Risk Management and Internal Audit Committee

BUSINESS PAPER

THURSDAY 27/08/2015

Meeting to be held commencing 2:00pm
In Council Chambers at 7 Bees Creek Road, Freds Pass.

Any member of Council who may have a conflict of interest, or a possible conflict of interest in regard to any item of business to be discussed at a Council meeting or a Committee meeting should declare that conflict of interest to enable Council to manage the conflict and resolve it in accordance with its obligations under the Local Government Act and its policies regarding the same.
NOTE: Attachments too large to include in the agenda can be found on Council’s website at [www.litchfield.nt.gov.au](http://www.litchfield.nt.gov.au)

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RISK MANAGEMENT AND AUDIT COMMITTEE HELD AT 5:00PM
TUESDAY 18 NOVEMBER 2014
AT THE COUNCILS OFFICE, BEES CREEK ROAD, FRED'S PASS

AGENDA:

OPENING OF MEETING: 5.05pm

CONFLICT OF INTEREST: The Chair (Iain Summers) declared a “Conflict of Interest” as his daughter is employed by Haines Norton, but not in the auditor section or any dealings with issues relation to this Council.

APOLOGIES AND LEAVE OF ABSENCE: Valerie Urbain (Accountant)

ATTENDANCE: Iain Summers, Mathew Salter, Derrick Tranter, Allan McKay (Mayor), Iian Wilson (CEO)

The Minutes of meeting Wednesday 8 October 2014 were read and accepted with the following comments:

1) The numbering within the minutes be amended as they have followed on from the agenda. A new copy of the minutes to be provided to members.
2) The discussion regarding page 3 of the CEO’s Statement and its removal prior to inclusion into the Annual Report did not happen.
3) The issue regarding the Fraud Statement be added to the agenda.

Items:

1) The Agenda be provided to members 1 week prior to the meeting as per the responsibilities of section 8 Secretariat (Terms of Reference).
2) That the previous minutes be signed by the Chair and presented to the next meeting of Council for noting.
3) Audit request for the Chair to provide a Fraud statement. The Chair outlined the background to the auditors’ request to him to issue a statement to them providing assurance that controls to prevent fraud were known to be satisfactory, and that no issues of fraud had occurred. The Chair identified his response was that, in the absence of a finalised risk register and a program of internal audits to verify the proper functioning of fraud prevention and detection controls, the Committee was unable to issue such a statement. He identified that any such statement would need to be approved by the Committee, since he did not have any specific delegation to act unilaterally on behalf of the Committee.
4) Risk Register. The register was discussed at length with the need to undertake a review by management of the Inherent Risk Rating, Compensating Controls and Residual Risk Rating.

Reflect the linkages between the Strategic Plan and the Municipal Plan and both plans with the Risk Register.

The CEO now needs to prepare an Internal Audit plan extending up to three years to ascertain if the Compensating controls are working and Risk Mitigation proposals are sufficient.

Recommendations of the Committee:

   a) Target risk levels should be 5 or below
   b) Completion or implementation dates to be included
   c) Look at every Inherent Risk “7” and above to develop compensating controls sufficient to reduce the risk

5) Internal Audit Activities: Internal audit requirements were discussed during the Risk Register section of the meeting.

Recommendation from the Committee:

   a) A schedule showing a proposed Internal Audit Plan be developed to cover the next three years.

6) External Audit Report: The Committee expected that by now an end of audit letter to those charged with Governance from the Auditors would have been received and it requested that this be followed up with Haines Norton.

7) Annual Report: The Annual Report was presented to the Committee with the CEO advising that the report had a layout that meets the requirement of the Act as stated below.

Part 14.1 Annual reports

(1) A council must, on or before 15 November in each year, report to the Minister on its work during the financial year ending on the preceding 30 June.

(2) The report must include a copy of the council’s audited financial statement for the relevant financial year.

(3) The report must also contain an assessment of the council’s performance against the objectives stated in the relevant municipal, regional or shire plan (applying indicators of performance set in the plan), and, in the case of a regional council, of the activities of any local authority within the council’s area.

(4) As soon as practicable after the report has been delivered to the Minister, the council must:
   (a) publish the report on the council’s website; and
It is proposed by the CEO that a separate report be provided to the community on the performance of Council highlighting a narrative of the financial statement, annual KPI’s and objectives against the Strategic Plan.

8) Set a date between the Chair and CEO for a special meeting to discuss;
   a) Review the Terms of Reference (ToR 13 Review)
   b) Biennial review of membership (ToR 4 Members and Tenure)
   c) Assessment of Committee (ToR 12 Assessment)

Recommendation:

   a) A word copy of the Term of Reference be provided to members out of session for comments or suggested changes and returned to the Governance Manager for inclusion and redistribution to members.
   b) As Mathew Salter has completed two year term, an item be placed before the next meeting of Council in December to make an appointment of a councillor to cover the next two years.
   c) The Chair and CEO to discuss the assessment of the committee.

9) Future meeting: The first meeting of the Committee in 2015 is set down for Wednesday 11 February with agenda and papers provided by Tuesday 3 February 2015.

Meeting closed at 7.20pm.
On 30 March 2015, the Department of Local Government and Community Services issued Audit Committees - General Instruction No 3, pursuant to Regulation 7 of the Local Government (Accounting) Regulations. It is provided here as actionable information for the Committee.

Recommendations

1. THAT the Committee receive Report Number 15A/0001.
2. THAT the Committee review the Terms of Reference to ensure compliance with General Instruction #3, and that the reviewed Terms of Reference be brought to the next Committee meeting for consideration.

Background

General Instruction No 3 provides guidance to Local Government on the role and appropriate governance of council internal audit committees. Councils are required to follow General Instructions as per Regulation 7 of the Local Government (Accounting) Regulations.

This General Instruction clarifies the role of an internal audit committee for local government entities, and provides the following comment:

Audit committees are an independent advisory body which plays a central role in independently reviewing a council’s internal control processes to provide councillors with a level of assurance on the effectiveness of the council’s financial and corporate governance practices and compliance with legislative and regulatory requirements. An audit committee has no authority to act independently of council and can only act in areas covered by their charter and within their terms of reference.

Audit committees can assist in identifying areas where changes are required to reduce the risk of a council’s exposure to fraud or unauthorised transactions by providing oversight and advice about the Chief Executive Officer’s (CEO) fraud protection plan. An audit committee may also act as a conduit between council and its auditors to help improve financial reporting, accountability and transparency within council.

The role of an audit committee may include:

- monitoring the effectiveness of the audit function and the implementation of audit recommendations;
- providing an independent line of reporting by the auditor to council;
- reviewing compliance with legislative requirements, contracts, standards and best practice guidelines;
- reviewing and, if appropriate, recommending council approve the financial statements (in conjunction with the auditor’s report);
- monitoring changes in accounting and reporting requirements;
- providing oversight and monitoring of the CEO’s fraud protection plan;
- reviewing and endorsing a code of conduct; and
- reviewing policies relating to conflicts of interest, misconduct and fraud.

To be effective, the audit committee must be independent from management and free from undue influence from councillors and council staff. The audit committee is an advisory body and members of
the audit committee cannot have any executive powers, management functions, or delegated financial responsibility. It is important for councillors to understand that an audit committee is established as an advisory body. It is the responsibility of the council, not the audit committee, to make decisions on how and what action(s) will be taken on matters brought to the attention of councillors by the audit committee.

General Instruction #3 also provides a draft Terms of Reference as well as a discussion of the roles of members and possible items for consideration when developing a work plan for an internal audit committee.

In the opinion of officers, this information is necessary for inclusion into broader governance discussions related to this committee, and any review of Terms of Reference or committee work plan must take General Instruction #3 into consideration.

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**Legislative and Policy Implications**

- Local Government (Accounting) Regulations
- Risk Management and Audit Committee Terms of Reference

**Risks**

Not complying with General Instruction #3 is an offence against the Act.

**Financial Implications**

Nil.

**Recommending Officer:** Ben Dornier, Acting Chief Executive Officer

Any queries on this report may be directed to the Recommending Officer on telephone (08) 8983 0600. Any member of Council who may have a conflict of interest, or a possible conflict of interest in regard to any item of business to be discussed at a Council meeting of a Committee meeting should declare that conflict of interest to enable Council to manage the conflict and resolve it in accordance with its obligations under the Local Government Act and its policies regarding the same.
This is a general instruction pursuant to Regulation 7 of the Local Government (Accounting) Regulations. Failure of a council to comply with a general instruction is an offence of strict liability with a maximum penalty of 50 penalty units.
General Instruction No. 3  Audit Committees

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Audit committees

Introduction

This General Instruction provides Northern Territory local governments with a guide to establishing and operating an audit committee in accordance with the Local Government Act, the Local Government (Accounting) Regulations and in line with good audit committee practices.

This paper aims to:
- explain the purpose for which an audit committee is established;
- provides a guide on the roles and responsibilities of an audit committee; and
- outline good audit committee practices within a council.

Overview

An Audit Committee provides an important role between a council and its management and between a council and its community.

One of the primary roles of these committees is to provide suggestions and recommendations to councils and/or management about actions to be taken to enhance financial governance, considered to be in the best interests of local communities.

An Audit Committee plays a crucial role in the financial reporting framework of a council, by overseeing and monitoring the participation of management and external auditors in the financial reporting process. An audit committee also addresses issues such as the approach being taken by councils and management to address business risk, corporate and financial governance responsibilities and legal compliance. Councils may also refer issues of a strategic nature to their audit committees.

However, the existence of an Audit committee is only one step in a council’s approach to best practise financial governance and financial sustainability.

Legislative Base

Pursuant to the Local Government (Accounting) Regulations (the Regulations) councils are required to establish an audit committee as part of their internal control framework. Specifically the Regulations provide that an audit committee is to monitor compliance by the council to:
- proper standards of financial management; and
- regulations and the Accounting Standards.

Role of Audit Committees

Audit committees are an independent advisory body which plays a central role in independently reviewing a council’s internal control processes to provide councillors with a level of assurance on the effectiveness of the council’s financial and corporate governance practices and compliance with legislative and regulatory requirements. An audit committee has no authority to act independently of council and can only act in areas covered by their charter and within their terms of reference.

Audit committees can assist in identifying areas where changes are required to reduce the risk of a council’s exposure to fraud or unauthorised transactions by providing oversight and advice about the Chief Executive Officer’s (CEO) fraud protection plan. An audit committee may also act as a conduit between council and its auditors to help improve financial reporting, accountability and transparency within council.
The role of an audit committee may include:

- monitoring the effectiveness of the audit function and the implementation of audit recommendations;
- providing an independent line of reporting by the auditor to council;
- reviewing compliance with legislative requirements, contracts, standards and best practice guidelines;
- reviewing and, if appropriate, recommending council approve the financial statements (in conjunction with the auditor’s report);
- monitoring changes in accounting and reporting requirements;
- provide oversight and monitoring of the CEO’s fraud protection plan;
- reviewing and endorsing a code of conduct; and
- reviewing policies relating to conflicts of interest, misconduct and fraud.

To be effective, the audit committee must be independent from management and free from undue influence from councillors and council staff. The audit committee is an advisory body and members of the audit committee cannot have any executive powers, management functions, or delegated financial responsibility.

It is important for councillors to understand that an audit committee is established as an advisory body. It is the responsibility of the council, not the audit committee, to make decisions on how and what action(s) will be taken on matters brought to the attention of councillors by the audit committee.

**Audit Committee Membership**

The *Local Government Act* provides that council committee members are appointed by the council. Council committees may have members who are not elected members of the council and all committee members are subject to the terms and conditions determined by the council.

Members of an audit committee are appointed by the council. Ideally the composition of an audit committee should comprise at least three members but the number of appointments will vary depending on the size of the council and the scope of works to be undertaken by the committee. To avoid tied decisions an uneven committee member number is recommended otherwise the chairperson should be given the deciding vote to avoid such a situation arising.

The committee is to be lead up by a chairperson (who must not be a member of council or a member of the council’s staff) and all appointed committee members are to have equal voting rights.

Before establishing an audit committee, a council must come to an agreement regarding the selection process for audit committee members. Consideration should be given to the type of skills, personal attributes and practical experience each individual member must have before being nominated. Factors to consider include the nominee’s:

- level of understanding of local government and the council’s operations and the environment in which it operates;
- level of knowledge and practical exposure on governance and financial management practices;
- capacity to dedicate adequate time on the committee;
- depth of knowledge of regulatory and legislative requirements; and
- ability to maintain professional relationships particularly with council members, staff and other stakeholders.
In order to ensure the work of the audit committee is value adding, collectively as a group, the audit committee should have the relevant skills and knowledge of council and an understanding of its finance and governance arrangements. There is no mandated requirement for audit committee members to be formally qualified in accounting or a related field.

The council must also agree to the period of audit committee appointment; the conditions upon which recruitment and termination of members is to occur and whether members will be paid or if the appointment will be on an honorary basis. If council decides audit committee members will be paid, then the council must agree to the conditions, rate of payment and ensure there is an appropriate allocation in the council’s annual budget.

Individual council staff members and councillors observing an audit committee meeting are not entitled to be remunerated in addition to their normal councillor / staff entitlements.

As stated previously, when councillors are considering nominees for the audit committee, the chairperson of the audit committee must be independent, i.e. neither a councillor of the same council nor a council staff member. It is highly desirable the chairperson have audit, risk and/or financial management skills, knowledge and experience.

Differences between a Finance Committee and an Audit Committee

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

In contrast, an audit committee provides advice to the council on financial reporting, accountability and transparency and the audit committee is neither accountable nor responsible for the financial affairs of the council.

As stated previously, an audit committee has no authority or power to act independently of council. A council’s finance committee, including any other council committee with delegated powers, must not be combined or share roles and responsibilities with the audit committee. Ideally the audit committee should not comprise substantially of the same members as the finance committee, or any other council committee with council delegated powers, to avoid confusion and potential conflict of member responsibilities.

Audit Committee with other council advisory responsibilities

It may be appropriate for the independent audit committee to also be charged with monitoring and advising council on related matters such as risk management.

Other responsibilities given to the audit committee must not compromise its ‘no delegated power rule’ set by the Regulations. For example, it would be inappropriate (and against legislation) for the audit committee to have council’s investment decision making powers.

Audit Committee Roles

The role, responsibilities and functions of an audit committee are set out in the charter, terms of reference and the work plan.

Audit Committee Charter

Councillors must agree on what roles and responsibilities will be assigned to its audit committee. Then specific roles and levels of authority of the audit committee must be issued in writing as the audit committee’s charter. Note, when councillors are considering the role of the audit committee they cannot assign any of their own powers, delegations and/ or responsibilities to the audit committee.
The audit committee has no power or authority to override, amend, contradict or act outside the roles and responsibilities issued by council under the audit committee’s charter and, subsequently discussed, terms of reference.

Typically the contents of an audit committee charter will include:

- Roles and Responsibilities – details the objectives and purpose of the committee;
- Committee Membership – such as how many members are to be appointed, method of recruiting, terminating and changing members, how the chairperson is selected and the period of appointment;
- Committee Meetings – details how meetings are convened, how often meetings are to be held, what makes a quorum and the frequency of meetings;
- Attendance at meetings and quorums – details if members can attend over the phone or only in person, whether circular out of session decisions can be made, what constitutes a quorum (e.g. require more than 50% of members to attend for the meeting to proceed), how the secretariat function works with the committee and how and when minutes and agendas are distributed;
- Conflict of Interest – regular discloser of each member’s business and other committee appointments and set procedures where conflicts of interest arise (e.g. committee member abstains from discussions and decision making);
- Authority / Delegation / Powers / Limitations – details of the powers and authority the audit committee has to access information, records, systems and reports of the council and the procedure to obtain required information (e.g. request put to the council Chief Executive Officer);
- Reporting – detail the format, frequency and method of reporting audit committee responsibilities back to the council;
- Voting Rights – only officially appointed audit committee members have voting rights. This section should also include council’s views on voting by proxy and postal / email / fax votes;
- Audit Committee Performance and Review – should detail how council will measure and assess the performance of the audit committee and its individual members;
- Charter Review and Amendments – how frequently the council will review the audit committee’s charter and activities; and
- Persons encouraged to attend meetings – details on individuals and organisations that should specifically be invited to attend audit committee meetings.

Terms of Reference

Specific roles and levels of authority of the audit committee are to be issued through a Terms of Reference which has been formally endorsed by council members. This means audit committees can only act within their Terms of Reference which cannot in any way absolve councillors or council staff from their roles and responsibilities.

Councillors must formally issue a terms of reference for its audit committee which sets out specific projects / responsibilities. Audit committees must be undertaken within the parameters set in its terms of reference and provide advice and recommendations within the scope of its Terms of Reference.

Audit committees have no authority to work outside the scope or change the provisions contained within the approved Terms of Reference.
Work plan

An audit committee should have a plan that sets out the work of the committee over the short, medium and long term. This will ensure that members of the committee, council staff and elected members are all clear on the planned and current activities of the audit committee and how it plans to conduct its business.

The work program or plan should be reviewed on a regular basis (at least annually) to ensure the work of the audit committee remains relevant and reflects council’s priorities.

Typical work plan priorities include:

- liaising with the council’s auditor;
- reviewing financial statements to ensure that they fairly represent the state of affairs of a council;
- proposing, and contributing relevant information to a review of the Council’s strategic and annual plans;
- reviewing the adequacy of the council’s accounting, internal control, reporting and other financial management systems and practices on a regular basis; and
- providing advice to the council about rectifying any exceptions provided by the auditor through the annual audit of financial statements.

Appointment of a Secretary

Councils should nominate a secretary for the audit committee who should, as a minimum, keep a record of the membership of and the dates of any changes to the membership of the audit committee. The position is also responsible for organising meetings, distributing the agenda and taking and distributing the minutes of all committee meetings.

Council Reporting

Annual Report Information

The council Annual Report should include information about the audit committee as part of reporting on the internal or corporate governance of the council. Information to be published in the council’s Annual Report should include:

- audit committee membership and details of background and qualifications of members;
- the committee’s principal activities during the year;
- how many times the committee met and who attended;
- information on audits / reviews undertaken; and
- any other relevant information on the activities of the audit committee.

What information should be on the council website?

The council website should include information on the audit committee so that the public can see how the committee works, who is on it and how often it meets. The information on the website should include:

- membership, and details of background and qualifications;
- charter or terms of reference;
General Instruction No. 3  Audit Committees

- description of the audit committee’s role in risk management and internal control for the council; and
- any other relevant information on the activities of the audit committee.

Section 67(4) of the Local Government Act requires minutes of council committee meetings to be available on the council website within 10 business days after the meeting to which they relate. This means that the draft minutes, prior to confirmation at the next committee meeting, must be available on the website. Any confidential items considered at the meeting can be suppressed from the publicly available minutes under section 201 of the Local Government Act.

Subsidiaries and related parties of councils

Where one or more councils have a subsidiary, the subsidiary is required to establish its own audit committee. This is because the audit committee of the individual councils do not have a functional role in relation to the subsidiary.
Literature References

Audit Committees: A Guide to Good Practice for Local Government, Victorian Department of Planning and Community Development, January 2011

Audit Committees in Local Government: Their Appointment, Function and Responsibilities, Local Government Operational Guidelines number 9 (revised March 2006), Department of Local Government and Regional Development, Government of Western Australia.


Relevant legislation references

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<td>Establishing a committee to carry out financial functions</td>
<td>Local Government (Accounting) Regulations</td>
<td>Reg 11</td>
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Example Audit Committee Charter

A council should agree on an audit committee charter as the framework within which the audit committee Terms of Reference operate.

As an example:

1. Introduction

This audit committee charter is to be read in conjunction with the audit committee Terms of Reference.

The audit committee is an independent advisory body formed to add value and improve the council’s operations. This committee is to help the council accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of council’s financial and corporate governance processes and compliance with legislative and regulatory requirements.

2. Independence

Independence is essential to the effectiveness of the audit committee.

The audit committee function has no direct authority or responsibility for the activities it reviews. The audit committee function has no responsibility for developing or implementing procedures or systems and it does not prepare records or engage in line processing functions or activities. The work of audit committee does not in any way relieve council staff of their responsibilities for the development, implementation and maintenance of management control systems in their area.

3. Authority and Confidentiality

Subject to compliance with the council’s confidentiality policy, the audit committee is authorised to have full, free and unrestricted access to all council records, documents and information solely in the course of undertaking the committee’s activities.

The audit committee members are responsible and accountable for maintaining the confidentiality of the information they receive during the course of their work on this committee.

4. Scope of Audit Committee Activities

The audit committee activities will encompass all areas of council including internal financial and operational controls, IT systems, asset management and information management.

5. Role and Responsibilities

The audit committee will play an active role in:

5.1. developing and maintaining a culture of accountability and integrity;
5.2. facilitating the integration of good financial and corporate governance practices into day-to-day business activities and processes;
5.3. promoting a culture of cost-consciousness, self-assessment and adherence to high ethical standards; and
5.4. promoting a culture of performance and achievement of outcomes.

6. Standards

The audit committee activities will also be conducted in accordance with intent of relevant professional standards deemed appropriate and applicable including:
6.1. International Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors;

6.2. Standards relevant to audit issued by the Australian Certified Practising Accountants and the Institute of Chartered Accountants in Australia;

6.3. Standards relevant to IT Audit and Assurance issued by the Information Systems and Control Association; and


7. Review of Charter

The charter will be endorsed by the council. The audit committee charter shall be reviewed every two years or as deemed necessary by either the council or the Chief Executive Office.
Example Audit Committee Terms of Reference

1. PURPOSE

As an example:

This document is to define the composition, role and responsibilities of the audit committee.

2. PRINCIPLES

Council should agree on the audit committee’s role.

An example:

The audit committee’s role is to independently review the council’s internal control processes over the revenue, expenses and assets of the council.

3. RESPONSIBILITIES

Council should agree on the responsibilities of the audit committee being mindful this committee is an advisory body to council and that it has no authority or power to act independently of council.

For example:

The audit committee has no authority to act independently of council.

The audit committee is responsible for acting as an advisory body to council on the following matters to:

1. monitor the effectiveness of the audit function and the implementation of audit recommendations;
2. provide an independent line of reporting by the auditor to council;
3. review compliance with legislative requirements, contracts, standards and best practice guidelines;
4. review and, if appropriate, recommending council approve the financial statements (in conjunction with the auditor’s report);
3.5. monitor changes in accounting and reporting requirements;
3.6. review and endorsing a code of conduct; and
3.7. review policies relating to conflicts of interest, misconduct and fraud.

4. COMPOSITION OF THE COMMITTEE
The council should decide on the number of audit committee members and the composition of the council having regard to the skills, personal attributes and practical experience required from the appointed members.

As an example:
The members of the audit committee are to be appointed by the council.
The audit committee should comprise of 3 [or 5] members and with a chairperson who is not a councillor of the council nor one of council’s staff members.

5. QUORUM AT COMMITTEE MEETINGS
Council should agree on the audit committee’s quorum number and acceptable member attendance rate being mindful of the size of the committee and complexity of the work being undertaken. Also, council should consider whether it is acceptable for members to attend an audit committee meeting via phone and/or video conferencing if unable to attend in person.

For example:
At least 75%, or a minimum of three, audit committee members must be in attendance for the meeting to proceed.
The audit committee members should endeavour to attend at least 75% of the meetings.
Audit committee members may attend meetings by phone or video conferencing if they are unable to attend in person.

6. VOTING RIGHT OF COMMITTEE MEMBERS
Council should decide on voting rights of the audit committee members.

As an example:
All council appointed audit committee members have equal voting rights on the committee.
Where a vote is taken and the result is undecided the chairperson has the casting vote.

7. TERM OF APPOINTMENT AND TERMINATION OF COMMITTEE MEMBERS
The council should agree on the terms of the audit committee appointment and termination of members.

An example:
All audit committee members are appointed for one [two / three] year period.
Audit committee members, not being the chairperson, cease being a member of the committee if they are no longer a councillor of the council.
The chairperson, being an independent non-councillor, is appointed by council for a set period and can be terminated by the council subject to the appointment agreement.
8. AUDIT COMMITTEE AND INDIVIDUAL MEMBER PERFORMANCE AND REVIEW

The council should decide on the frequency and methodology of the audit committee and its member performance review.

As an example:

The audit committee chairperson, in consultation with the council’s Chief Executive Officer, will initiate a review of the performance of the committee and the individual member’s performance at least once every two years.

The review will be conducted on a self-assessment basis (unless otherwise determined by the council) with appropriate input sought from the Chief Executive Officer, the auditors, management and any other relevant stakeholders, as determined by the Chief Executive Officer.

9. REMUNERATION OF THE COMMITTEE MEMBERS

Council should agree on the remuneration rate and conditions of the independent chairperson and committee members.

10. FREQUENCY OF COMMITTEE MEETINGS

Council should agree on the frequency the audit committee should meet.

Example as follows:

The audit committee should meet at least four times a year to:

10.1. review the unaudited financial statements at year end; set the audit agenda and the committee’s work plan, including the meeting dates, for the coming financial year [usually June/July];

10.2. meet with the auditors, discuss findings and review the draft audited financial statements to consider recommending for council approval [usually October];

10.3. review the council’s November financial statements as against budget; monitor the implementation of any audit recommendations accept by the council; and undertake matters the audit committee is responsible for (e.g. review policies, compliance etc.) [usually December]; and

10.4. review the council’s March financial statements as against budget; review the council’s draft budget for the following financial year; and undertake matters the audit committee is responsible for (e.g. Review compliance to legislation, contracts, accounting practices etc.) [usually April].

On setting the audit committee meeting dates the committee must have regard to the date of council meetings to ensure the audit committee report, including draft unapproved minutes of the most recent prior meeting, is reported to council on a timely basis.
11. REPORTING BY THE COMMITTEE TO COUNCIL
Council should agree on the method the audit committee should report to council.
For example:
After meeting the audit committee should report to council at the nearest council meeting and include the committee’s draft unapproved minutes.

12. SECRETARIAT SUPPORT OF THE COMMITTEE
The council should decide on the secretary support required by the audit committee and who should undertake that service / responsibility.
For example:
The council will ensure audit committee members have access to the agenda, meeting papers and prior unapproved minutes 5 [or 3] business days before the audit committee meeting is held.
The council will provide secretariat support to audit committee to ensure minutes taken are provided to committee members within 5 [or 3] business days of the meeting being held.
The secretariat is to ensure the minutes of committee meetings are available on the council’s website within 10 business days after the meeting to which they relate to comply with section 67(4) of the Local Government Act.

13. COMMITTEE ACCESS TO COUNCIL RECORDS AND RESOURCES
The council should agree on what path the audit committee should undertake to access required council records and information including council resources such as third party financial advice or training.
As an example:
The council, via the council’s Chief Executive Officer, will provide the necessary council records and reports for the audit committee to undertake its role and responsibilities subject to any confidentiality provisions in the Local Government Act or other legislative provisions.
The audit committee should approach the council requesting required resources being mindful of the finite nature of such resources.
The audit committee has no authority to procure resources independently of council.

14. CONFLICT OF INTEREST
The council should agree the disclosure and treatment of any audit committee member conflicts of interest.
For example:
Audit committee members must declare any real or perceived conflicts of interest when joining the committee, annually and at the start of each meeting or before discussion of the relevant agenda item or topic. Details of any conflicts of interest should be appropriately minuted.
Where a committee member is deemed to have a real or perceived conflict of interest, at the chairperson’s discretion, it may be appropriate that the person is excused from committee deliberations on the agenda item where a conflict of interest exists, or if necessary excused from the meeting.
15. REVIEW OF TERMS OF REFERENCE

The council should agree on the method and frequency of reviewing the audit committee’s Terms of Reference.

As an example:

Bi-annually the audit committee will review its Terms of Reference to ensure it is consistent with the perceived needs of the council. This review will be in consultation with the Chief Executive Officer.

The outcome and recommendations will be given to council to consider.

The audit committee has no power or authority to amend or alter the audit committee’s Terms of Reference.
Enquiries

For queries regarding this procedure please contact the Local Government Sustainability and Compliance team on lg.compliance@nt.gov.au or phone 08 8999 8868

Related legislation and policies:

- Local Government Act
- Local Government (Accounting) Regulations

Related documents:
Summary

This report provides a proposed Debt Recovery Policy and Rate Concession Policy for Litchfield Council, which set out a clear, equitable, accountable and transparent process that Council will follow for its debt management and collection practices. The Policy will also ensure that proper records are kept of debts owed to Council in line with the Local Government Act Northern Territory and corresponding Regulations.

Recommendations

1. THAT the Committee receive Report Number 15A/0002.
2. THAT The Committee recommend Council adopt the Debt Recovery Policy.
3. THAT the Committee recommend Council adopt the Rate Concession Policy.

Background

Inroads have been made with regards to the recovery of rates owed to Litchfield Council, with 86% of rates levied in 2014/15 having been recovered, leaving $1,060,648 outstanding. In addition, rates from prior years has been reduced by 36%, with money owed now standing at $1,460,980.

Unfortunately, this means that Council is currently owed $2,521,628 in outstanding debt, which indicates that those ratepayers paying their rates on time and in full are bearing the unreasonable burden of those who don’t. In addition, Council has been forced to raise rates in the past years to fund operations and capital works above and beyond what it would have, had current debts been paid in full. Litchfield Council currently has the unfortunate position of having one of the largest amounts of outstanding rates, as reported in the NT News on 29 July 2015. Officers propose the adoption of a Debt Recovery Policy (Attachment A) which sets in place the principles and methods by which Council is able to recover these debts.

Council recognises that there are circumstances under which ratepayers experiencing hardship find the payment of their rates difficult – economic circumstances in the Top End have been difficult, and the cost of living has risen significantly over the past several years. Council has worked with ratepayers in the past to recover these debts in a compassionate manner, but unfortunately this has meant in many cases accepting repayment plans under which it is impossible to repay existing debt, let alone new rates as they are levied from year to year. This has resulted in these ratepayers falling ever more behind in their rates. Officers propose a Rate Concession Policy (Attachment B) which outlines the principles of rate concessions and the method by which a ratepayer may make application and receive a determination.

Delegations for decision making are set out in the proposed Rate Concession Policy, and are:

- Deferment of rates: CEO or delegate shall make the determination.
- Waiving of rates, charges or legal fees: for amounts under $400, the CEO or delegate can make determination. For amounts greater than $400, a Council decision is required.
- Correction of anomalies: for amounts under $400, the CEO or delegate can make determination. For amounts greater than $400, a Council decision is required.
- Public interest concessions: a Council decision is required in all instances.

Should the Rate Concession Policy be adopted by Council, these restrictions will serve to restrict Council’s delegations to the CEO, as per policy.
Should these policies be adopted by Council, officers believe their implementation will have a significant effect on the reduction of ratepayer debts to Council, as well as formalize the process of debt collection in general.

**Links with Strategic Plan**

5. Effective Council Management

**Legislative and Policy Implications**

- Local Government Act, Part 11.9 Recovery of Rates
- Delegations to the Chief Executive Officer

**Risks**

Dealing with ratepayers while recovering outstanding rates. The possibility of non-payment of the debt by the debtors when the amount is due. The likelihood of non-payment increases with the age of the debt.

**Financial Implications**

Unpaid rates will be more efficiently recovered through adoption of these two policies.

**Recommending Officer:** Ben Dornier, Acting Chief Executive Officer

Any queries on this report may be directed to the Recommending Officer on telephone (08) 8983 0600. *Any member of Council who may have a conflict of interest, or a possible conflict of interest in regard to any item of business to be discussed at a Council meeting of a Committee meeting should declare that conflict of interest to enable Council to manage the conflict and resolve it in accordance with its obligations under the Local Government Act and its policies regarding the same.*
1 Purpose
This policy sets out a clear, equitable, accountable and transparent process that Council will follow for its debt management and collection practices. The Policy will ensure that proper records are kept of debts owed to Council in line with the Local Government Act Northern Territory and corresponding Regulations.

2 Principles
Litchfield Council is committed to provide a considered approach and consistent decision making process when collecting debt owed to Council.

3 Definitions
For the purposes of this Policy, the following definitions apply:

<table>
<thead>
<tr>
<th>Term</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Act</td>
<td>The term refers to the Local Government Act Northern Territory.</td>
</tr>
<tr>
<td>Accounting Regulations</td>
<td>The term refers to the Local Government (Accounting) Regulations.</td>
</tr>
<tr>
<td>Debt</td>
<td>The amount of money owed by the debtor as a result of a transaction with Council.</td>
</tr>
<tr>
<td>Debtor</td>
<td>Any individual, corporation, organisation or other entity owing money to Council.</td>
</tr>
<tr>
<td>Risk</td>
<td>The possibility of non-payment of the debt by the debtor when the amount is due. The likelihood of non-payment increases with the age of the debt.</td>
</tr>
<tr>
<td>Write off</td>
<td>The accounting procedure for cancelling s debt that is no longer collectable resulting in its removal from Council’s balance sheet.</td>
</tr>
<tr>
<td>Rates</td>
<td>For the purpose of this policy the term is defined in line with Section 168 of the Act.</td>
</tr>
<tr>
<td>Provision for Doubtful</td>
<td>The accounting procedure for recognising the estimated value of</td>
</tr>
</tbody>
</table>
4 Policy Statement

4.1 Staff Responsibilities

4.1.1. Council will ensure that all credit and related debts are managed fairly and equitably. Maximum possible collection targets are sought by Council. All debtors are shown utmost respect, courtesy, and diligence in all dealings. All debt collection arrangements are treated as strictly confidential.

4.1.2. The department providing the goods and/or services to the debtor will be responsible for completing the documentation required for an invoice to be generated and providing finance with all known contact details for the debtor. Finance will be responsible for raising the invoice and collection of any debts for all departments.

4.1.3. Principles of risk management will underpin decisions made in relation to credit and related debt management. To reduce the risk of non-payment of debt, a structured collection and collection process will be applied.

4.2. Debt Records

4.2.1. In line with Section 26 Accounting Regulations proper records of debts owed to council are kept by computer and are arranged by:
- Category of debt; and
- Age of debt

4.2.2. The following categories of debt are recorded:
- Rates Debtors
- Infringement Debtors
- Sundry Debtors

4.2.3. The following categories of age are recorded:
- Current balance (not overdue - Invoice date equals report date)
- 30 days balance (due - Invoice date is 1 to 30 days smaller then report date)
- 60 days balance (overdue - Invoice date is 31 to 60 days smaller then report date)
- 90 days balance (overdue - Invoice date is 61 to 90 days smaller then report date)
- Over 91 days balance (overdue - Invoice date more than 90 days smaller then report date)

4.2.4. Each category of debt, by its particular name, requires distinct methods of debt collection processing. Each category is considered individually hereunder.

4.3. Rates Debtors

4.3.1. Definition:
Rates Debtors have incurred a debt of Rates. For the purpose of debt collection the definition of Rates follows Section 168 of the Act. Rates include:
- General Rates
- Special Rates
- Charges
- Accrued interest
- Costs reasonably incurred by the council in recovering the above

4.3.2. Payment Terms:
In line with Section 161 of the Act Council allows payment by two instalments per financial year. The Act states that if a ratepayer defaults in payment of an instalment by the due date, all remaining instalments become immediately due and payable.

4.3.3 Penalty Interest:
In line with Section 162 of the Act interest will accrue on unpaid rates at the relevant interest rate. The relevant interest rate will be set by Council annually. A remission of interest may be granted in individual circumstances under the Rate Concession Policy.

4.3.4 Debt Collection Process:

- Rates Notice:
  In accordance to Section 159 of the Act Council will issue rates notices at least 28 days before the first instalment of the rates falls due. The notice states the due dates and amounts due for all instalment dates of the financial year and outlines arrears from former financial years due and payable now.

- Reminder Notice:
  Council will issue Reminder Notices at least 21 days before each instalment thereafter. The notice states the due dates and amounts due for the instalments remaining in the financial year and outlines overdue amounts of the rates account.

- Reminder Letter:
  When deemed appropriate Council may issue Reminder Letters to rate debtors to inform of an overdue amount and advise of possible legal actions.

- External Debt Collection Agency:
  Council may involve an external debt collection agency for issuing reminder letters or field calls. All incurred expenses will be charged to the relevant rates debtor and recovered in full.

- Overriding statutory charge:
  In accordance to Section 170 and 171 of the Act rates become a charge on the land if not paid by the due date. After rates have been in arrears for at least 6 months, council may apply for registration of the charge over the land to which the charge relates. All incurred expenses will be charged to the relevant rates debtor and recovered in full.

- Sale of land:
  Council reserves the right to sell land for non-payment of rates as outlined in Part 11.9 Division 4 of the Act if rates have been in arrears for at least 3 years, and an overriding charge has been registered for at least 6 months. Council will employ legal representatives in the process. All incurred expenses will be charged to the relevant rates debtor and recovered in full.

4.3.5 Payment Arrangements:
Council may enter into payment arrangement with any ratepayer. Those agreements are made on an individual basis depending on the situation and payment history of a rates debtor. With payment arrangements penalty interest for overdue rates will continue to accrue unless a rate concession has been granted to the rates debtor (refer to Rate Concession Policy).

4.3.6 Debt Write Off
Council may by resolution, write off unpaid rates or some other debt owed to council under Section 27 Accounting Regulations. The writing off of a debt under the regulation does not prevent the Council from subsequently taking action for the recovery of the debt.

4.3.7 Reporting
As part of the monthly finance report council receives information about rates outstanding as per instalment date and as per financial year. The report will outline debts written off and a summary of rates debtors in the debt collection process.

4.3.8 Authorities
The authority of a council officer to initiate the debt collection process and enter rates into payment arrangements with rates debtors is outlined in council’s delegation manual, and is dependent on the amount and age of the debt.

4.3.9 Provision for Doubtful Debts:
Rates are a charge over the land, therefore provision for doubtful debt for rates debt will only be established if the origin of the debt is doubtful and not if it is doubtful that the rates can be recovered from the current land owner.

4.4 Infringement Debtors

4.4.1 Definition:
Infringement Debtors have incurred a debt of regulatory nature. For the purpose of this policy an Infringement debt can include one or more of the following:
- Animal Infringement
- Other Law and Order Infringement

4.4.2 Payment Terms:
In accordance with the Fine and Penalties Recovery Act, any infringement issued by Council under the Legislation allows the alleged offender 14 days to pay the prescribed amount. Payment must be made in full, no part payments will be accepted.

4.4.3 Penalty Interest:
Council is not applying penalty interest to the outstanding debt of infringement debtors.

4.4.4 Debt Collection Process:
If payment is not received within 14 days, a courtesy letter will be issued with an additional administration cost requiring payment within 28 days of receiving the letter. Unpaid infringements can be lodged with the Fines Recovery Unit and enforcement orders may be made. Enforcement measures can include licence suspension, property seizures and community work orders. Enforcement orders add costs to the original penalty.

4.4.5 Payment Arrangements:
Fines can only be paid in full to Council. If an unpaid infringement is lodged by Council with the Fines Recovery Unit, they are the competent authority that manages payment arrangements.

4.4.6 Debt Write Off:
The cancellation or withdrawal of an infringement notice may only be authorised by an officer holding the appropriate delegation. Withdrawal of an infringement may also occur after a written appeal has been submitted to Council against the alleged offence, which in the opinion of the relevant officer has merit. Written confirmation of the infringement cancellation will be sent to the customer.

4.4.7 Reporting:
As part of the monthly Finance report Council is informed about the outstanding infringement debt categorised by infringement type.

4.4.8 Authorities:
The authority of a council officer to recover infringement debts is outlined in Council’s delegation manual.

4.4.9 Provision for Doubtful Debts:
A provision for Doubtful Debt is made, if a person who receives an infringement chooses to have the matter dealt with by the Courts.

4.5 Sundry Debtors

4.5.1 Definition:
Sundry Debtors have incurred a debt for other Goods and/or Services delivered by Council. For the purpose of this policy a Sundry debt can include one or more of the following:
- User Fees and Charges
- Statutory Charges
- Investment Income
- Reimbursements
- Other Income
4.5.2 Payment Terms:
Payment terms for all Sundry debtors are 30 days from the date of invoice. Where appropriate, prepayment, bonds or deposits will be required prior to Council commencing the supply of goods or services. Council reserves the right to request full payment in advance depending on a debtor’s payment history.

4.5.3 Penalty Interest:
Council is not applying penalty interest to the outstanding debt of sundry debtors.

4.5.4 Debt Collection Process:
- Monthly Statements:
  Sundry Debtors are issued with statements of all outstanding debt at the end of each calendar month.
- Reminder Letter:
  When deemed appropriate, Council may issue Reminder Letters to sundry debtors to inform of an overdue amount and advise of possible legal actions.
- External Debt Collection Agency:
  Council may involve an external debt collection agency for issuing reminder letters or other legal actions. All incurred expenses will be charged to the relevant sundry debtor and recovered in full.

4.5.5 Payment Arrangements:
Council may enter into payment arrangement with any sundry debtor. Those agreements are made on an individual basis depending on the situation and payment history of a sundry debtor.

4.5.6 Debt Write Off:
Council may by resolution; write off unpaid debt owed to council under Section 27 Accounting Regulations. The writing off of a debt under the regulation does not prevent the Council from subsequently taking action for the recovery of the debt.

4.5.7 Reporting:
As part of the monthly finance report council receives information about sundry debts outstanding categorised by age.

4.5.8 Authorities:
The authority of a council officer to initiate the debt collection process and enter debt into payment arrangements with sundry debtors is outlined in council’s delegation manual, and is dependent on the amount and age of the debt.

4.5.9 Provision for Doubtful Debts:
Where the recovery of debt is unlikely prior to completing all steps listed in the debt collection process (i.e. where the debtor is bankrupt or in liquidation), a provision shall be made in line with the Australian Accounting Standards.

5. POLICY REVIEW

This policy is to be revised at the first meeting after the next Local Government elections

REFERENCES:

<table>
<thead>
<tr>
<th>Policy Number:</th>
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<tbody>
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<td>Responsible Officer:</td>
<td>Chief Executive Officer</td>
</tr>
<tr>
<td>Related Publications:</td>
<td>Northern Territory Local Government Act</td>
</tr>
</tbody>
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1 Purpose

Litchfield Council is committed to transparent and accountable decision making. As per Part 11.7 and Part 11.8 of the Local Government Act, Council has the ability to provide a concession for rates and/or remission of interest accrued on overdue rates.

This policy outlines the process for application and consideration of rate concessions other than rate concessions stipulated by the Northern Territory Government. In addition it outlines assistance for ratepayers for rates/charges levied on their principal place of residency/principal place of living or institutions that fall under Section 167 Local Government Act.

2 Principles

Policies of Litchfield Council are guided by principles of sustainability, good governance, advocacy, regulation and service provision. Council is also committed to providing a transparent, impartial and consistent process of recognition and consideration of applications for rate concessions and/or remission of interest accrued.

3 Definitions

For the purposes of this Policy, the following definitions apply:

<table>
<thead>
<tr>
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<tr>
<td>Rate concession</td>
<td>A rate concession can be a deferment of payment and/or waiver of rates and/or waiver of legal fees and/or remission of interest accrued on overdue rates. Rate concessions can be granted as a singular concession or as a recurring concession. The rate payer applying for a rate concession is to identify the scope of the concession in the application.</td>
</tr>
<tr>
<td>Ratepayer</td>
<td>This policy outlines assistance for ratepayers for rates/charges levied on their principal place of residency/principal place of living or institutions that fall under Section 167 Local Government Act. Rates and charges payable on rental residential properties are excluded from assistance.</td>
</tr>
<tr>
<td>Deferment</td>
<td>A deferment of payment can be provided in whole or in part and can be for a specified period and subject to any conditions determined.</td>
</tr>
<tr>
<td>Debtor</td>
<td>Any individual, corporation, organisation or other entity owing money to Council.</td>
</tr>
<tr>
<td>Waiver</td>
<td>A waiver removes the liability to pay and may be offered to include the</td>
</tr>
<tr>
<td>Relevant interest rate</td>
<td>The relevant interest rate is a rate of interest fixed by Council as the relevant interest rate and outlined in the Fees and Charges in line with Section 162 (3) Local Government Act.</td>
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<td>------------------------</td>
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</tr>
<tr>
<td>Remission</td>
<td>A remission of interest is a waiver of interest wholly or in part as per Section 163 Local Government Act.</td>
</tr>
<tr>
<td>Financial Hardship</td>
<td>Financial hardship is defined as a situation where a customer is found to be unable, because of illness, unemployment or other reasonable cause, to discharge their financial obligations towards Litchfield Council. Financial hardship can be of limited or long term duration. Financial hardship basically involves an inability of the rate payer to pay rates, rather than an unwillingness to do so. Situations where a customer is simply experiencing temporary payment difficulties would not necessarily be addressed by this policy. Financial hardship shall be proven by providing evidence from an approved Financial Counsellor of such circumstances.</td>
</tr>
<tr>
<td>Public Benefit Concessions</td>
<td>As per Section 167, Council may grant a rate concession if satisfied that the concession will advance one or more of the following purposes: a) Securing the proper development of its area b) Preserving buildings or places of historical interest c) Protecting the environment d) Encouraging cultural activities e) Promoting community health or welfare f) Encouraging agriculture g) Providing recreation or amusement for the public.</td>
</tr>
</tbody>
</table>

4. **Policy Statement**

4.1. **Remission of Interest accrued on overdue rates**

4.1.1. As per Section 162 of the Local Government Act, Council charges a relevant interest rate on a daily basis on overdue rates. The complete annual rates fall overdue if an instalment date is not met.

4.1.2. Ratepayers can request a remission of interest under Section 163 Local Government Act. Council officers under delegation can consider applications for remission of interest for reasons that fall under the following two categories:

4.1.2.1. Administrative reasons, error or omissions which caused or significantly contributed to the failure to pay rates in a timely manner; or

4.1.2.2. Proven Financial Hardship - Ratepayers must enter into a feasible payment schedule and maintain such agreement. Such payment schedule shall not result in the debt growing larger.

4.2. **Deferment of Rates**

4.2.1. As per Section 164 (1)(b) of the Local Government Act, a rate concession can be a deferment in whole or part of an obligation to pay rates or a component of rates.

4.2.2. Ratepayers may have rates and charges or a part thereof postponed, although rates and charges will continue to be levied subject to compliance with the following conditions:

4.2.2.1. The ratepayer must be experiencing undue and unavoidable hardship.

4.2.2.2. An application in writing must be submitted to the Chief Executive Officer by the ratepayer or the ratepayer’s representative providing evidence from an approved Financial Counsellor of such circumstances referred to in 4.2.2.1 above. The Chief Executive Officer will determine whether a postponement is approved.

4.2.2.3. The postponement can be on a fixed or on an ongoing basis until the property is disposed of or sold.
4.2.3. Interest on postponed rates will be levied at 50% of the relevant interest rate.

4.3. Waiving of Rates, Charges or Legal Fees
4.3.1. As per Section 164 of the Local Government Act, a rate concession can be a waiver in whole or part of rates or a component of rate.
4.3.2. Council may grant a rate concession unconditionally or on conditions determined by the Council. If the ratepayer fails to comply with a condition, the Council may by notice to the ratepayer withdraw the concession and require the ratepayer to pay an amount, on or before a date specified in the notice, to neutralise any benefit to the ratepayer of the rate concession.
4.3.3. Any waiver of rates, charges or legal fees under 4.3 less than $400 shall be determined by the Chief Executive Officer or their delegate. Amounts greater than $400 will be presented to Council for consideration in a confidential report. Applications are to be submitted in writing.
4.3.4. Any waiver is a one off waiver in response to circumstances presented at the time.

4.4. Correction of anomalies
4.4.1. As per Section 166 of the Local Government Act, Council may grant a rate concession to a ratepayer or ratepayers of a particular class if satisfied that it is necessary to do so in order to correct anomalies in the operation of the rating system.
4.4.2. Council may grant a rate concession on the Council’s own initiative or on application by an affected ratepayer.
4.4.3. Application in writing must be submitted to the Chief Executive Officer by the ratepayer or the ratepayer’s representative outlining the anomaly.
4.4.4. Any correction under 4.4 of less than $400 shall be determined by the Chief Executive Officer or their delegate. Amounts greater than $400 will be presented to Council for consideration in a confidential report. Applications are to be submitted in writing.

4.5. Public Benefit Concessions
4.5.1. As per Section 167 Council may grant a rate concession if satisfied that the concession will advance one or more of the following purposes:
   4.5.1.1. Securing the proper development of its area
   4.5.1.2. Preserving buildings or places of historical interest
   4.5.1.3. Protecting the environment
   4.5.1.4. Encouraging cultural activities
   4.5.1.5. Promoting community health or welfare
   4.5.1.6. Encouraging agriculture
   4.5.1.7. Providing recreation or amusement for the public.
4.5.2. Any rate concession under 4.5 shall be presented to Council for consideration in a report. An application for a rate concession requires a written submission.

4.6. Confidentiality
   Any information provided will be treated as strictly confidential. Information will be securely retained by Council officers.

5. POLICY REVIEW

This policy is to be revised at the first meeting after the next Local Government elections.

REFERENCES:

<p>| Policy Number: | LC |</p>
<table>
<thead>
<tr>
<th>Policy Owner:</th>
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- Northern Territory Local Government Act
- Northern Territory Local Government (Administration) Regulations
- Northern Territory Local Government (Accounting) Regulations
- Ministerial Guidelines
- By-laws
- Fines and Penalties (Recovery) Act
- Goods and Services Tax Act 1999
Summary

During the last 12 months, a number of governance issues have emerged at Litchfield Council. This report identifies some of the significant issues which require the attention of this committee. It is recommended that the work plan for this committee take into consideration a response to these issues.

Recommendations

1. THAT the Committee receive Report Number 15A/0003.
2. THAT the Committee include a response to the governance issues raised in this report when preparing its work plan.

Background

With the suspension of the Elected Members of Council in January 2015, and the installation of an Official Manager by the Minister for Local Government and Community Services, followed by the termination of the Chief Executive Officer in May 2015 followed by the installation of an Acting Chief Executive Officer, a number of governance issues have emerged which impact on the Risk Management and Audit Committee:

1. Meetings of the Committee have not been taking place.
2. Council policies regarding spending are deficient or non-existent in areas including motor vehicle policies, corporate purchase card and fuel card policies, alcohol in the workplace, and corporate travel. These are all areas which bear substantial risks associated with fraud and corruption.
3. Council’s budget has not been followed with regards to spending in areas such as employee salaries, training, vehicle acquisitions, new initiatives such as waste management and kerbside collection, resulting in substantial commitments unapproved through normal Council budget processes.
4. Council reports have been provided by officers which provide deceptive, insufficient or incorrect information upon which to base decisions on, resulting in Council decisions which likely would not have been made had Council been provided with more accurate information.
5. Tendering practices have resulted in possible breaches of the Local Government Act and associated Regulations on multiple occasions. No tendering processes are in place, and faith has been inappropriately placed on an external provider for providing governance and risk mitigation.
6. Internal controls, where in place, have clearly been insufficient in mitigating poor procurement practices.
7. Council’s risk register and associated risk management framework is fundamentally inadequate for managing the risks of Council. This is evidenced by the fact that few staff are aware of its existence in anything more than a health and safety role.
8. Senior management have willingly and purposefully circumvented internal controls and policy in procurement on numerous occasions, fostering a culture of indiscriminate spending without regard to Council’s budget.
9. Registers required under the Local Government (Administration) regulations have not been maintained, or maintained accurately, in breach of the Act.
10. Legal assistance has consistently been sought in minor matters of Council – leading to a ballooning of spending in this area – and minor matters have not been resolved by officers with delegation in these areas. This has resulted in a significant backlog of ratepayer issues causing conflict in the community.
11. Industrial relations have been managed in such a way that significant financial imposts have been placed on Council through rapidly expanding payroll costs, with no commensurate increase in productivity.
12. Statutory interpretation carried out by senior management has resulted repeatedly in poor advice to Council on matters involving Elected Members – including the roles and responsibilities of Elected
Members, allowances and benefits - exacerbating existing conflicts and indicating the involvement of Officers in the political realm of Council reserved for Elected Members.

Each of these items includes strong links to the roles of this Committee in risk management and internal audit. Each bears a considered response by this Committee as to how its future work plan can put in to place measures to mitigate and prevent risks to Council.

Officers recommend that the future work plan and meeting schedule of the Risk Management and Audit Committee take into consideration these matters.

Links with Strategic Plan

1. Effective Leadership and Governance

Legislative and Policy Implications

- Local Government Act
- Local Government (Administration) Regulations
- Local Government (Accounting) Regulations
- Risk Management and Audit Committee Terms of Reference

Risks

Should the risks identified in this report not be addressed by Council, it is likely that Litchfield Council will continue to struggle administratively and politically, and risks associated with procurement, fraud and industrial relations will be magnified.

Financial Implications

Risks associated with procurement and the mitigation of fraud may end up having a substantial impact on the finances of Council.

Recommending Officer: Ben Dornier, Acting Chief Executive Officer

Any queries on this report may be directed to the Recommending Officer on telephone (08) 8983 0600. Any member of Council who may have a conflict of interest, or a possible conflict of interest in regard to any item of business to be discussed at a Council meeting of a Committee meeting should declare that conflict of interest to enable Council to manage the conflict and resolve it in accordance with its obligations under the Local Government Act and its policies regarding the same.