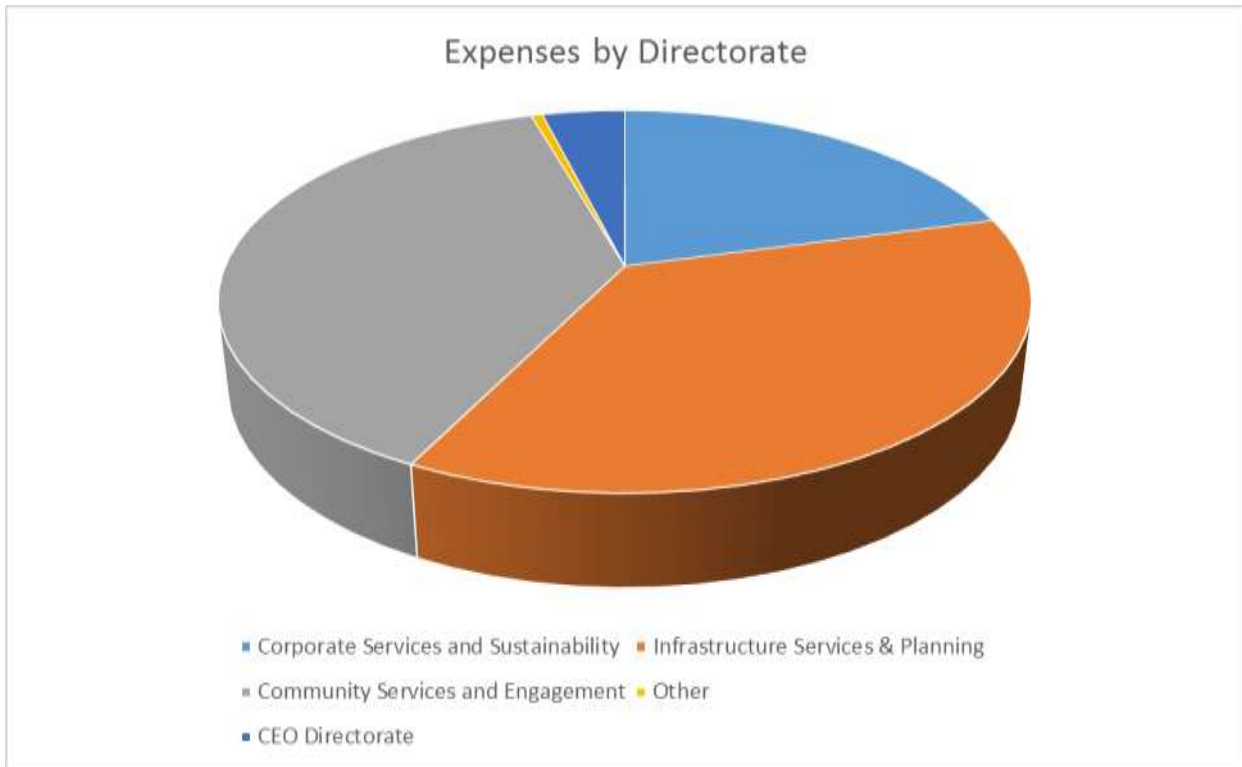
### Operating Income



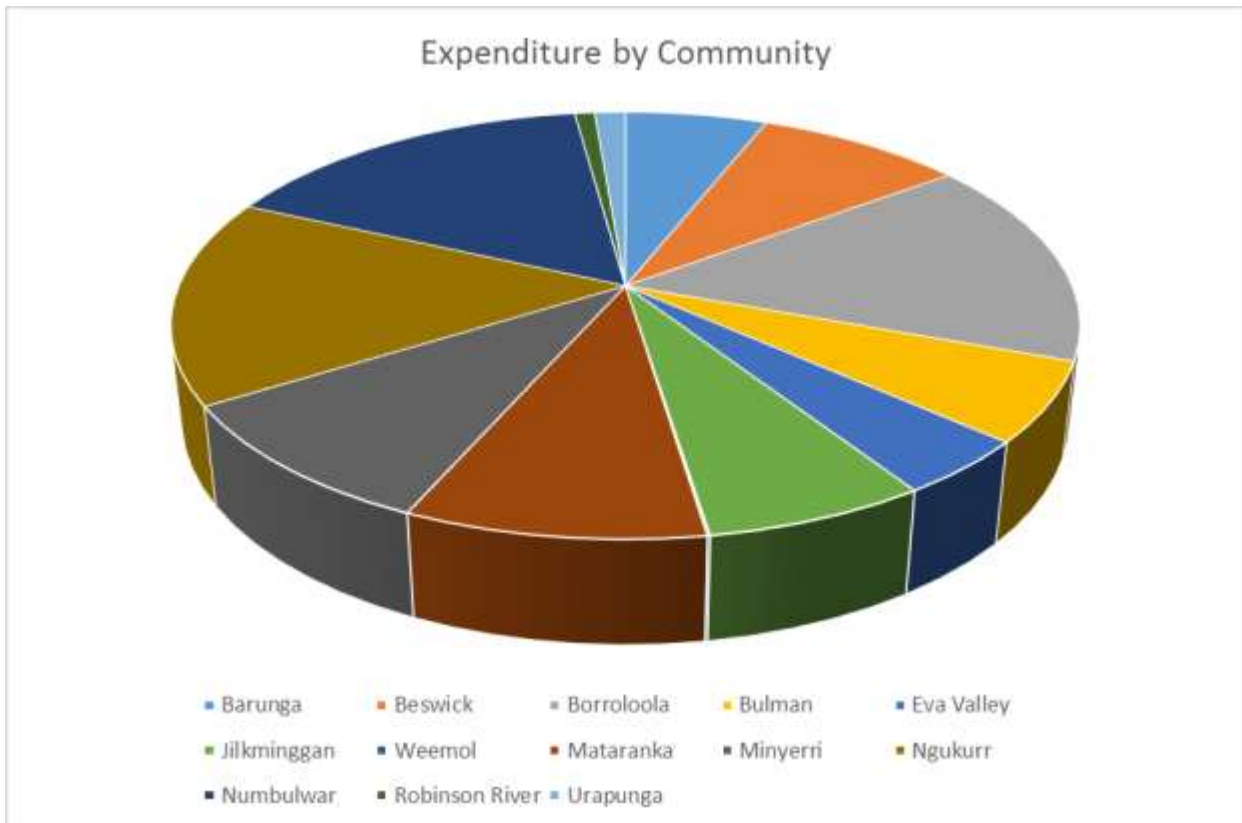
### Operating Expenses



### Expenditure by Directorate



### Expenditure by Location



## Appendix B: Capital Budget

Asset management is increasingly becoming important to Roper Gulf Regional Council. With over \$65 million in depreciating physical assets and the need for financial sustainability and economical practices, it is prudent that asset management is a key focus for Council in the years to come and that it is to the highest standards possible. Council's asset management team focuses on delivering the following services to Council:

- Acquisitions and disposal of assets;
- Fleet and pool vehicle management;
- Financial asset management (maintenance of asset registers, ledgers, commissioning, insurance);
- Long term planning for assets (10 year plans);
- Staff housing tenancy management;
- Visitor Accommodation management; and Commercial tenancy management

The primary role of assets is to support the delivery of services that serves Council's long term objectives. As Council's assets are aging, there are increases in maintenance, refurbishment and disposal cost which increase the cost of the services that they support. The main aim of Council's asset management is to ensure that assets are managed in accordance with the National Asset Management Strategy (NAMS) - a national framework for local governments to manage their assets, and this framework outlines minimal 'core' asset management actions based around the framework. The national frameworks for asset management are:

- Framework 1: Criteria for Assessing Financial Sustainability
- Framework 2: Asset Planning and Management
- Framework 3: Financial Planning and Reporting

A gap analysis has been undertaken to gain an understanding of Council's current level of asset management and to highlight areas for improvement and best practice to further develop Council's asset management planning practices. Thus, Council's main asset management focus for the forthcoming year is implementing strategies identified from this analysis.

### Capital Expenditure Budget 2020/21

	<b>Budgetted</b>		<b>Proposed 20/21*</b>	<b>Funded by</b>
<b>Barunga</b>	-			
<b>Plant and Equipment</b>	-			
	\$75,000.00	Municipal Services - Kubota Tractor		Fleet Reserve
	\$38,000.00	Municipal Services - John Deere		Fleet Reserve
<b>Vehicles</b>	\$70,000.00	Sport & Rec - Replacement Toyota Hiace		Fleet Reserve
	\$55,000.00	Night Patrol - Replacement Toyota Hilux		Australian Government Grant
	\$55,000.00	Municipal Services - Replacement Toyota Hilux		Fleet Reserve
	\$63,000.00	Aged Care - New Toyota Van		Australian Government Grant

<b>Buildings</b>	\$20,000.00	Lot 221 Relocate Night Patrol and Nusery		Operating Surplus
	\$100,000.00	Lot 198 New library at council office - Design		Asset Reserve
<b>Infrastructure</b>	\$100,000.00	Lot 282 Upgrade to Ablution Block		Asset Reserve
	\$20,000.00	Lot 222 Relocation of Ablution block		Asset Reserve
	\$70,000.00	Oval -2 X Coaches Boxes		Asset Reserve
	\$130,000.00	Communications Tower & Equipment		Accumulated Funds
	\$20,000.00	Lot 214 - Upgrade electrical and water		Asset Reserve
<b>Roads</b>	\$51,510.00	Baraunga Bottom Camp & Bagala Road		Roads Future Fund
	<b>\$867,510.00</b>			
<b>Beswick</b>	-	-	-	-
<b>Vehicles</b>	\$50,000.00	Housing - Replacement Toyota Landcruiser		Fleet Reserve
	\$53,000.00	Night Patrol - Replacement Toyota Hilux		Australian Government Grant
	\$60,000.00	Aged Care New Toyota Hilux		Australian Government Grant
<b>Buildings</b>	\$60,000.00	Lot 31 Renovation (Paint, Kitchen & Bathroom)		Asset Reserve
<b>Infrastructure</b>	\$130,000.00	Communications Tower & Equipment		Accumulated Funds
<b>Roads</b>	\$70,000.00	Madigan Raod Intersection		Roads Future Fund
	<b>\$423,000.00</b>			
<b>Borrooloola</b>				
<b>Plant and Equipment</b>	\$38,000.00	Municipal Services - Mower		Operating Surplus
	\$127,000.00	Municipal Services - Skidsteer Loader		Fleet Reserve
	\$101,000.00	municipal Services - Mitsubishi Truck		Fleet Reserve
<b>Vehicles</b>	\$70,000.00	CDP - Toyota Hiace Bus		Fleet Reserve
	\$70,000.00	Sport & Rec - Landcruiser		Fleet Reserve
	\$55,000.00	Sport & Rec - Toyota Hilux		Fleet Reserve
<b>Buildings</b>	\$300,000.00	Lot 391 Development		CAPEX 19/20

	\$40,000.00	Office & Toilet for waste facility - Design & Costing		CAPEX 19/20
		Sports Courts	\$ 296,643.07	MRM CBT
<b>Infrastructure</b>		Lot 920 Retractable Pool Shade	\$ 128,650.00	Grant being sought
		Lot 784 Sub-surface irrigation for the oval	\$ 240,000.00	Grant being sought
	\$185,000.00	Lot 376 Tamarind park and airport car park mains electrical supply to the sites		Asset Reserve
	\$120,000.00	Anyula & Robinson Roads Street Lighting to Robinson road from Rocky Creek to Garawa sta & complete length of Anyula street		Asset Reserve
	\$130,000.00	Communications Tower & Equipment		Accumulated Funds
	\$12,000.00	Lot 793 Installation of new street lights		Operating Surplus
	\$252,610.00	Toilet at airport		LA Project
	<b>\$1,500,610.00</b>			
<b>Bulman</b>				
<b>Plant and Equipment</b>	\$29,000.00	Municipal Services - New Gator		Fleet Reserve
	\$127,000.00	Municipal Services - Bobcat		Fleet Reserve
<b>Vehicles</b>	\$53,000.00	Municipal Services - New 4WD Hilux		Fleet Reserve
	\$55,000.00	Municipal Services - Landcruiser		Fleet Reserve
<b>Buildings</b>	\$100,000.00	Council office extension		Asset Reserve
<b>Infrastructure</b>	\$65,000.00	Waste Management Facility Fence		Asset Reserve
	\$130,000.00	Telecommunications Tower		Accumulated Funds
	\$43,000.00	Ablution Block		NT Government Grant
	\$150,000.00	Council depot - concrete wash down bay		Asset Reserve
	\$97,000.00	Toilet at Council Office		LA Project
<b>Roads</b>	\$710,600.00	Seal & Drainage Works		Roads Future Fund
	<b>\$1,559,600.00</b>			
<b>Jilkmिंगgan</b>				
<b>Plant and Equipment</b>	\$50,000.00	Municipal Services - Kubota Tractor		Fleet Reserve
<b>Vehicles</b>	\$70,000.00	CDP - Toyota Landcruiser		Fleet Reserve
	\$55,000.00	Municipal Services - Toyota Hilux		Fleet Reserve
	\$70,000.00	Creche - Toyota Hiace Bus		Fleet Reserve

	\$53,000.00	Night Patrol - Toyota Hilux		Australian Government Grant
<b>Buildings</b>	\$100,000.00	Upgrade Office		Asset Reserve
	\$75,000.00	Roof over basketball court		LA Project
		Replacement Ablution Block	\$130,000.00	SCALE
<b>Infrastructure</b>	\$130,000.00	Telecommunications Tower		Accumulated Funds
	<b>\$603,000.00</b>			
<b>Manyallaluk</b>				
<b>Plant and Equipment</b>	\$88,000.00	Municipal Services - MPR 300 ISUZU		Fleet Reserve
	\$50,000.00	Municipal Services - Kubota Tractor		Fleet Reserve
	\$29,000.00	Municipal Services - John Deere		Fleet Reserve
	\$260,000.00	Municipal Services - Compactor Truck		Fleet Reserve
	\$29,000.00	Municipal Services - New John Deere Gator		Fleet Reserve
<b>Vehicles</b>	\$70,000.00	Essential Services - Replacement Toyota Hiace Bus		Fleet Reserve
<b>Infrastructure</b>	\$130,000.00	Telecommunications Tower		Accumulated Funds
<b>Roads</b>	\$500,000.00	Eva Valley Road 10km Re-sheet		Roads Future Fund
	<b>\$1,156,000.00</b>			
<b>Mataranka</b>				
<b>Plant and Equipment</b>	\$101,000.00	Municipal Services - Replacement Fuso Truck		Fleet Reserve
	\$29,000.00	CDP - Replacement Case Scout ATV		Fleet Reserve
	\$29,000.00	Municipal Services - Replacement John Deere Gator		Fleet Reserve
	\$127,000.00	Municipal Services - Toyota Bobcat		Fleet Reserve
	\$70,000.00	Municipal Services - Toyota Forklift		Fleet Reserve
	\$38,000.00	Municipal Services - Replacement Ride on Mower		Fleet Reserve
<b>Vehicles</b>	\$55,000.00	Municipal Services - Toyota Hilux		Fleet Reserve
	\$55,000.00	Municipal Services - Toyota Hilux		Fleet Reserve
	\$60,000.00	Aged Care - Toyota Hilux		Australian Government Grant

<b>Buildings</b>	\$434,659.50	Community Services Hub	\$2,565,340.50	NT Government Grant
	\$50,000.00	Upgrade Aged Care		Australian Government Grant
<b>Infrastructure</b>	\$130,000.00	Telecommunications Tower		Accumulated Funds
<b>Roads</b>	\$327,957.00	Cemetery Car park		Roads Future Fund
	<b>\$1,506,616.50</b>			
<b>Ngukurr</b>				
<b>Vehicles</b>	\$55,000.00	Municipal Services - New 4WD Hilux		Fleet Reserve
	\$53,000.00	Municipal Services - New 4WD Hilux		Fleet Reserve
	\$60,000.00	Aged Care - New 4WD Hilux		Australian Government Grant
<b>Buildings</b>	\$290,000.00	Aged Care - Upgrade Aged Care		Australian Government Grant
<b>Infrastructure</b>	\$100,000.00	River Pump Spurline for irrigation to Council office		Asset reserve
	\$130,000.00	Telecommunications Tower		Accumulated Funds
	\$1,319,148.08	Freight Hub		Australian Government Grant
	\$161,772.73	Outdoor Stage		LA Project
	\$238,262.90	Basketball Court		LA Project
	<b>\$2,407,183.71</b>			
<b>Numbulwar</b>				
<b>Plant and Equipment</b>	\$75,000.00	Municipal Services - Replacement Kubota Tractor		Fleet Reserve
	\$101,000.00	Municipal Services - Hino Tipper		Fleet Reserve
	\$127,000.00	Municipal Services - Bobcat Clark		Fleet Reserve
	\$38,000.00	Municipal Services - Ride on Mower		Fleet Reserve
<b>Vehicles</b>	\$50,000.00	Workshop - Replacement Landcruiser		Fleet Reserve
	\$70,000.00	CDP - Replacement Landcruiser		Fleet Reserve
	\$55,000.00	Municipal Services - Replacement Toyota Hilux		Fleet Reserve
<b>Buildings</b>	\$125,000.00	Lot 158 CSC House Renovation (need full bathroom renovations, wooden floors sanded back and polished, fence replaced)		Asset Reserve

	\$100,000.00	Rebuild & fencing replacement		Asset Reserve
	\$150,000.00	Lot 217 Numbulwar Vehicle Port - New workshop and fuel depot design and documentation	\$1,000,000.00	Asset Reserve
	\$186,731.82	ot 156 upgrade		CAPEX 19/20
	\$38,447.25	Upgrade Aged Care		Australian Government Grant
<b>Infrastructure</b>	\$195,723.57	Waste Management Facility		Australian Government Grant
	\$53,000.00	Ablution Block		NT Government Grant
	\$130,000.00	Telecommunications Tower		Accumulated Funds
	\$97,000.00	Toilet near airport		LA Project
	\$106,305.04	Playground Equipment		LA Project
	<b>\$1,698,207.68</b>			
<b>Chardon Street</b>				
<b>Buildings</b>	\$165,000.00	Outstations shed drainage upgrade		Asset Reserve
	\$22,000.00	Enclose Crib room, install whirly birds in workshop roof		Operating Surplus
	<b>\$187,000.00</b>			
<b>2 Crawford Street</b>				
<b>Vehicles</b>	\$65,000.00	Housing - Replacement Landcruiser		Fleet Reserve
<b>Buildings</b>	\$180,000.00	Internal Upgrade and shed certification works		Asset Reserve
		External civil works	\$ 100,000.00	Asset Reserve
		Compliance upgrades	\$ 220,000.00	Asset Reserve
	\$90,000.00	Aerator *2		Asset Reserve
	<b>\$335,000.00</b>			
<b>29 Crawford Street</b>				
<b>Buildings</b>		Upgrade for Certification	\$ 400,000.00	
<b>Larrimah</b>				
<b>Plant and Equipment</b>	\$38,000.00	Municipal Services - Replacement Kubota Mower		Fleet Reserve
	<b>\$38,000.00</b>			
<b>Robinson River</b>				
<b>Vehicle</b>	\$53,000.00	Night Patrol - Replacement Toyota		Australian Government Grant
	<b>\$53,000.00</b>			
	<b>\$12,334,727.89</b>			



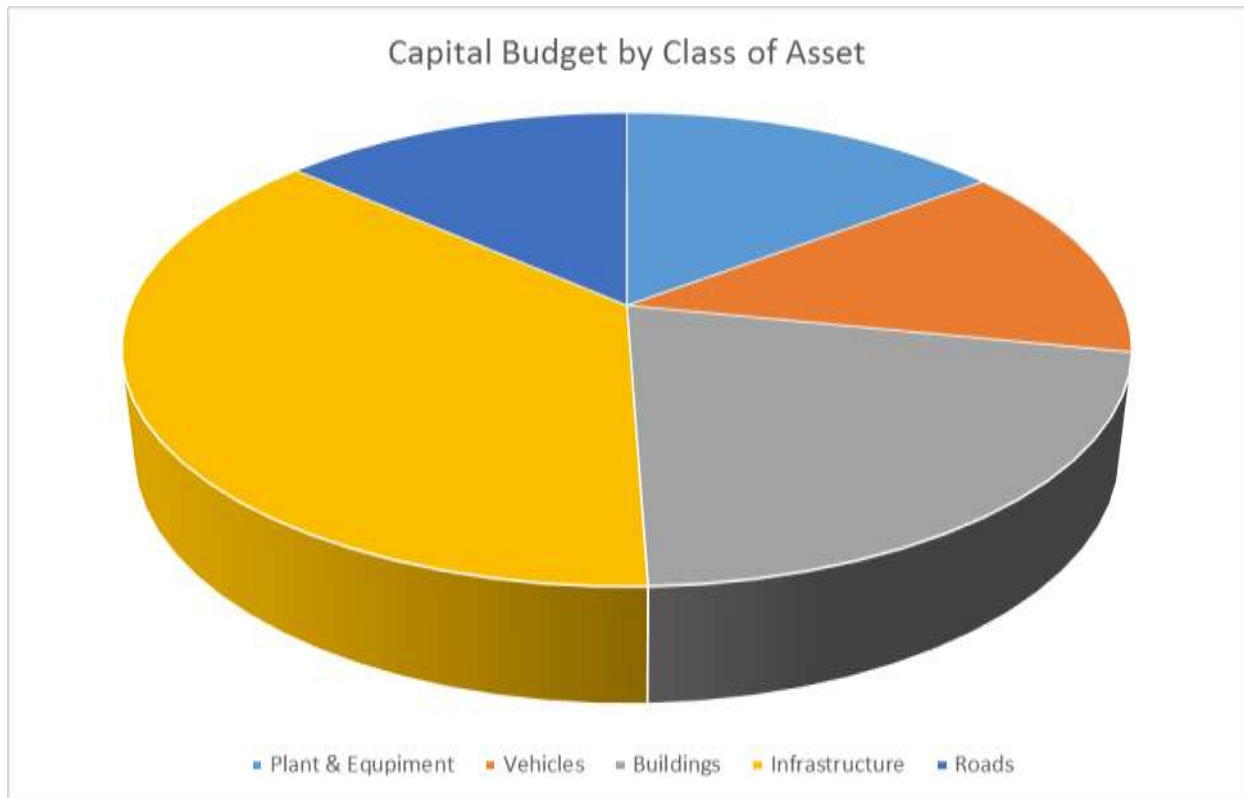
		\$4,950,633.57	
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\* Projects for 20/21 awaiting on Grant Funding or Approvals

**Funding Sources**

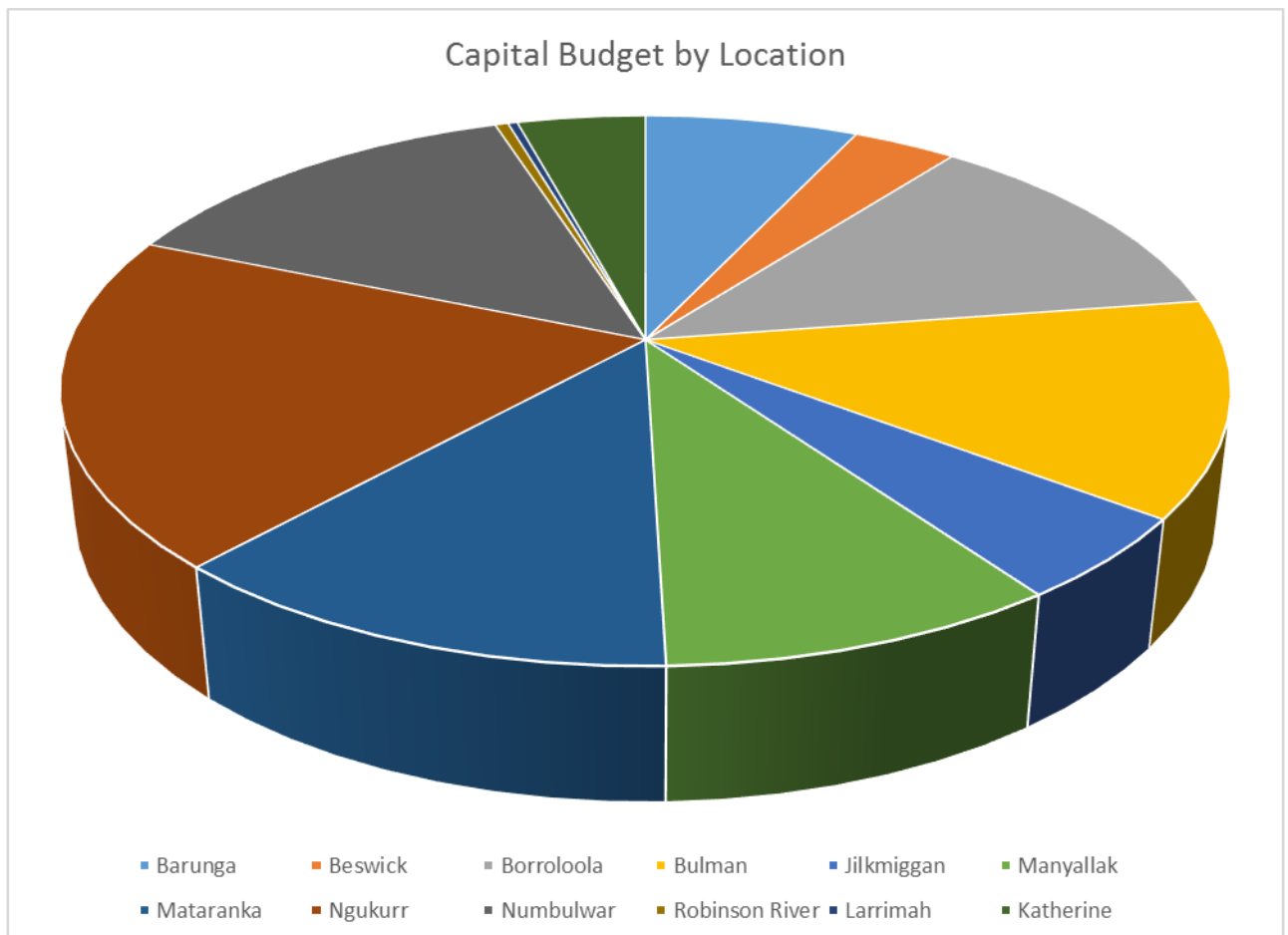
\$2,350,318.90	Australian Government Grant
\$530,659.50	NT Government Grant
\$92,000.00	Operating Surplus
\$526,731.82	CAPEX 19/20
\$2,000,000.00	Asset Reserve
\$1,170,000.00	Accumulated Funds
\$2,977,000.00	Fleet Reserve
\$1,660,067.00	Roads Future Fund
\$1,027,950.67	Local Authority Allocation
\$12,334,727.89	

**Capital Expenditure by Asset Class**

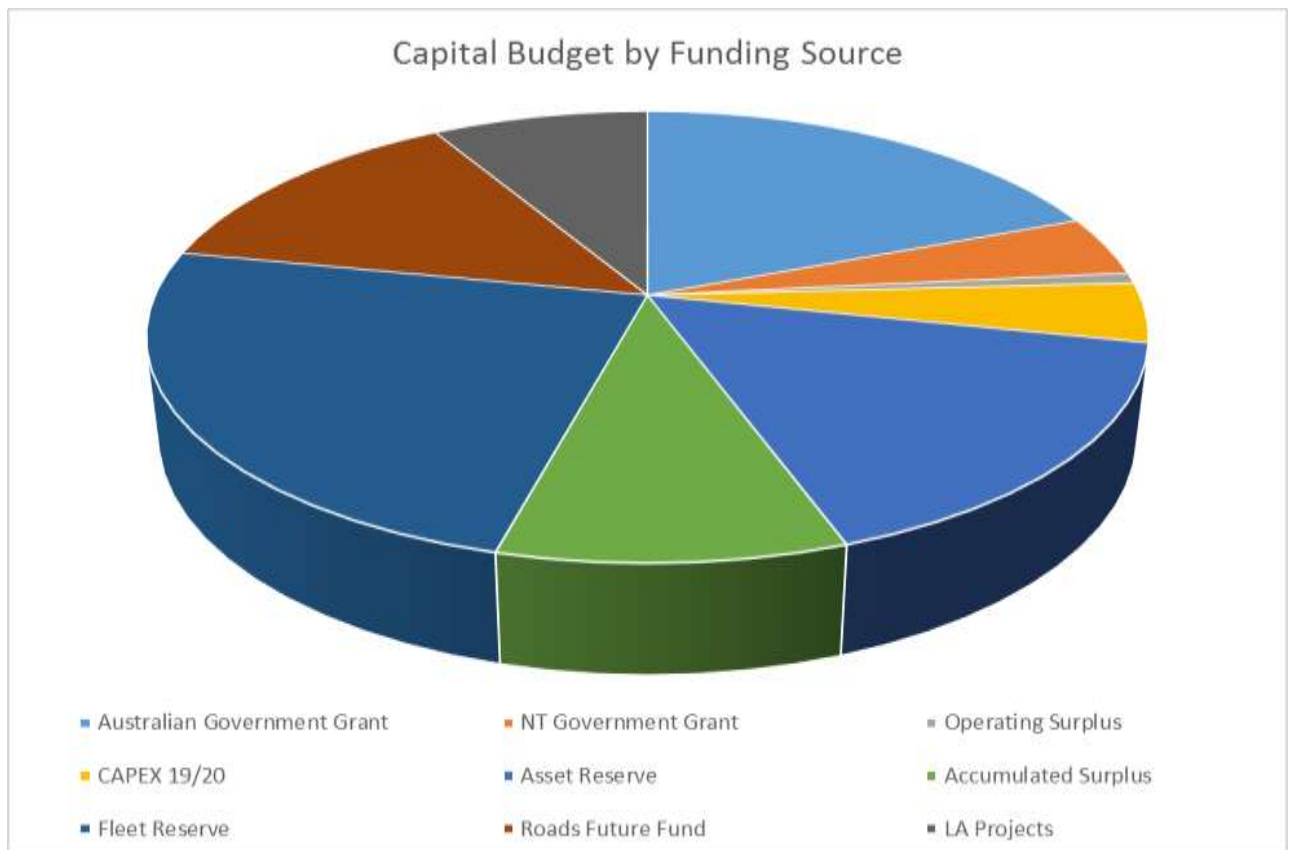


## Capital Expenditure by Location

Community	Plant & Equipment	Vehicles	Buildings	Infrastructure	Roads	Total
Barunga	\$113,000	\$243,000	\$120,000	\$340,000	\$51,510	<b>\$867,510</b>
Beswick		\$163,000	\$60,000	\$130,000	\$70,000	<b>\$423,000</b>
Borroloola	\$266,000	\$195,000	\$340,000	\$699,610		<b>\$1,500,610</b>
Bulman	\$156,000	\$108,000	\$100,000	\$485,000	\$710,600	<b>\$1,559,600</b>
Jilkmiggan	\$50,000	\$248,000	\$175,000	\$130,000		<b>\$603,000</b>
Manyallak	\$456,000	\$70,000		\$130,000	\$500,000	<b>\$1,156,000</b>
Mataranka	\$394,000	\$170,000	\$484,660	\$130,000	\$327,957	<b>\$1,506,617</b>
Ngukurr		\$168,000	\$290,000	\$1,949,184		<b>\$2,407,184</b>
Numbulwar	\$341,000	\$175,000	\$600,179	\$582,029		<b>\$1,698,208</b>
Robinson River		\$53,000				<b>\$53,000</b>
Larrimah	\$38,000					<b>\$38,000</b>
Katherine		\$65,000	\$457,000			<b>\$522,000</b>
	<b>\$1,814,000</b>	<b>\$1,658,000</b>	<b>\$2,626,839</b>	<b>\$4,575,822</b>	<b>\$1,660,067</b>	<b>\$12,334,728</b>



Capital Revenue by Source



Appendix C: Income & Expenditure by Location



## Budget 20/21 Amendments

	Activity	Original	Amended	Change	Account	Reason
1	464		- 450,000.00	- 450,000.00		1314 Robinson River Oval SP
	464		450,000.00	450,000.00		5331 Robinson River Oval SP
2	347	713,049.36	731,179.44	18,130.08	Employee Exps	Manyalluluk Creche Co
3	485	319,148.00	819,148.00	500,000.00		1812 Ngukurr Freight Hub - f
	485	1,000,000.00	500,000.00	- 500,000.00		1811 Ngukurr Freight Hub - f
	485	-	- 200,000.00	- 200,000.00		8111 Allocation from Asset F
4	496	290,000.00	265,000.00	- 25,000.00		5321 Aged Care Upgrades - f
	496	50,000.00	125,000.00	75,000.00		5321 Aged Care Upgrades - f
	496	38,447.02	110,000.00	71,552.98		5321 Aged Care Upgrades - f
	496	-	- 121,553.00	- 121,553.00		Aged Care Upgrades - f
5	106	- 1,800,000.00	- 1,994,000.00	- 194,000.00		1311 Increase in FAG fundin
	106	- 1,994,000.00	- 997,000.00	997,000.00		1311 FAG 2020/21 Prepaid
6	200	- 1,091,183.00	- 531,183.00	560,000.00		1311 FAG 2020/21 Prepaid
7	244	5,500.00	48,000.00	42,500.00		2113 Additional on call allow
8	115	-	60,000.00	60,000.00		5371 New Hilux for Fleet Ma
9	160	-	60,000.00	60,000.00		5371 New Hilux for Ngukurr
				-		
				-		
				-		

'G  
'G  
Coordinator increase to 76 hours  
Final REIF release  
Reduced NSRF Funding  
Reserve  
Ngukurr  
Mataranka  
Numbulwar  
SCALE Funding  
B

Grants for ESO's  
Management  
Municipal Services

**GENERAL BUSINESS**

<b>ITEM NUMBER</b>	13.2
<b>TITLE</b>	Self-Assessment of Audit Committee
<b>REFERENCE</b>	928775
<b>AUTHOR</b>	Marc GARDNER, General Manager Corporate Services and Sustainability

**RECOMMENDATION**

**That the Audit Committee accepts and notes the report in relation to the Self-Assessment of the Audit Committee.**

**BACKGROUND**

The Terms of Reference for the Council's Audit Committee outlines that it must undertake a 'self-assessment' at least annually. Specifically, section 13 states as follows:

**13. 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.*

The term 'self-assessment' is not really defined, other than reviewing the terms of reference of the committee.

It is suggested that the Committee consider some of the following actions in relation to a self-review:

1. Review the terms of reference for the committee e.g. purpose;
2. Review the representation – numbers and types of members;
3. Review the Committee's delegated authority;
4. Review decisions that have been made by the Committee; and/or
5. Review member's attendance.

Previous reviews were undertaken in April 2018 when terms of reference were amended to provide greater clarity around confidentiality and authority to undertake administrative reviews, and also in late 2017 following the last local government elections when a new committee was formulated.

A copy of the terms of reference for the committee is attached for member's information.

**ISSUES/OPTIONS/SWOT**

**Committee members have several options in relation to this matter:**

**1. Do nothing**

Consider the attached terms of reference, this report and that no further review is required.

**2. Undertake a self-assessment and review at the meeting on the 17 June 2020**

Members consider the terms of reference and any other relevant issues on the 17 June 2020 Audit Committee (this meeting) and advise on any changes required to the Terms of Reference or the Committee.

**3. Undertake a self-assessment and review at a future Audit Committee meeting**

Request the Chief Executive Officer to prepare information and a report to undertake a review of the terms of reference, attendance, purpose and structure of the committee at a future Audit Committee meeting.

**FINANCIAL CONSIDERATIONS**

Nil.

**ATTACHMENTS**

- 1 Terms-of-Refernce-for-Audit-Committee.pdf

## Roper Gulf Regional Council Terms of Reference - Audit Committee



### Roper Gulf Regional Council Audit Committee Terms of Reference

Roper Gulf Regional Council has established the Audit Committee pursuant to the Regulation 10 (3) of the *Local Government (Accounting) Regulations* to assist the Council in monitoring its compliance with proper standards of financial management, and its compliance with the *Local Government (Accounting) Regulations* and Accounting Standards.

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 therefore independent from management.

#### 1. Objectives

The objective of the Audit Committee is to advise Council on, and where delegated, determine upon matters outlined in the roles and responsibilities of the Audit Committee. This includes the provision of independent review and assistance to the Council, Chief Executive Officer and executive management on Council's risk, control and compliance framework, and its financial statement pertaining to its financial management responsibilities.

#### 2. Membership

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

- one (1) Independent Member (Chair)
- one (1) Independent Member
- three (3) Councillors

Appointments of Council Members shall be for a term of two (2) years. Appointees may be reappointed by the Council for a maximum of six (6) consecutive years.

Independent Members of the Audit Committee shall have senior business or financial management/reporting knowledge and expertise, and be conversant with the financial, risk management and governance issues, and have extensive accounting, auditing or legal skills, and other reporting requirement of Local Government.

Appointments of external Independent Members shall be for a term of four (4) years at the commencement of each Council term. Appointees may serve as an Independent Member for the maximum period of two (2) terms.

#### 3. Chairperson

The Council shall appoint any one of the Independent Members as the Chairperson of the Audit Committee for a period of 12 months.

The Chairperson's performance shall be reviewed by the CEO on an annual basis, before the expiry of their term.

The Council shall appoint the Chairperson on a yearly basis via resolution.

The Chairperson of the Audit Committee must be an Independent Member. Elected Members of RGRC are not eligible to Chair the Audit Committee.



## Roper Gulf Regional Council Terms of Reference - Audit Committee



### 4. Authority

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

- seek any information it requires, subject to their legal obligation to protect information, from any of the Directors and Managers in consultation with the Chief Executive Officer;
- discuss any matters with the external auditor, or other external parties (subject to confidentiality considerations);
- request the attendance of any of the Directors and Managers, 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.

### 5. Roles and Responsibilities

#### 5.1 Financial Reporting

The Audit Committee shall monitor the integrity of the financial statements of the Council, including its annual report, reviewing significant financial reporting issues and judgments which they contain.

The Audit Committee shall review and challenge where necessary:

- (a) the adequacy of processes to ensure integrity of reported financial information and appropriate review and management sign-off, prior to the CEO's and Council's approval of the draft financial statements;
- (b) the consistency of, and any changes to, accounting policies both on a year on year basis;
- (c) the methods used to account for significant or unusual transactions where different approaches are possible;
- (d) whether the Council has followed appropriate accounting standards and made appropriate estimates and judgments, taking into account the views of the external auditor;
- (e) the clarity of disclosure in the Council's financial reports and the context in which statements are made;
- (f) all material information presented with the financial statements, such as the operating and financial review and the corporate governance statement; and
- (g) the processes in place to ensure that the financial information included in the Council's annual report is consistent with the signed financial statements.

#### 5.2 Compliance

The Audit Committee shall:

- review the effectiveness of the system for monitoring the Council's compliance with all applicable laws, regulations and associated government policies pertaining to proper standards of financial management which the Council must comply with;
- review the process for building the capacity of Council to manage financial misconduct risk and its management strategies to enhance resistance to financial misconduct whilst improving Council's financial performance and integrity;
- monitor compliance of Program Funding Agreements, Service Level Agreements, Funding Agreements or any other agreements with any funding bodies or agencies to ensure proper standards of financial management;

## Roper Gulf Regional Council Terms of Reference - Audit Committee



- keep informed on the findings of any examinations of financial matters by regulatory agencies, and any auditor (internal or external) observations and monitor management's response to these findings;
- obtain regular updates from management on compliance matters pertaining to financial management and Accounting Standards.

### 5.3 Internal Control and Risk Management

The Audit Committee may address issues pertaining to the approach, strategies, and activities undertaken by Council to address business, corporate, and financial risk, governance responsibilities and legislative compliance as assigned to it by the Chief Executive Officer or Council.

The Audit Committee may also review issues of a strategic nature as required by the Chief Executive Officer or Council.

### 5.4 Internal Audit

Review the adequacy of the Council's internal audit function for ensuring compliance with the *Local Government (Accounting) Regulations*, the Australian Accounting Standards, and the proper standards of financial management.

The Committee provide advice on the adequacy of internal audit resources relevant to the Council's identified financial risks and management strategies.

The Committee shall review Council's unaudited financial statements at the end of the financial year; set the audit agenda and Committee's work plan, including meeting dates, for the coming financial year.

### 5.5 External Audit

The Audit Committee shall assist Council meet its financial management, Accounting Standards, and regulatory obligations by meeting with the External Auditors as required, and discussing findings, review the draft audited financial statements and provide necessary feedback to Council.

The Audit Committee shall also review the effectiveness of the external audit and monitor the implementations of any recommendations authorised by Council or the Chief Executive Officer.

The Audit Committee shall review the Report to the Chief Executive Officer and management's response to the external auditor's findings and recommendations.

### 5.6 Provision of Information

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

- loss of significant programs
- material theft
- adverse financial event

### 5.7 Administrative Review

The Audit Committee shall have an administrative review function (s229 *Local Government Act*) if required, so as to review a Council decision which is designated as reviewable by the *Local Government Act*. Administrative review matters shall be assigned to the Committee as required by the Chief Executive Officer or Council.

## 6. Meetings

A meeting of the Audit Committee can be call at the request of any two (2) members of the Committee or by the Chair.

## Roper Gulf Regional Council Terms of Reference - Audit Committee



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

Confidentiality of matters deliberated by the Audit Committee is determined by their sensitivity and nature. Confidentiality of matters deliberated by the Committee shall be determined through assessment against the Part 4, Division 2 *Information Act* public interest provisions, together with their probative value and presumption in favour of disclosure not prejudicing the interests of Council (Regulation 8(c)(iv) *Local Government (Administration) Regulations*).

The Audit Committee will hold meetings at least four (4) times in a year. The internal or external auditors may request a meeting if they consider that one is necessary.

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, Directors and Finance Manager shall be invited to attend each meeting, unless specifically requested not to do so by the chairperson of the Committee.

### 7. Quorum

A quorum for the Audit Committee is three (3) members and must include the Chair.

### 8. 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.

### 9. Administrative Support

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

### 10. 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 and recommendations.

Audit Committee minutes may be designated confidential.

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

### 11. Conflict of Interest

In accordance with Section 74(1) of the *Local Government Act*, Committee members will be required 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.

### 12. Meeting Sitting Fee

Independent Members of the Audit Committee will be remunerated at a rate of \$900 per meeting by agreement with the CEO. This payment rate covers preparation for the meeting, meeting attendance, and travel expenses.

**Roper Gulf Regional Council  
Terms of Reference - Audit Committee**



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

**13. 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.

**14. Legislation referenced in the Terms of Reference**

- Local Government Act*
- Local Government (Accounting) Regulations*
- Local Government (Administration) Regulations*
- Information Act*

**15. Document Review**

Dates of amendments made by Council resolution:

28 January 2015 OCM	Council endorsed the document
24 June 2015 OCM	Council approved the amendment to the document
14 September 2017 OCM	Council approved the amendment to the document
18 April 2018 OCM	Council approved the amendment to the document



**GENERAL BUSINESS**

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<b>ITEM NUMBER</b>	13.3
<b>TITLE</b>	Department of Local Government, Housing and Community Development - Closure of 2017 compliance audit
<b>REFERENCE</b>	929137
<b>AUTHOR</b>	Marc GARDNER, General Manager Corporate Services and Sustainability

**RECOMMENDATION**

**That the Audit Committee notes the report in relation closure of the 2017 Compliance Audit of the Department of Local Government, Housing and Community Development.**

**BACKGROUND**

In late 2017, the Department of Local Government, Housing and Community Development undertook a compliance audit of the Council and raised 11 compliance issues where the Council required action to improve. This matter has previously been reported to Council and the Audit Committee on a regular basis. A copy of the compliance report is attached.

On the 29 May 2020, the Council received correspondence from the Department to advise that all compliance issues had been satisfactorily addressed and the compliance review is officially completed. A copy of the compliance review and closure letter from the Department is attached for members information.

**ISSUES/OPTIONS/SWOT**

As reported previously to the Audit Committee, the last remaining issue outstanding was in relation to the Council's Recruitment and Selection Policy which was in breach of the Local Government Act and Best Practices for Human Resource Management by providing the CEO with the ability to directly appoint staff without following a fair and equitable or transparent process.

The policy was amended at the Ordinary Meeting of Council on the 29 April 2020 and forwarded to the Department and placed on Council's website.

**FINANCIAL CONSIDERATIONS**

Nil.

**ATTACHMENTS**

- 1 Compliance Review and Closure Letter.pdf



**Compliance Review Report  
Roper Gulf Regional Council  
2017**

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## 1. Executive summary

This report has been prepared by inspectors of local government who have undertaken a review of the Roper Gulf Regional Council (RGRC or council) in accordance with Section 205 of the *Local Government Act* (the Act). The compliance review primarily covered the period 1 July 2016 to 30 September 2017, however, where necessary, the inspectors have also considered information from outside this period in order to assist with the review process.

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

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

## 2. Background

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

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

## 3. Scope of work

The compliance review considered the following legislation and regulatory requirements:

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

## 4. Basis of testing

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

- Site visits at RGRC office at 29 Crawford Street, Katherine, NT 0850 from 17 to 20 October 2017 and the Beswick service delivery centre on 18 October 2017
- Consultation and discussions with relevant council staff
- Examination and review of a sample number of files and source documents
- Assessment of implementation and adherence to council policies and decisions
- Strength of document management and workflow management and
- Review of source and supporting documentation and information.



## 5. Summary of Findings

Based on the inspectors' interpretation of legislative and policy requirements, the issues below require attention. Details of individual findings are disclosed in Attachment A.

Issue	Finding
1	The council did not comply in all instances with the tender process requirements of the Accounting Regulations.
2	The rates of payments used for calculating local authority (LA) member allowances for meeting attendances are not compliant with Ministerial Guideline 8.
3	The Chief Executive Officer's travel allowances were approved by a staff beyond his delegation limit.
4	There is no formal approval process for the Chief Executive Officer's recreation leave.
5	The statutory requirement to provide the option to transfer Long Service Leave (LSL) entitlement from a previous NT local government council employer was not given to in-coming staff.
6	Instances were noted where council's recruitment process was not compliant with the requirements of the Act.
7	The Recruitment and Selection Policy (HR004) contains provisions which are inconsistent with the requirements of the Act.
8	Inspectors did not find any evidence that the council published a public notice within 21 days after declaring its rates for 2017-18.
9	The Common Seal Register is not kept up-to-date and does not contain copies of all documents executed under the council's common seal.
10	The CEO has not implemented adequate procedures for the proper custody of the council's records or ensured council's records are properly filed and indexed.
11	Terms of Reference of the Audit committee is not consistent with section 65 of the Act and regulation 8 of the Administration Regulations.

### Disclaimer

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

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

## Attachment A

**Issue 1**

The council did not comply in all instances with the tender process requirements of the Accounting Regulations.

**Background:**

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

Regulation 29 of the Accounting Regulations, requires 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. A tender received in response to the public notice may only be opened in the presence of the council or a committee of three members of the council's staff delegated by the council to open and consider the tenders and report to the council on the tenders. If a council accepts a tender for the provision of supplies to the council at a cost more than \$100 000, it must accept the tender by written notice to the person who submitted the successful tender and give notice of the successful tender in writing to each other person who submitted a tender.

Regulation 30(1)(ii) states quotations or tenders are not required for the provision of supplies consisting of, or related to a consultancy or other professional service.

Regulation 31 of the Accounting Regulations allows the department, on application by the council or on the department's own initiative, to exempt a council from complying with the provisions of the Accounting Regulations. The exemption may be made on such conditions the department thinks fit.

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

**Finding:**

For the period 1 July 2016 to 30 September 2017, RGRC had nine procurements valued at over \$100 000, of which five were identified as non-compliant with the Accounting Regulations. The RGRC did not follow proper tendering procedures for the following:

Contractor/ Supplier	Details	Amount
Forklift Solutions Pty Ltd.	Purchase of JCB 3CX Sitemaster Backhoe	\$109,873.82
Katherine Constructions Pty Ltd	Ngukurr Offices Upgrade	\$139,454.70
Remote Civil Pty Ltd	Barunga Store Heavy Vehicle Turning Route	\$173,492.22
Allstyle Sheetmetal Pty Ltd	Mataranka multi-purpose sports court	\$155,512.40
Arnhem Frontier Civil and Construction Pty Ltd	Ngukurr - Upgrade various roads projects	\$884,217.56

In relation to the above five procurements, inspectors could not find any evidence of a report being submitted to council on the tenders. There were no supporting documentation for the approval of these five tenders, thereby, inspectors were unable to determine who approved the tenders. There was also no evidence of the tenders being formally considered and accepted at any official council meeting. The inspectors did not find evidence that a delegation had been issued for council staff to accept and approve a tender and then award a contract on behalf of council.

Three instances were noted where RGRC was unable to provide evidence to inspectors to substantiate it had sent letters to those unsuccessful contractors informing the name of successful tenderer, the supplies to be provided and the tender price.

**Conclusion:**

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

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

**Inspectors' Note:**

The issue of deficiencies in the council's procurement practices has previously been raised by local government inspectors in the 2015 compliance review report. In response to this finding, at that time, the council responded with the following:

*"We understand and will comply with the recommendation contained in the report. We have reviewed our procurement procedure and taken steps to mitigate any further breach of the regulation."*

In the inspector's opinion, the council CEO has not maintained proper procedures in line with the above statement which has resulted in a re-occurrence of poor procurement practices.

**Recommended Remedial Action:**

The council must ensure it complies with regulation 29 of the Accounting Regulations for all future procurement activity.

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

The council must report back in writing to the inspectors by 2 March 2018 on what action(s) it has taken in this regard and how it will ensure compliance with the accounting regulations will be maintained at all times.

## Issue 2

The rates of payments used for calculating local authority (LA) member allowances for meeting attendances are not compliant with Ministerial Guideline 8.

### Background:

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

Section 71 (2B) of the Act provides the allowance for a local authority is to be fixed by the council in accordance with any guidelines that the minister may make and apply in the relevant financial year.

Local Government Ministerial Guideline 8 specifies the amount of LA member allowance rates are to be based on revenue units and must be rounded down to the nearest whole dollar. The Chair is to be paid 143 revenue units (equivalent to \$164 in 2016-17) and other eligible members are to be paid 107 revenue units (equivalent to \$123 in 2016-17).

### Finding:

Council's 2016-17 Regional Plan and Budget that was adopted on 27 July 2016 set the LA member allowance rates equivalent to the amounts set by Ministerial Guideline 8.

On 7 July 2016, a letter was sent by the department to RGRC advising the LA member allowance rates for 2016-17 must be in accordance with Guideline 8 and in accordance with section 3 (2) of the *Revenue Units Act 2009*. However, council did not follow this advice and paid local authority members \$164.45 for the chair and \$123.05 for members which are higher than the rates prescribed in Ministerial Guideline 8.

### Conclusion:

Although the quantum of funds overpaid to LA members is small, it does not detract from the fact that the council has not complied with the requirements of the Act or Ministerial Guideline 8 despite the advice provided to the council.

The CEO has not implemented proper controls over expenditure as LA members were overpaid their statutory prescribed 2016-17 meeting attendance allowances.

### Recommended Remedial Action:

The council must ensure the 2017-18 rate of payments for LA members are compliant with the prescribed statutory requirements and no higher than the maximum amounts prescribed in Ministerial Guideline 8.

The council must confirm to the inspectors by 2 March 2018 that it is paying all LA members in accord with Ministerial Guideline 8.

### Issue 3

The Chief Executive Officer's travel allowances were approved by a staff beyond his delegation limit.

#### Background:

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

Council approved an amended Organisational Delegations Manual on 12 July 2017 at an ordinary council meeting. The council's delegation manual states that "the purpose of this Manual is to provide clear and easy to understand processes and accountability, for administrative functions and levels of decision making across the organisation".

#### Finding:

The Organisational Delegations Manual specifies that council (elected members) must approve travel for the CEO. However, a review of travel allowance claim forms for CEO's travel highlighted that the approving officer for CEO's travel was a subordinate officer being the Director of Corporate Governance.

On review of RGRC's Travel Policy for Councillors and Employees, the inspectors noticed the policy does not contain any specific requirement relating to the approval process for the CEO's travel.

#### Conclusion:

A council staff has approved expenditure beyond his authorised delegations. The CEO did not ensure proper standards of financial management were maintained at all times – in particular, proper controls over expenditure.

#### Recommended Remedial Action:

The council must ensure staff are made aware of the delegations manual and only approve travel allowances within authorised limits. This may be incorporated into the council's Travel Policy for Councillors and Employees in accordance with the Organisational Delegations Manual.

The council must report back in writing to the inspectors by 2 March 2018 and advise how it intends to address this issue.

## Issue 4

There is no formal approval process for the Chief Executive Officer's recreation leave.

### Background:

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

The power to control and manage a council CEO comes from the Act. The elected members are the employer of the council CEO. The CEO reports to the council and it is the responsibility of the elected members to manage the CEO's performance. Decisions about hiring, extending or terminating the employment of a council CEO are made by the elected members.

### Finding:

The inspectors noted RGRC's Organisational Delegations Manual (non-financial) does not contain any specific requirement relating to the approval process for the CEO's recreation leave. However, the Delegation Manual does contain the approval process for personal leave and long service leave for CEO. The Delegation Manual requires that the CEO's personal leave and long service leave must be approved by the council.

During the site visit, the inspectors sighted two leave forms for the CEO dated 23/06/2016 and 01/08/2017 and found that the approving officer for both forms was a subordinate officer being the Director of Corporate Governance.

### Conclusion:

Whilst the current lack of approval process for the CEO's recreation leave does not appear to contradict any of RGRC's current policies, the council CEO is responsible for establishing proper internal controls to ensure proper standards of financial management are maintained.

The absence of a formal approval process for the CEO's recreation leave does not promote the highest degree of accountability or control over public money.

### Recommended Remedial Action:

The council must establish and clearly articulate an appropriate approval process for the CEO's recreation leave entitlements. This must be incorporated into the council's Organisational Delegations Manual (GOVO12) by 31 March 2018.

## Issue 5

The statutory requirement to provide the option to transfer Long Service Leave (LSL) entitlement from a previous NT local government council employer was not given to all in-coming staff.

### Background:

Section 105(2)(a)(iv) of the Act requires that the statement of employment policies must cover access to employment related benefits.

Section 109 of the Act requires the council, as soon as practicable after an employee enters into employment with the council, to obtain from the employee a written declaration to transfer accrued rights to eligible long service leave.

### Finding:

During the compliance review, the inspectors identified the following two council staff eligible to have their long service leave transferred to RGRC from another council:

- Staff member ID 6372 who was employed in August 2016, was not given the opportunity to elect to transfer accrued LSL entitlements from the staff member's previous council employer. As a consequence no invoice was raised and sent to the previous council employer.
- Staff member ID 6430, commenced employment with RGRC in January 2017, was not given the opportunity to elect to transfer accrued LSL entitlements from the staff member's previous council employer. As a consequence no invoice was raised and sent to the previous council employer.

Although the council had a form to allow a new staff member to elect to transfer their LSL entitlement and a pamphlet on LSL, the council did not use or provide this form to incoming staff to make the declaration and transfer any eligible leave.

Although the council inserted an additional field into its "New Employee Details" form to request new employees to advise if they had been employed with a NT local government organisation within the last three months, the council has failed to provide opportunity to elect to transfer accrued LSL entitlements for the two above mentioned employees.

### Inspectors' Note:

The issue of not offering the option to transfer LSL to all new council staff was raised by local government inspectors in the 2015 compliance review report. In response to this finding, at that time, the council responded with the following:

*"This has been addressed with an additional field being inserted into our "New Employee" form requesting new employees to advise if they had been employed in Local Government in the Northern Territory any time in the preceding 3 months."*

In the inspector's opinion, although the form was introduced as stated, it has failed to provide the opportunity to staff to elect to transfer accrued LSL entitlements for the two above mentioned employees.

The council CEO has not maintained proper procedures in line with the above statement which has resulted in a re-occurrence of this finding.

**Conclusion:**

The CEO has failed to ensure all new staff members had the option to elect to transfer their LSL accrued, when entitled, from their previous NT local government council employer as per the requirements of the Act.

**Recommended Remedial Action:**

The CEO must ensure all future new employees are advised of their entitlement to elect to transfer LSL entitlements from their former NT local government council employer or LGANT or a local government subsidiary, in accordance with section 109 of the Act. To achieve this, the CEO must ensure portability of LSL entitlement requirement in the Act is properly offered to all eligible staff.

The council must report back in writing to the inspectors by 2 March 2018 and advise how it intends to address this issue.



## Issue 6

Instances were noted where council's recruitment process was not compliant with the requirements of the Act.

### Background:

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

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

Section 105(3) of the Act requires the statement of employment policies must be consistent with the principles of human resource management.

### Finding:

During the compliance review site visit, the inspectors found that the Customer Service & Record Management Trainee (Staff ID 6411) and the Outstations and Homelands Coordinator (Staff ID 6375) were appointed without a proper selection process.

The direct appointment of both these positions is not consistent with the requirements of the Act. No evidence was found that the appointments were based on merit or were fair and equitable. The CEO did not test the market or provide the opportunity for other council staff to be considered for the position.

### Conclusion:

Staff appointments have not been based on merit in all instances and staff have not been treated fairly and consistently when recruiting (i.e. some have been subject to interviews and others have been directly offered appointments without a panel interview).

The council has failed to ensure staff recruitment has been undertaken in a fair, transparent and equitable manner.

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### Recommended Remedial Action:

The CEO must ensure all staff recruitment processes are open and transparent and satisfy the requirements of the Act.

The council must report back in writing to the inspectors by 2 March 2018 and advise how it intends to address this issue.

## Issue 7

The Recruitment and Selection Policy (HR004) contains provisions which are inconsistent with the Act.

### Background:

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

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

Section 105(3) of the Act states the statement of employment policies must be consistent with the principles of human resource management.

### Finding:

In relation to Council's Policy HR004:

Clause 6.6 Direct Appointments states:

- The Chief Executive Officer may from time to time directly appoint a person to a position within Roper Gulf Regional Council.
- This will be at the discretion of the Chief Executive Officer, Directors, Human Resources Manager and Program Manager.
- Upon making a decision to directly appoint a person to a position the Chief Executive Officer will base their decision on prior knowledge of the person, their working history and qualifications applicable to the position.

Clause 6.7 (internal Staff Transfers) provides that if a position within Roper Gulf Regional Council becomes vacant and it has been identified that an existing staff member is suitable for that position, then the Chief Executive Officer may approve an internal staff transfer. Clause 6.7 provides that if the position the employee is transferring into is of a higher level, then the employee will be paid at that level.

The requirements of the Act are not met in clauses 6.6 and 6.7 of the policy as it does not provide any guide or criteria which the council staff can use to assist them to make a decision based on merit or be fair and equitable as the policy does not require to test the market or provide the opportunity for other council staff to be considered for that position.

### Conclusion:

Council's policy is not written in accordance with the Act.

### Recommended Remedial Action:

By 31 March 2018, the council must review and update its policy on Recruitment and Selection in accordance with the Act.

**Issue 8**

Inspectors did not find any evidence that the council published a public notice within 21 days after declaring its rates for 2017-18.

**Background:**

Section 158(1) of the Act requires a council, within 21 days after declaring rates, must publish notice of the rates on its website and in a newspaper circulating generally in the council's area.

Section 158(2) of the Act states that the notice must:

- Give details of the rates; and
- State the date on which payment of the rates will fall due and, if the council has resolved to allow payment by instalment, the date on which each instalment will fall due for payment; and
- Give details of any discount or other concession or benefit the council has resolved to allow for prompt payment of the rates in full.

**Finding:**

The council was not able to provide any documentation to substantiate it had published a notice of the rates on its website and in a newspaper circulating generally in the council's area after the council had approved the rates declaration on 12 July 2017.

**Conclusion:**

The council has not complied with its statutory requirements as it has not published a notice within 21 days after declaring the rates as required by section 158 of the Act.

**Recommended Remedial Action:**

The council must ensure all future notices of rates are published in accordance with section 158 of the Act.

The council must advise the department of the date the council has published a notice of the 2018-19 rates on its website and in a newspaper circulating in the council's area. A copy of the newspaper notice for 2018-19 is to be sent to the inspectors.

## Issue 9

The Common Seal Register is not kept up-to-date and does not contain copies of all documents executed under the council's common seal.

### Background:

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

Regulation 11(1) of Administration Regulations states a council must keep a register containing copies of all documents executed under the council's common seal.

Regulation 14 of the Administration Regulations states:

- The CEO is responsible for ensuring the proper custody of the council's records;
- The CEO must ensure that the council's records are properly filed and indexed to facilitate access.

Section 134 of the *Information Act*, requires a public sector organisation to keep full and accurate records of its activities and operations and implement the practices and procedures for managing its record necessary for compliance with the standards applicable to the organisation.

### Finding:

During the site visit the inspectors selected three samples and requested council staff to provide copies of documents executed under the common seal. Of the three samples selected, one document could not be found and the other two documents were not stored in a systematic manner and were difficult to find.

On review of the minutes of council meetings, the inspectors noted the following documents were missing from the Common Seal Register:

Meeting Date	Item no	Description
27 July 2016	18.5	Homelands Municipal and Essential Services & Housing Maintenance Service Program - 1 year funding 16-17 - \$576 978
29 March 2017	15.5; 16.5 to 16.7	Home Extra Allowance 2016-17 - \$22 000 Alcohol Action Initiative - Borroloola Playground Equipment - \$70 000 Cattle Workshop - \$44 000 Nutritious Cooking Program - \$16 500
15 June 2017	16.1; 18.3; 18.9 and 18.12	Indigenous Broadcasting Services - \$577 870 NT Jobs Package - \$687 180 Numbulwar Sports and Recreation Hall - \$51 192 Ngukurr Lighting Project - \$21 960 Centrelink & Access Point - \$815 679.24

### Conclusion:

The CEO has not maintained and kept an up-to-date Common Seal Register.

**Recommended Remedial Action:**

The CEO must ensure the Common Seal Register is updated with the missing documents noted in the above table by 2 March 2018.

The council must report back in writing to the inspectors by 2 March 2018 and advise how it intends to ensure the Common Seal Register is updated to include copies of all documents executed under the council's common seal.

## Issue 10

The CEO has not implemented adequate procedures for the proper custody of the council's records or ensured council's records are properly filed and indexed.

### Background:

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

Regulation 14 of the Administration Regulations states the CEO is responsible for ensuring the proper custody of the council's records and that council's records are properly filed and indexed to facilitate access.

Section 134 of the *Information Act*, requires a public sector organisation which includes a local government council, to keep full and accurate records of its activities and operations and implement the practices and procedures for managing its records necessary for compliance with the standards applicable to the organisation.

### Finding:

A records management system named Magiq (previously called InfoXpert) has been available for RGRC's use since 2008 to capture and maintain corporate records and information.

The council does not have an overarching Records Management Policy in place to manage its official records, nor a complete set of procedures for staff to follow. This has led to individual staff creating their own method of recordkeeping.

The following was noted by the inspector during the onsite visit as an example of poor recordkeeping of not capturing records as routine business activity:

A personnel file was not created within a reasonable timeframe of an employee commencing with the council. Staff ID 6547 commenced with the council on the 11/09/2017. The inspectors noted that as of the 19/10/2017 a file for the management of this staff member was not yet created within Magiq. As advised by the Human Resource Management staff, this staff member's information was still maintained in their email system and not in the approved official record keeping system.

The Senior Leadership Team (SLT) is aware of the council's records management deficiencies. In December 2015 the SLT recorded as an action item the 'Need to develop and implement our Records Management'. As a result, the council has established a working group 'Records Management Champions' in June 2017 to manage the process of implementing a records management framework which has also included training for staff. This training occurred in February and October 2017.

### Conclusion:

The CEO has not ensured financial and other records are properly made and maintained.

### Recommended Remedial Action:

By 31 March 2018, the CEO must implement a Records Management Policy to manage the council's official records.

## Issue 11

Terms of Reference of the Audit committee is not consistent with section 65 of the Act and regulation 8 of the Administration Regulations.

### Background:

Section 65 of the Act requires that as a general rule, a meeting of a council, local authority, local board or a council committee must be open to the public and the public may be excluded while business of a kind classified by the regulations as confidential business is being considered.

Regulation 8 of the Administration Regulations provides the classes of information to be classified as confidential.

Regulation 8(c) of the Administration Regulations provides the information that if publicly disclosed would cause commercial prejudice to, or confer an unfair commercial advantage on, any person; or prejudice the maintenance or administration of law; or prejudice the security of the council, its members or staff; or prejudice the interests of the council or some other person.

### Finding:

The council's terms of reference for its Audit Committee at clause 6 states that the audit committee meetings shall be considered confidential subject to section 65(2) of the Act and Regulation 8 of the *Local Government (Administration) Regulations*.

Clause 10 (Reporting) of the terms of reference states that the Audit Committee minutes will be designated confidential.

Inspectors reviewed the agenda and minutes of the Audit Committee meetings and based on its content all matters considered by RGRC's Audit Committee are not matters that fall under regulation 8(c) of the Administration Regulations (for example, the review of council's budget process and timeline is not commercial in confidence as this is a review process undertaken by all local government councils). Therefore, inspectors consider that the terms of reference of the Audit committee is not consistent with section 65 of the Act and regulation 8 of the Administration Regulations.

This matter has previously been raised and advice given to the council's Director Corporate Governance in an email dated 16 January 2017.

### Conclusion:

The inclusion of a blanket confidentiality clause in the Audit Committee's terms of reference does not comply with section 65 of the Act or regulation 8 of the Administration Regulations.

### Recommended Remedial Action:

By 31 March 2018, the council must review its terms of reference for the Audit Committee to ensure the council complies with section 65 of the Act and regulation 8 of the Administration Regulations.



Department of  
**LOCAL GOVERNMENT, HOUSING  
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File reference  
HCD2017/02022-2-033

29 May 2020

Mr Phillip Luck  
Chief Executive Officer  
Roper Gulf Regional Council  
PO Box 1321  
KATHERINE NT 0851

Dear Mr Luck

Re: CLOSURE OF 2017 COMPLIANCE REVIEW – ROPER GULF REGIONAL COUNCIL

In October 2017, local government inspectors conducted a compliance review on the Roper Gulf Regional Council's operations under the *Local Government Act 2008*. Upon completion of the review, a compliance review report was provided to the Council detailing areas where action was required.

To ensure your Council was actively addressing the issues identified in the compliance report, local government inspectors conducted a follow-up review on 26 and 27 September 2019. During the follow-up review, inspectors identified that 10 of the 11 original findings were appropriately addressed by Council, with one issue (Issue 7) remaining to be addressed. On 29 April 2020, the last compliance review issue was satisfactorily addressed.

I am therefore pleased to advise that local government inspectors are satisfied that the Council has addressed all issues raised in the compliance review report and no further action is required. The compliance review is now officially complete.

I take this opportunity to thank your Council and staff for their cooperation and commitment in ensuring the Council is meeting the requirements of the *Local Government Act 2008* and associated Regulations.

If you require any further information in relation to this matter, please contact Mr Abdus Sattar, Manager Compliance on 8999 8348 or email [lg.compliance@nt.gov.au](mailto:lg.compliance@nt.gov.au).

Yours sincerely

A handwritten signature in black ink, appearing to read "Meeta Ramkumar".

Meeta Ramkumar  
Senior Director Sustainability and Compliance





**GENERAL BUSINESS**

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<b>ITEM NUMBER</b>	13.4
<b>TITLE</b>	Regional Plan Update
<b>REFERENCE</b>	929169
<b>AUTHOR</b>	Naomi HUNTER, Executive Manager

**RECOMMENDATION**

**That the Audit Committee receives and notes the Regional Plan Update Report.**

**BACKGROUND**

As part of the *Local Government Act 2008*, a requirement is that each Council must produce a plan for its area.

**ISSUES/OPTIONS/SWOT**

The Budget timetable has been prepared in alignment with the Draft Regional Plan 2020/2021 schedule.

On 27 May 2020, the Draft Regional Plan 2020/2021 was approved at the Finance Committee meeting.

The Draft Regional Plan 2020/2021 opened for community consultation on 02 June 2020. The closing date for public comment is 23 June 2020. Copies of the Plan are available at each Council Office and via the Council's website. Advertisements appeared within the NT News and on Council's social media platforms.

**FINANCIAL CONSIDERATIONS**

Nil.

**ATTACHMENTS**

There are no attachments for this report.

**GENERAL BUSINESS**

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<b>ITEM NUMBER</b>	13.5
<b>TITLE</b>	RGRC Policy Update
<b>REFERENCE</b>	929174
<b>AUTHOR</b>	Naomi HUNTER, Executive Manager

**RECOMMENDATION**

**That the Audit Committee receives and notes the RGRC Policy Update report.**

**BACKGROUND**

As part of the *Local Government Act 2008*, a requirement is that Council endorses any revised or new policies.

**ISSUES/OPTIONS/SWOT**

Council approved the revised HR004 - Recruitment and Selection Policy, at the 4 March 2020 Ordinary Meeting of Council.

At the Confidential Session of Ordinary Council Meeting on 29 April 2020, Council adopted the model policy: Public Benefit Concessions Policy for Commercial Ratepayers.

Both policies are available on the Council's website

**FINANCIAL CONSIDERATIONS**

Nil.

**ATTACHMENTS**

There are no attachments for this report.

**GENERAL BUSINESS**

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<b>ITEM NUMBER</b>	13.6
<b>TITLE</b>	Changes to Accounting Standards
<b>REFERENCE</b>	929318
<b>AUTHOR</b>	Dave HERON, Chief Financial Officer

**RECOMMENDATION**

**That the Audit Committee endorse the adoption of the changes to accounting standards AASB 16 & AASB 1058.**

**BACKGROUND**

The Australian Accounting Standards Board prepared accounting standards which guide preparers of financial reports in the content and format of statutory financial statements which are required by the *Local Government Act*. These standards are outlined in the Statement of Significant Account Policies in the financial statements and allows the readers of the reports to have context behind the makeup of the figures presented. Each year the Finance Manager works with the Auditors to review the Accounting Standards to ensure all relevant ones are complied with.

**ISSUES/OPTIONS/SWOT**

Recently two standards, AASB 16 and AASB 1058, were amended and introduced that will have an effect on the Roper Gulf Regional Council's audited Annual Financial Statements. Their introduction is to comply for the financial statements for the year ending 30 June 2020.

The introduction of AASB 1058 has the effect of replacing AASB 1004 which negatively impacted on the councils revenues by have all grants recognised the year they were received and not in the year they were expended. This challenged the matching principle that most accountants use when preparing financial statements. AASB 1058 provides more options for no-for-profit organisations in the recognition of revenue. This will be advantageous for Council and it is recommended that it is adopted.

AASB 16 requires the recognition of leases that were once considered operating only, into the balance sheet as assets and liabilities. Its effect will require RGRC to recognise the liability of Section 19 leases and the corresponding "right-to-use" asset in the balance sheet. The standard properly discloses to the users of the financial reports the long term liability of the leases and as such it is recommended that it be adopted. The inclusion of Section 19 leases being recognized on the balance sheet will have a minimal net effect. The annual value of the leases are approximately \$250,000 per annum with most expiring in 2025.

Working papers have been prepared on both standards for the Committee's review as attached.

**FINANCIAL CONSIDERATIONS**

Nil

**ATTACHMENTS**

- 1 AASB 1058 Audit Committee Paper.docx
- 2 AASB 16 for Audit Committee.docx

## AASB 1058 – Councils response to changes

AASB 1058 has been issued in order to establish principles that a NFP can apply to:

- The receipt of volunteer services
- Transactions where the consideration to acquire an asset is **significantly less than fair value principally to enable a not-for-profit to further its objectives**, and
- Guidelines for the treatment of grant income where there may be enforceable obligations.

As an Australian Accounting Standard the council will comply with the AASB as per the Significant Accounting Policies outlines in the council's Annual Financial Statements however, there are issues with the practical application of the standard due primarily to the inconsistent interpretation of their own contracts by the funding bodies. By adhering to the standard, the effect will be that council will be required to recognise income from certain grants fully in a financial year but will have to recognise any repayment of unspent funds as an expenses in the following year without first having to recognise it as a liability in the financial statements.

### Volunteer services

Volunteer services are usually provided by people (e.g. volunteers donating their time to provide services to disabled children). However, organisations can also provide volunteer services to NFPs (e.g. pro bono audits, pro bono legal advice).

### How are volunteer services accounted for?

Local governments, government departments, general government sectors (GGs) and whole of governments **must** recognise volunteer services if:

- Their fair value can be reliably measured, and
- The services would have been purchased had they not been provided voluntarily.

Should both conditions be met then the value that the service would have cost and expensed is recognised as a donation.

### Application for RGRC

After enquiries with Community Services and Engagement coordinators it has been established that Council does not use volunteer services and is not likely to in the near future. Should the time come that when volunteer services are engaged by Council then it will comply with AASB1058.

### Recognition and measurement of the asset received

When a NFP receives an asset, for example a grant or a donation of cash or another asset, it recognises and measures this asset by applying the *relevant* Australian Accounting Standard to account for the asset.

The specific amendments to:

- AASB 16 *Leases*
- AASB 116 *Property, Plant and Equipment*
- AASB 138 *Intangible Assets*, and
- AASB 140 *Investment Property*

that require (or include an option in the case of leased assets) that a NFP measure the asset received at fair value are all based on the principle that asset was received at **an amount significantly less than fair value principally to enable the NFP to achieve its objectives.**

#### **What is a transfer of a financial asset used to acquire or construct a non-financial asset?**

Paragraph 15 of AASB 1058 states that a transfer of a financial asset to enable the NFP to acquire or construct a recognisable non-financial asset that it will control, is one where the contract:

- Requires the NFP to use cash (or other financial asset) to acquire or construct a recognisable non-financial asset that meets agreed specifications, and
- Does not require the NFP to transfer the constructed or acquired non-financial asset to any other party (i.e. it keeps and controls the asset), and
- Is enforceable.

#### **How should a transfer of a financial asset that is used to acquire or construct a non-financial asset be accounted for?**

The NFP accounts for the initial carrying amount of the financial asset received (i.e. cash or other financial asset received) in accordance with IFRS 9 (AASB 1058, paragraph 17). Paragraph 16 then requires it to recognise a liability for the difference between the initial carrying amount of the financial asset received (i.e. the cash) and the amount recognised under AASB 1058, paragraph 9, which is the NFPs obligation to acquire or construct the non-financial asset.

#### **How should the NFP account for the construction or acquisition of the non-financial asset?**

AASB 1058 only specifies the accounting treatment for the transfer of the financial asset that is used to construct a non-financial asset that will be controlled by the NFP entity. The NFP should use existing accounting standards to account for the acquisition or construction of the non-financial asset.

This liability is recognised when the cash/financial asset is received is transferred to income as, or when, the entity satisfies its obligation to purchase or construct the non-financial asset (AASB 1058, paragraphs 16-17), which could be either over time or at a point in time (AASB 1058, paragraph B17).

The practical reality of this accounting is that there is no matching between the income recognition (over the period of construction of the asset) and the depreciation of the asset (over the period of use of the asset).

In practical terms grants received for construction of assets over multiple years need to be recognised as a liability and income recognised at the end of each financial year pro-rata to the completion of the construction.

#### **Are there any exceptions to consider?**

If the NFP is not able to capitalise the non-financial asset acquired, or that is being constructed, then the recognition and measurement requirements set out in paragraphs 15-17 of AASB 1058 do not apply to the transaction. An example of this could occur if the funds received are to be spend on knowledge or IP developed through research, which cannot be capitalised under AASB 1058 (AASB 1058, paragraph 31).

#### **Application for RGRC**

RGRC does on occasion receive grants to acquire or construct assets. Grants are received to replace night patrol vehicles. In this instance the grant is recognised as a liability until the vehicle is purchased and then recognised as income. Normally this is done within a financial year but when the purchase is completed in next financial year then the grant is to remain as a liability in the balance sheet. The application of this standard makes common sense and as such council will comply.

If however the construction carries over several years, as is the case with the Rocky Creek Bridge project, which it is assumed will become a council asset, then the grant remains in the balance sheet and only the amount equal to the pro rata completion of the bridge is to be transferred to income. As of 12/5/2020, the bridge is effectively still to start and as such the grants received will still be recognised as a liability. If it was 20% complete then 20% of the grant would be transferred to income for that financial year.

#### **AASB 15 applies to the 'related amount' in paragraph 9 of AASB 1058.**

If funds received by a NFP were not for any of the following, the NFP will then assess whether the credit entry should be recognised by applying AASB 15:

- Contribution to construct a non-financial asset
- Contribution by owners
- Lease
- Financial liability, or
- Provision.

#### **Is there a contract with a customer that has enforceable rights and obligations?**

Paragraphs F5 – F19 of AASB 15 Appendix F assist in determining whether there is a **contract** with a customer that creates **enforceable rights and obligations**. A contract with a customer must create enforceable rights and obligations in order to pass Step 1 of the five step model.

**Sufficiently specific performance obligations**The default position in AASB 1058 is that income is recognised immediately if it does not fall within the scope of other Australian Accounting Standards. NFPs receiving multi-year grants to provide services over a number of years, or that span year-ends

may prefer (for budgeting and financial reporting purposes) not to recognise this income immediately given that goods or services will be provided in future. By being able to identify 'sufficiently specific' performance obligations, NFPs could possibly defer income recognition until a later date when the obligation has been satisfied.

### **Performance obligations in a not-for-profit context**

In a NFP context, identifying even the totality of goods or services to be provided (as opposed to distinct promises) can often be problematical. This is because goods or services to be provided by NFP contracts are often vaguely described, if at all. In practice, some NFP contracts might include detailed descriptions of specific promises/deliverables.

However, many more contracts would include motherhood statements such as a NFP being required to spend money 'for the greater good', for example a grant to a NFP to provide mental health support to teenagers with anorexia. And then in between, we would see a whole range of expectations for good or service delivery, documented in a variety of levels of detail.

### **Acquittal process**

Some agreements require an acquittal process whereby the NFP is required to show how monies received have been spent. If the acquittal process is linked to internal activities only, then we do not have sufficiently specific performance obligations. However, if the acquittal process is linked to external outputs then this might provide evidence that there are sufficiently specific performance obligations.

### **Application for RGRC**

Most of Council's grant contracts to provide services to the communities, for CDP, aged care, creche, night patrol and sport & recreation for example, have enforceable elements to them but some are quite vague in the deliverable outcomes. CDP and night patrol contracts are quite specific and as such the income should be recognised commensurate with the delivery of obligations in line with AASB 15. Others that are not so specific should be treated as income in the year received as per under AASB 1058. Each contract will need to be considered individually.

In reality most are now multi-year grant agreements and release money on a gradual basis and often based on council meeting certain grant conditions and obligations. These are always enforceable but the different grant funding bodies treat unfulfilled obligations and unspent grant monies differently. Some request the return of money and other don't, which makes it difficult to determine the treatment of the grants solely dependent on the grant agreement contract.

Whilst it is proper that this portion of AASB 1058 is complied with, in practice it may be better to treat every grant with enforceable obligations and recognise unspent funds as a liability at year end commensurate within unfulfilled obligations, however vague. The auditors recommend that each grant is treated on its merits which will be adopted.

### **Sources:**

Australian Accounting Standards AASB 1058 & AASB 15  
CPA Australia website for Not-for-Profits  
BDO E-Learning Tools



## AASB 16 CHANGES TO ACCOUNTING STANDARDS FOR LEASES

### What this Standard requires:

The previous accounting model for leases required lessee and lessors to classify their lease as either finance or operating lease and account for those two types differently. That model was criticised for failing to meet the needs of users of financial statements because it did not always provide a faithful representation of leasing transactions.

**AASB 16 require a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. This new standard will result in a more faithful representation of a lessee's assets and liabilities and together with enhanced disclosures, will provide greater transparency of a lessee's financial leverage and capital employed. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligations to make lease payments.**

A lessee measures right-of-use assets similar to other non-financial assets such as property, plant and equipment and lease liability similar to other financial liabilities. As a consequence, a lessee recognises depreciation of the right-of-use-asset and interest on lease liability and also classifies cash repayments of the lease liability into principal portion and an interest portion and presents them in the statement of cash flows applying AASB 107 Statement of Cash Flows.

Assets and liabilities arising from a lease are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease or not to exercise option to terminate the lease.

### Capitalise the future benefit of the lease

To capitalise a leased asset, the lease contract entered should satisfy at least one of four criteria published by FASB.

1. The lessee automatically gains ownership of the asset at the end of the lease.
2. The lessee can buy the asset at a bargain price at the end of the lease.
3. The lease runs for 75% or more of the asset's useful life.
4. The present value of the lease payments is at least 90% of the asset's fair market value when the lease is created.

### Initial Measurement of the right of use asset

The cost of right-of-use asset shall comprise:

- a) The amount of initial measurement of lease liability
- b) Any lease payments made or before the commencement date, less any lease incentives received,
- c) Any initial direct costs incurred by the lessee,
- d) An estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset.

**Initial Measurement of the lease liability**

The lease liability comprise the following payments that are not paid at commencement date:

- a) Fixed payments less any lease incentives receivable
- b) Variable lease payments
- c) Amount expected to be payable by lessee under Residual value guarantees
- d) Payment of penalties for terminating the lease.

**Amortisation (Depreciation)**

The right-of-use asset is amortised (depreciated) in accordance with the requirements in IAS 16 'Property, Plant and Equipment which will result in a depreciation on a straight-line-basis or another systematic basis that is more representative of the pattern in which the entity expects to consume right-of-use asset.

**Transition – Lessees**

The new standard is applied for the first time on 01 January 2019. If we have identified contracts as leases under IAS 17, we do not need to reassess whether we have a lease at the date of initial application.

The new requirements must be applied retrospectively, by either:

- Restating comparatives in accordance with IAS 8 Accounting policies, changes in accounting estimates and errors ( full retrospective method)
- Not restating comparatives, but rather showing the cumulative effect of initially applying the standard at the “date of initial application” as an adjustment to opening retained earnings (modified retrospective method).

Assets or liabilities recognised as part of a business combination for favourable/unfavourable operating leases must be derecognised and the carrying amount recognised as a right-of-use asset.

**Disclosures to our audited financial statements**

Lessee should disclose information in the notes that, together with the information provided in the statement of financial position, statement of profit or loss and statement of cash flows, gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of the lessee.

A lessee shall disclose following amounts for the reporting period:

- a. Depreciation/amortisation charge for right of use assets by class of underlying asset
- b. Interest expense on lease liabilities
- c. The expense relating to short term lease
- d. The expense relating to leases of low value assets
- e. The expense relating to variable lease payment not included in the measurement of lease liabilities
- f. Income from subleasing right-of-use assets

- g. Total cash outflow for leases
- h. Addition of right-of-use assets
- i. Gains or losses arising from sale and lease back transactions
- j. The carrying amount of right-of-use assets at the end of reporting period by class of underlying asset.

Extensive system changes will also be needed for assets previously recorded as operating lease

- Creating assets register to record right-of-use assets and calculate amortisation charges
- Determine interest amortisation on lease liabilities.

### Effect on RGRC

#### NLC Leases

There will be a requirement to capitalise Section 19 Leases from the NLC for the right to use Aboriginal Land. The annual lease figure may be low (eg \$ 3,858 for Lot 2, Beswick) but the term of 12 years equates to a total lease commitment of \$ 46,296 which is greater than 90% of the fair market value of the property and therefore caught under point 4 above.

We can capitalise the future benefit as the contract with NLC has no clause where lessor can terminate a contract without a reason. As a lessee, we can cancel our contract after giving 3 months' notice.

To value the present value of future lease payments we can use an estimate of the expected CPI increase outlined in the lease agreement which is the annual Darwin CPI increase from the June quarter. Each year this value can be reassessed based on the changes to the CPI figure.

As it is impossible to determine a fair value for the assets the standard allows them to be valued at the initial value of the lease liability.

This will require a change to the Chart of Accounts and recognition of prior year transactions to create an opening balance for the leased assets and lease liability.

Currently all 69 active S19 leases end as at 30 June 2025 and for the purposes of the initial calculation can be aggregated. Each new S19 lease entered into will need to be discounted and valued to determine the total lease liability and right of use asset.

The accounting entries as at 30/6/2020 will be

DR	Right of Use – Land	\$ 1,340,906
CR	Lease Liability – Current	\$ 261,693
CR	Lease Liability – Non Current	\$ 1,079,213

During the year 2020/21 the entries will be

DR	Lease Liability – Current	\$ 261,963 (est)
CR	Bank	\$ 261,963 (est)
DR	Amortisation on leased assets	\$ 226,099
CR	Accumulated Amortisation	\$ 226,099

At the end of the year, the current portion of the lease liability is recalculated.

Alternatively an internal rate of return is also applied to the future lease payments to discount the cost of financing. The ATO have a Benchmark Interest Rate of 5.2% or CBA has a rate of 4.2%. Either of which can be used to determine this calculation. Using the CBA rates the entries would be

DR	Right of Use –Land	\$ 1,129,100
CR	Lease Liability – Current	\$ 208,046
CR	Lease Liability – Non Current	\$ 921,054

During each following year the following would be based on the annual interest calculation and the actual invoice from NLC.

DR	Lease Liability – Current	\$ 208,046
CR	Interest	\$ 53,647
CR	Bank	\$ 261,693
DR	Amortisation on leased assets	\$ 225,820
CR	Accumulated Amortisation	\$ 225,820

The auditors have recommended the latter option.

#### Other “lease payments”

- RGRC makes payments to various real estate agents and individuals for short term (no more than 12 months) residential leases. In these circumstances the lease is not recognised under AASB 18 due to its short term nature
- RGRC also pay a lease for the operation of the council’s photocopiers to CSG. Under this contract for \$ 8,550 per month over five years, the assets are never under council’s control and will never become property of the council and as such are not required to be capitalised under AASB 16.
- Similarly the council leases fuel bowsers on communities which are under an operating lease. The terms of the contract includes supply of fuel and equipment for \$ 7,995 per month over 3 years. The contract clearly defines that the equipment is the property of Puma who can remove and replace the equipment at their pleasure. Again it does not come under AASB 16.

**GENERAL BUSINESS**

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<b>ITEM NUMBER</b>	13.7
<b>TITLE</b>	Progress of Audit
<b>REFERENCE</b>	929331
<b>AUTHOR</b>	Dave HERON, Chief Financial Officer

**RECOMMENDATION**

**That the Audit Committee receives and notes the report in relation to progress of the 2019/2020 Audit.**

**BACKGROUND**

Each year Council is required to have an audit of its financial management processes and reports conducted by an independent appropriately qualified person. The Council auditor this year is Cheryl Chase of Deloitte Accountants out of Darwin and their investigations will include two visits to council offices in Katherine to conduct testing. The first visit is primarily to test council processes and the second is to verify the council annual financial statements

**ISSUES/OPTIONS/SWOT**

The first (interim) audit visit by the audit team for this year was conducted the week of 1 - 6 June. Preceding this visit the auditors requested documents ranging from grant agreements to employee contracts and procurement and asset documentation. They also requested completion of fraud questionnaires from the Mayor, CEO, General Managers, the Human Resources Manager and the Finance Manager.

During the visit they spoke to management and finance and Human Resources staff and looked at processes relating to recruitment, payroll processing, supplier payments and grant reporting. Discussions were also had on accounting standard adoption and new contractual arrangements during the year and the effect of COVID-19 on council operations and controls.

There were small issues raised at the time of the visit relating to improving the controls on changes bank account details for Suppliers and management of budgets on projects. The Finance Manger outlined the planned improvements and implementation of the Project Module in Tech 1.

There was nothing raised that required immediate attention.

**FINANCIAL CONSIDERATIONS**

Nil.

**ATTACHMENTS**

- 1 Deloitte Request Worksheet - Interim Audit PDF.pdf

ID	Request
0001	Trial balances as at 31 March 2020 (in Excel format)
0002	General journal listing between 1 July 2019 and 31 March 2020 and the council journal listing codes if changed from last year
0003	A reconciled expense listing back to each grant
0004	A list of all grants requiring acquittals for the year
0005	Remittance for all grant funding received and bank statement support
0006	Commentary/Analysis from RGRC Finance Team on the Movements of Account Balances comparing 30 June 2019 vs 31 March 2020 (extrapolate P&L balances for 30 June 2020)
0007	Profit and loss Statement in excel (showing the account numbers) as at 31 March 2020
0008	Balance sheet report in excel (showing the account numbers) as at 31 March 2020
0009	Monthly management accounts up to 31 March 2020
0010	Copies of all significant contracts and agreements (whether written or oral) entered into during the period 1 July 19 to 31 March 2020 including significant modifications to existing contracts (if applicable)
0011	Minutes of council meetings (including any subcommittee meetings i.e audit, finance, risk) and any compensation meetings that occurred during the 2020
0012	Delegations Register – updated for 2020
0013	Finance/accounting and fraud Policy and Procedures 2020
0014	Internal procedures and policies manual; if available – updated for 2020
0015	Latest Organisational Chart with employee names and roles
0016	Summary of ongoing or settled litigation including description of the issue and range of exposure (if applicable)
0017	Listing of related parties and nature of relationship
0018	Copy of current year budget
0019	Year to Date budget vs actual report for period 1 July 2019 - 31 March 2020
0020	Copy of FY21 budget
0021	Roper Gulf Strategic/Regional Plan for FY 2020
0022	Contact details of Legal Practitioners (if changed)
0023	Listing of all bank accounts, including bank name, account no., mailing address, descriptions of the accounts (if changed)
0024	A list of grant arrangements in place from 1 July up to date. Include agreements and variations.
0025	Roper Gulf Risk Management Plan
0026	Service Agreement between CouncilBIZ and Roper Gulf Regional Council
0027	Roper Gulf Risk Register
0028	Fixed Asset Register at 31 March 20
0029	Fixed Asset reconciliation as at 31 March 20
0030	Reconciliation of grant revenue to list of grants
0031	Additions and Disposal Listings up to 31 March 20 (if not in Fixed Asset Register)
0032	Listing for Council Rates charged in 2020 which reconciles to the TB balance at 31 March 2020
0033	Listing for Waste/Refuse Management charged in 2020 which reconciles to the TB balance at 31 March 2020
0034	Rates Invoices for Council Rates and and waste/refuse rates for 31 March 20
0035	Employee Demographics Report - to show number of employees at 31 March 20
0036	Payroll Summary Report for the period 1 July 2019 to 31 March 20 which shows the grant the employee is associated to - which reconciles to the Trial Balance (in excel)
0037	List of active grants in the current year and relevant grant agreements

0038	Bank Account Reconciliation as at 31 March 20
0039	Debtors Ledger Reconciliation as at 31 March 20
0040	Creditors Ledger Reconciliation as at 31 March 20
0041	Copy of a Signed Employees Timesheet - for any employee in 2020 Financial Year
0042	Copy of an Authorised/signed Payroll Payment Run in 2020 Financial Year
0043	Copy of a new employees signed employment contract including Statement of employment policy, conduct policy and discipline policy.
0044	Copy of a signed asset disposal form in 2020 Financial Year
0045	Copy of template used in employees performance review
0046	Copy of a signed employee Contract in 2020 Financial Year
0047	Copy a purchase order raised and its corresponding tax invoice in 2020 Financial Year
0048	Copy of 1 Grants Performance Report provided to the Grant Funding Body during 2020 Financial Year
0058	Position Statement on AASB 16 (understanding on the approach taken on the new standard)
0059	Position Statement on AASB 1058 (understanding on the approach taken on the new standard) (We need an assessment of how revenue was recognised for each grant i.e. when performance obligation has been met)