

# LITCHFIELD COUNCIL



*Community effort is essential*

## **Risk Management and Audit Committee**

**BUSINESS PAPER  
TUESDAY 10/10/2017**

Meeting to be held commencing 5.00pm  
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.

AGENDA		
Number	Agenda Item	Page
1	Opening of Meeting	
2	Apologies and Leave of Absence	
3	Conflict of Interest	
4	Confirmation of Minutes	
	<p>Recommendation:</p> <p>THAT the minutes of the Risk Management and Internal Audit Committee Meeting held Tuesday 8 August 2017, 5 pages, be confirmed.</p>	
5	Business Arising from the Minutes	
6	Presentations	
7	Accepting or Declining Late Items	
8	Notices of Motion	
9	Internal Audit Action Plans	
10	External Audit Action Plan	
11	Officers Reports	
	11.1 Risk Management and Audit Committee Performance Evaluation.	
	11.2 Risk Management Framework	
	11.3 Management Response to Interim Management Letter 2017	
	11.4 2016/17 Annual Financial Statements	
	11.5 2018 RMAC meeting schedule	
12	Other Business	
13	<p>Confidential Items</p> <p>THAT pursuant to Section 65 (2) of the Local Government Act and Regulation 8 of the Local Government (Administration) Regulations the meeting be closed to the public to consider the following Confidential Item.</p>	
	<p>13.1 Adoption of Confidential Minutes</p> <p>Regulation 8(c)(iv) Reason - information that would, if publicly disclosed, be likely to prejudice the interest of the council or some other person.</p>	
	13.2 Procurement Audit Action Plan	

	Regulation 8(c)(iv) Reason - information that would, if publicly disclosed, be likely to prejudice the interest of the council or some other person.	
	13.3 Confidential - Project Anthe-Forensic Investigation  Regulation 8(c)(iv) Reason - information that would, if publicly disclosed, be likely to prejudice the interest of the council or some other person.	
	Close of Meeting	

## 5. Business Arising from the Minutes

Meeting Date	Agenda Item & Resolution/Action	Update
07-03-2017	<p><b>Item 9.3 - Internal Audit Plan</b> Develop a three-year plan for internal audits</p>	<p>An updated framework and registers has been developed as a result of the engagement of JLT to assist with risk management activities. Updated registers to inform internal audit plan.</p> <p><b>Future Action</b> Three-year internal audit plan will be presented at the February 2018 RMAC meeting.</p>
07-03-2017	<p><b>Item 11.2 External Auditor tender process</b> That RMAC recommend reappointment of UHY for the 2016/2017 financial year subject to fees remaining within the range of previous levels.</p> <p>That a new tender process be commenced by December 2017, to be effective commencing from the 2017/18 financial year.</p> <p>That this resolution is included in the open minutes.</p>	<p>2016/2017 Audit nearing completion.</p> <p><b>Future Action</b> Commence expressions of interest by December 2017 for the audit services commencing 2017/18 financial year for three consecutive years.</p>

Meeting Date	Agenda Item & Resolution/Action	Update
08-08-2017	<p><b>Item 9.1 Risk Management and Audit Committee Performance Evaluation.</b>            THAT the Risk Management and Audit Committee</p> <ol style="list-style-type: none"> <li>1. endorses the use of the assessment tool to be conducted in accordance with FIN09 Risk Management and Audit Committee policy.</li> <li>2. endorse FIN09 Risk Management and Audit Committee policy to be updated to remove reference to individual Committee member assessment as this is not what the Committee does.</li> </ol>	<p>Results of evaluation survey presented in item 9.1 of this agenda. An updated FIN09 will be presented to Council at the October 2017 meeting (see item 11.5 for DRAFT policy).</p> <p><b>Future Action</b>            No further action</p>
08-08-2017	<p><b>Item 9.3 Records Management – Current State Process Report.</b>            The Committee notes that the findings need to be linked to the risk register including a timeline for implementation of actions to be taken.</p> <p>Action: Incorporate findings into the risk register and develop a full project plan for records management</p>	<p>A records management improvement group has been established and a project plan developed. The findings were considered in the development of the updated risk registers and will be addressed in the records management improvement project plan.</p> <p><b>Future Action</b>            Present records management improvement project plan to RMAC at the February meeting.</p>
08-08-2017	<p><b>10.2 Audit Committee term of appointment</b>            Resolution: THAT the RMAC recommend Council seek a further two-year appointment for the independent Chair to align with the FIN09 Risk Management and Audit Committee policy</p>	<p>Business paper to be presented to Council at the October 2017 meeting.</p>

# DRAFT MINUTES

**MINUTES OF THE RISK MANAGEMENT AND AUDIT  
COMMITTEE MEETING OF THE LITCHFIELD COUNCIL  
HELD ON TUESDAY 8 AUGUST 2017  
AT COUNCIL CHAMBERS, BEES CREEK ROAD, FRED'S PASS**

Present:	Iain Summers	Chairperson
	Kirsty Hunt (Councillor)	Committee Member
	Letchimi Wright (Councillor)	Committee Member
Staff:	Kaylene Conrick	Chief Executive Officer
	Silke Maynard	Acting Director Community and Corporate Services
	David Jan	Governance and Risk Adviser
	Karina Gates	Finance Manager

**1. OPENING OF MEETING:**

The Chairperson, Iain Summers opened the Meeting at 5.05 p.m.

**2. APOLOGIES AND LEAVE OF ABSENCE:**

**3. CONFIRMATION OF MINUTES:**

THE COMMITTEE resolved that the full minutes of the Risk Management and Audit Committee Meeting held Tuesday 7 March 2017, 8 pages, are confirmed.

MOVED: Cr Hunt

SECONDED: Iain Summers

CARRIED

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This is page **1** of **6** of the Risk Management and Audit Committee Meeting held TUESDAY 8 August 2017

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CHAIRPERSON

# DRAFT MINUTES

## 4. BUSINESS ARISING FROM THE MINUTES:

07/03/2017 Item 9.3 Internal Audit plan

The Committee noted progress on internal audit plan. To be revisited once risk registers are complete.

07/03/2017 Item 11.2 External auditor tender process

Committee noted that the tender process will commence September/October 2017

Recommendation

That the Committee notes the updates for previous business and resolves to remove completed items

MOVED: Cr Hunt

SECONDED: Cr Wright

CARRIED

## 5. CONFLICT OF INTEREST:

Nil

## 6. PRESENTATIONS:

Nil

## 7. ACCEPTING OR DECLINING LATE ITEMS:

Interim Auditor letter received August 2017

Risk Management and Audit Committee term of appointment

Recommendation

That the Committee accepts the items to be included as other business.

MOVED: Cr Hunt

SECONDED: Cr Wright

CARRIED

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This is page 2 of 6 of the Risk Management and Audit Committee Meeting held TUESDAY 8 August 2017

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CHAIRPERSON

# DRAFT MINUTES

## 8. NOTICES OF MOTION:

Nil

## 9. OFFICERS REPORTS AND ITEMS FOR DISCUSSION

### 9.1 Risk Management and Audit Committee Performance Evaluation.

The Committee noted that FIN09 Risk Management and Audit Committee policy refers to an evaluation 'at least once every two years' (4.5.1) and that the tool is for the whole of Committee assessment.

Governance and Risk advisor to implement the survey prior to 26 August 2017.

Resolution: THAT the Risk Management and Audit Committee s

1. endorses the use of the assessment tool to be conducted in accordance with FIN09 Risk Management and Audit Committee policy.
2. endorse FIN09 Risk Management and Audit Committee policy to be updated to remove reference to individual Committee member assessment as this is not what the Committee does.

MOVED: Cr Hunt  
SECONDED: Cr Wright  
CARRIED

### 9.2 Risk Registers

Resolution: THAT the Risk Management and Audit Committee

- receive and note the progress on the Litchfield Council Risk Register,
- request an updated risk management system by the next meeting including a staff training schedule to build an effective and efficient risk culture within Litchfield Council.

MOVED: Cr Hunt  
SECONDED: Cr Wright

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This is page 3 of 6 of the Risk Management and Audit Committee Meeting held TUESDAY 8 August 2017

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CHAIRPERSON



# DRAFT MINUTES

CARRIED

## 9.3 Records Management – Current State Process Report

The Committee notes that the findings need to be linked to the risk register including a timeline for implementation of actions to be taken.

Action: Incorporate findings into the risk register and develop a full project plan for records management

Resolution: THAT the RMAC

1. note the Records Management–Current State Process Report, and
2. request the findings are incorporated into the risk register and a full project plan for records management is developed.

MOVED: Cr Wright

SECONDED: Cr Hunt

CARRIED

## 10 OTHER BUSINESS

### 10.1 Interim Auditor letter

The interim management letter was recently received by Council and was tabled at the meeting with a verbal response to the recommendations.

The Committee noted

- the time from the initial auditor visit in May to receiving the interim management letter in August 2017.
- The issues being addressed or that responses will be discussed with the auditors where there is a differing viewpoint.

Resolution: THAT the RMAC request that the management response to interim letter to be presented at next meeting.

MOVED: Cr Wright

SECONDED: Cr Hunt

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This is page 4 of 6 of the Risk Management and Audit Committee Meeting held TUESDAY 8 August 2017

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CHAIRPERSON

# DRAFT MINUTES

CARRIED

## 10.2 Audit Committee term of appointment

The Committee noted term of appointment in the FIN09 Risk Management and Audit Committee policy and that the current timing for appointment of the independent chair is out of sync with FIN09 Risk Management and Audit Committee policy.

Resolution: THAT the RMAC recommend Council seek a further two-year appointment for the independent Chair to align with the FIN09 Risk Management and Audit Committee policy.

MOVED: Cr Wright

SECONDED: Cr Hunt

CARRIED

## 11 CONFIDENTIAL ITEMS

THAT pursuant to Section 65 (2) of the Local Government Act and Regulation 8 of the Local Government (Administration) regulations the meeting be closed to the public to consider the following Confidential Items

### 11.1 Confidential – Procurement Audit Report

Regulation 8(c)(iv) Reason - information that would, if publicly disclosed, be likely to prejudice the interest of the council or some other person.

### 11.2 Project Anthel Forensic Investigation

Regulation 8(c)(iv) Reason - information that would, if publicly disclosed, be likely to prejudice the interest of the council or some other person.

MOVED: Cr Wright

SECONDED: Cr Hunt

CARRIED

The meeting was closed to the public at 6pm

THAT pursuant to Section 65 (2) of the Local Government Act and Regulation 8 of the Local Government (Administration) Regulations the meeting be re-opened to the public.

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This is page 5 of 6 of the Risk Management and Audit Committee Meeting held TUESDAY 8 August 2017

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CHAIRPERSON

# DRAFT MINUTES

Moved: Cr Hunt  
Seconded: Cr Wright  
CARRIED

Meeting moved to open session at 6.20pm

## **12 CLOSE**

Next meeting 10 October at 5.00pm in the Executive meeting room.

The meeting closed at 6.21pm.

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This is page **6 of 6** of the Risk Management and Audit Committee Meeting held TUESDAY 8 August 2017

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CHAIRPERSON

<b>Agenda Item Number:</b>	11.1
<b>Report Title:</b>	RMAC Performance Evaluation.
<b>Meeting Date:</b>	10/10/2017
<b>Attachments:</b>	RMAC Evaluation Results

## Purpose

To update the RMAC on the results from the evaluation survey conducted and resulting actions.

## Summary

An evaluation survey of the RMAC was distributed to 10 participants;

- All Elected Members of Litchfield Council
- Independent Chair of RMAC
- Chief Executive Officer
- Director of Corporate and Community Services
- Director of Infrastructure and Operations
- Governance and Risk Advisor

The survey consisted of 50 questions across 6 themes,

1. Composition and quality of committee membership
2. Understanding of Councils business and risks
3. Committee processes and procedures
4. Oversight of financial processes and internal controls
5. Oversight of audit activity
6. Ethics and compliance

Respondents were asked to check 'insufficient knowledge' if they were unsure of the answer. Six responses were received with full results provided in the attached table.

Management responses are provided for all questions which received an 'insufficient knowledge' score of greater than or equal to 50% and/or any 'disagree' or 'strongly disagree' score.

Question	Management Response
<b>Question 1</b> Risk Management & Audit Committee members and the Chairman are identified and approved by sources independent of Council's operational management personnel  Disagree 1/6	Candidates for the independent chair are identified by operational management personnel and approved by Council resolution. As per FIN09 Risk Management and Audit Committee policy two elected members are appointed by Council decision.
<b>Question 5</b> The committee provides for ongoing education programs to enhance members' knowledge skills base  Disagree 2/6	A comprehensive Elected Member induction package has been developed. Additionally, several induction briefings are scheduled of which include a session on the Councilor governance role.

Question	Management Response
<p><b>Question 10</b> New members are provided with a comprehensive induction and orientation program to ensure they are fully aware of their roles and responsibilities</p> <p>Disagree 1/6 Insufficient Knowledge 3/6</p>	<p>A comprehensive Elected Member induction package has been developed which includes FIN09 Risk Management and Audit Committee policy and reference to the RMAC.</p>
<p><b>Question 11</b> A succession plan is in place for the committee chairman and members</p> <p>Disagree 4/6</p>	<p>A paper will be presented to Council on 18 October 2017 recommending the reappointment of the independent chair. Elected Member committee members are appointed at the beginning of each Council term.</p> <p>The Local Government Accounting Advisory Committee is currently discussing the lack of qualified people to undertake the role of the chair within the Top End. The Department of Local Government is tasked to identify possible partnerships to assist Councils with identifying suitable candidates for succession plans.</p>
<p><b>Question 31</b> The committee understands and approves the process used by management to identify and disclose related party transactions</p> <p>Disagree 1/6 Insufficient Knowledge 3/6</p>	<p>FIN26 Related Party Disclosure policy was approved by Council at the May 2017 Council meeting.</p> <p>This matter has been raised by the Director Community and Corporate Services with the Local Government Accounting Advisory Committee and the group will evaluate the processes in the financial year 2017/18 to further improve for the sector.</p>
<p><b>Question 32</b> The committee reviews the processes related to financial statement certifications made by the CEO</p> <p>Insufficient Knowledge 3/6</p>	<p>RMAC is provided with the financial statements annually before presented to Council.</p> <p>Management will seek communication with RMAC to identify improvements.</p>
<p><b>Question 46</b> The committee reviews and approves the scope of non-audit services particularly when services relate to accounting processes and financial reporting</p> <p>Insufficient Knowledge 3/6</p>	<p>Litchfield Council has not utilized the current auditors for any other services than the audit of the financial statements.</p>
<p><b>Question 47</b> The committee has access to private sessions with management, internal auditors and external auditors where pertinent issues relating to audits may be discussed</p> <p>Disagree 1/6</p>	<p>The RMAC has access to the external auditor on request. The CEO, Director of Community and Corporate Services, Finance Manager and Governance and Risk Advisor attend RMAC meetings. There is scope to invite the Director of Infrastructure and Operations to attend as well.</p> <p>Access to internal auditors can be arranged on request however the timing of RMAC meetings may be a barrier to achieving this.</p>

Question	Management Response
<b>Question 48</b> Annual performance evaluation is undertaken of the audit committee and results reported to the elected members at Council meetings  Disagree 2/6	This is the first performance evaluation undertaken of the RMAC. Results will be presented through the quarterly report to Council.  The next will be scheduled for 2019. An opportunity exists for the RMAC to review the self-evaluation questions used to

The table below shows the distribution of responses amongst the questions. Of note is that only 14% of questions received a response of 'strongly disagree' or 'disagree'. The high proportion of questions which received a 'neither agree nor disagree' or 'insufficient knowledge' responses does however indicate that;

- communication to RMAC members regarding their role may need improving
- communication to the rest of Council regarding the RMAC role may need improving
- consideration needs to be given to who is requested to complete the evaluation as it is likely that elected members who are not part of the committee will be unable to answer many of the questions and the Director of Infrastructure and Operations has not been required to attend a meeting yet.

Response	No of Respondants per question						% of Questions
	1	2	3	4	5	6	
Strongly Disagree	0	0	0	0	0	0	0%
Disagree	4	2	0	1	0	0	14%
Neither agree nor disagree	20	5	1	0	0	0	52%
Agree	6	15	15	7	5	1	98%
Strongly Agree	17	12	5	0	0	0	68%
Insufficient knowledge	21	13	4	0	0	0	76%

## Recommendation

THAT the RMAC

1. Note the analysis of and the management response to the RMAC evaluation survey
2. Recommend a review of the survey participants
3. Recommend that Council receive a twice yearly update presentation from the Chair of the RMAC on actions of the RMAC.

## Background and Discussion

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 Local Government 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.

The Northern Territory Department of Housing and Community Development - Local Government Division General Instruction No. 3 Audit Committees, provides guidance on the roles and functions of local government audit committees.

Litchfield Council Risk Management and Audit Committee (RMAC) is guided by Council Policy FIN09 “Risk Management and Audit Committee Policy” which sets the terms of reference for the committee. Specifically, section 4.5 identifies the requirement for “a self-assessment review of the committee”.

#### **Links with Strategic Plan**

5. An effective and sustainable Council

#### **Legislative and Policy Implications**

This item is consistent with Council Policy FIN09 Risk Management and Audit Committee Policy

#### **Risks**

NIL

#### **Financial Implications**

NIL

#### **Community Engagement**

NIL

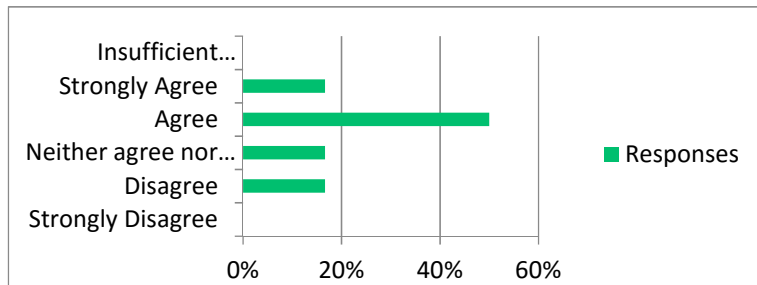
Recommending Officer: David Jan, Governance and Risk Advisor

Any queries on this report may be directed to the Recommending Officer on telephone (08) 8983 0600.

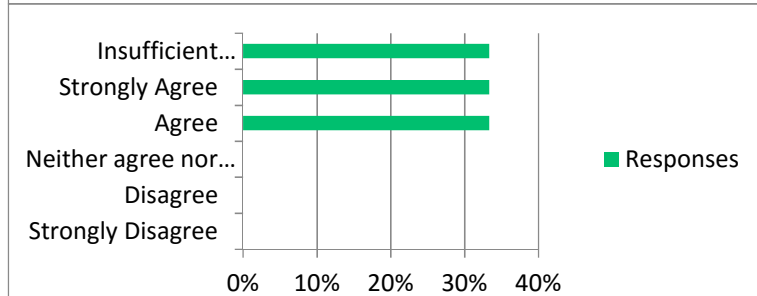
*Any member of Council who may have a conflict of interest, or a possible conflict of interest in regard to any item of business to be discussed at a Council meeting of a Committee meeting should declare that conflict of interest to enable Council to manage the conflict and resolve it in accordance with its obligations under the Local Government Act and its policies regarding the same.*

## Section 1 Composition and Quality of Committee Membership

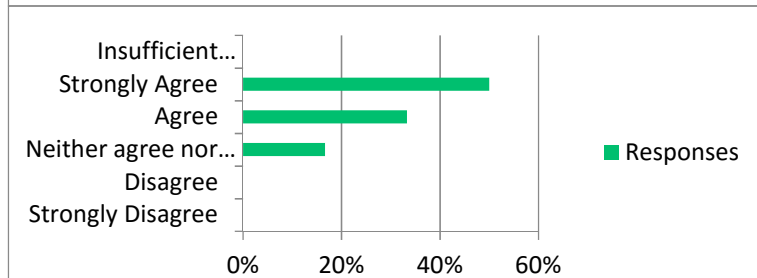
1. Risk Management & Audit Committee members and the Chairman are identified and approved by sources independent of Council's operational management personnel



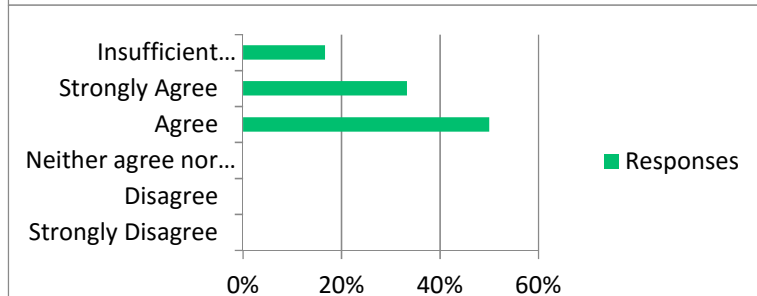
2. Committee members have qualifications appropriate for meeting the committee's charter and objectives



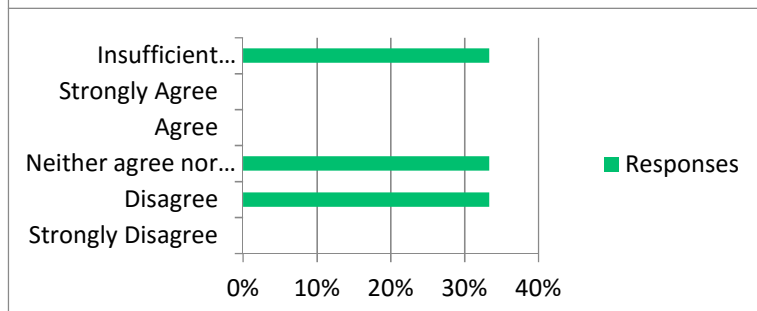
3. The committee demonstrates integrity and credibility, members show active participation, strong interpersonal skills and a proactive approach to addressing committee issues



4. The committee members demonstrate knowledge and experience relative to local government management issues in general and Litchfield Council operations specifically

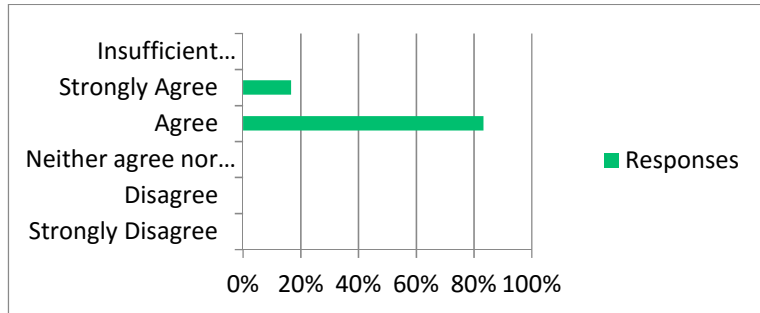


5. The committee provides for ongoing education programs to enhance members' knowledge skills base

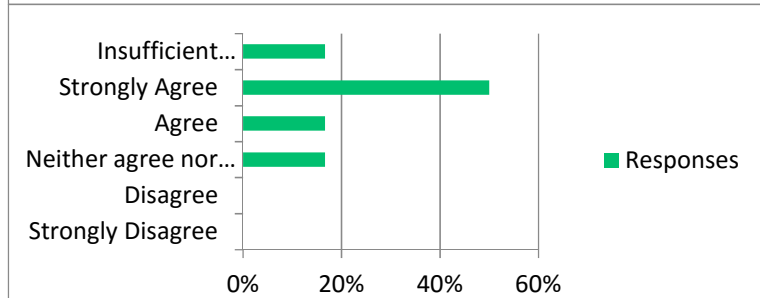




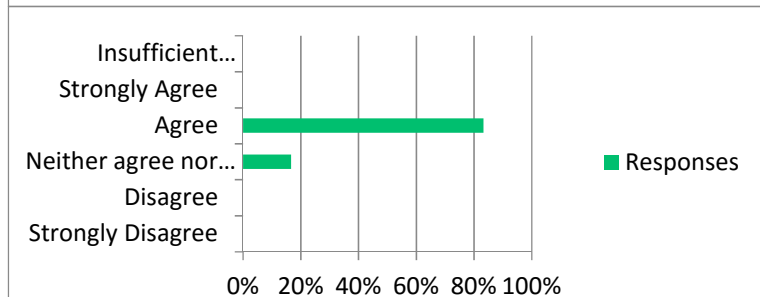
6. The committee monitors compliance with Council's governance regulations



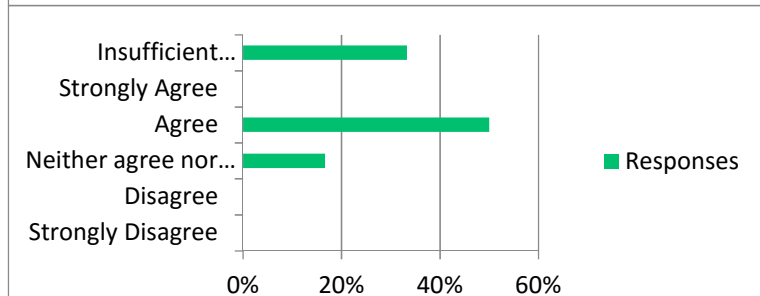
7. RMAC Committee roles and responsibilities are clearly set out in a Charter approved by Elected members



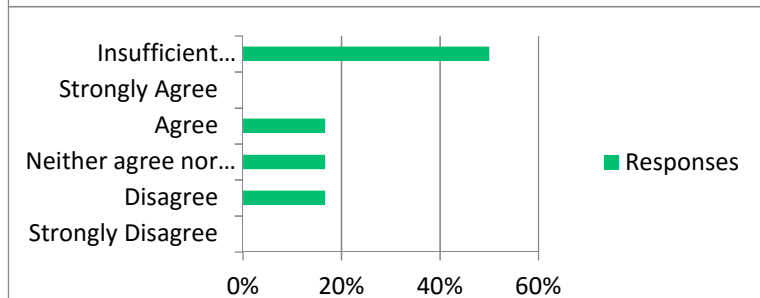
8. The committee members clearly understand their roles and responsibilities as set out in the RMAC charter



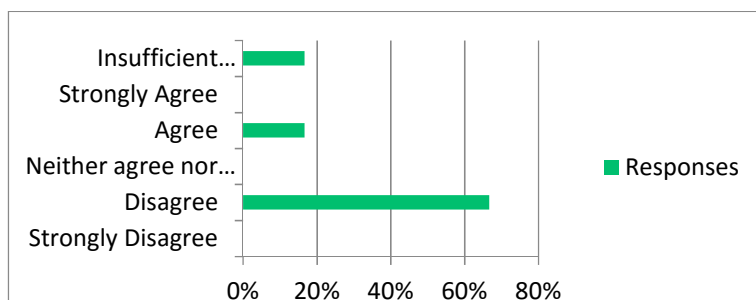
9. The committee reviews its charter regularly to ensure responsibilities and objectives are adequately described



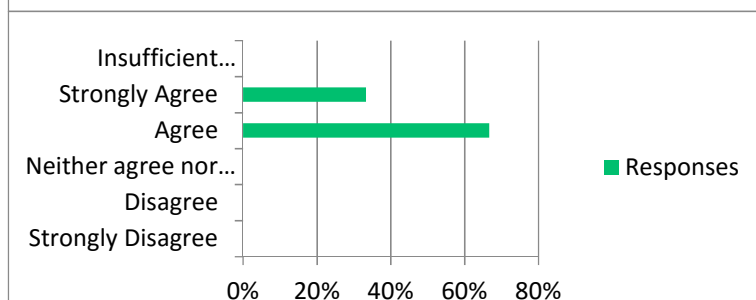
10. New members are provided with a comprehensive induction and orientation program to ensure they are fully aware of their roles and responsibilities



11. A succession plan is in place for the committee chairman and members

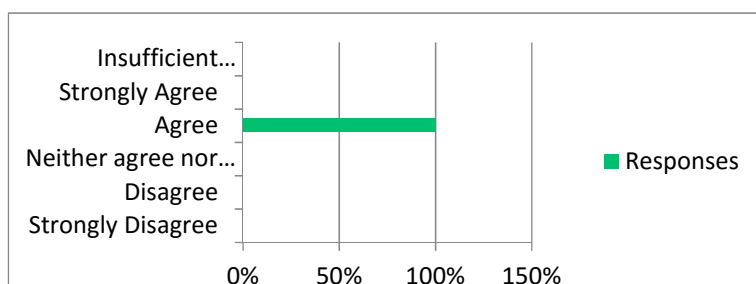


12. The committee chairman demonstrates effective leadership

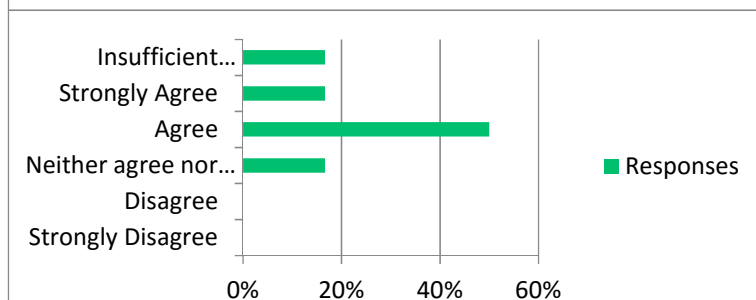


## Section 2 Understanding Council's Business and Risks

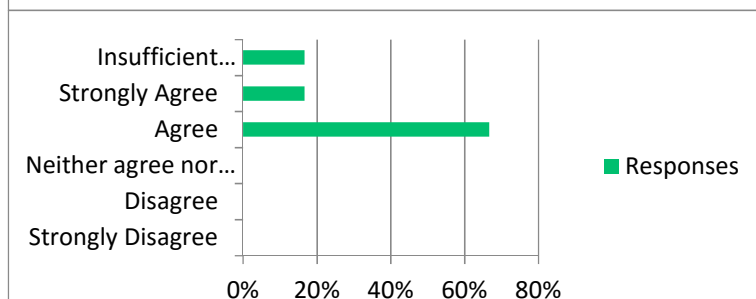
13. The committee members have a good understanding of Council's legislated responsibilities, core functions and organisational structures



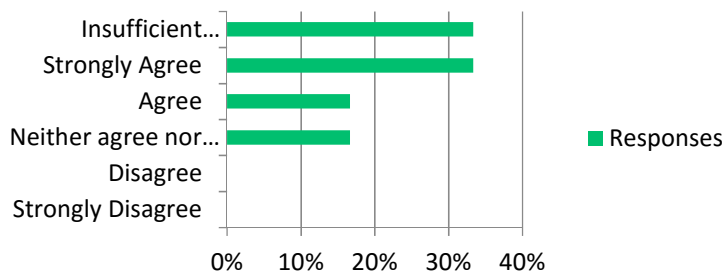
14. The committee reviews and approves the processes Council uses to identify and assess risk and internal controls and apply treatment plans at both the strategic and operational levels



15. The audit committee is aware that the elected members, Executive Team and other committees give due consideration to significant risks that may directly or indirectly affect financial reporting

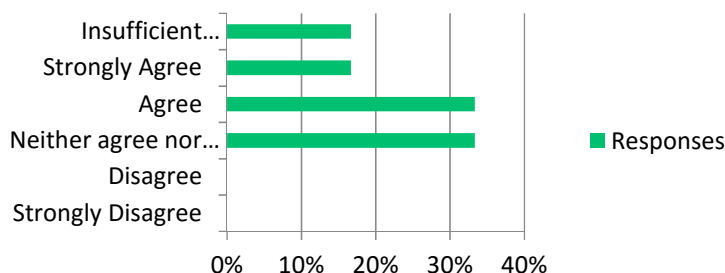


16. The audit committee reviews and approves Council's fraud risk assessment and understands the identified fraud risks

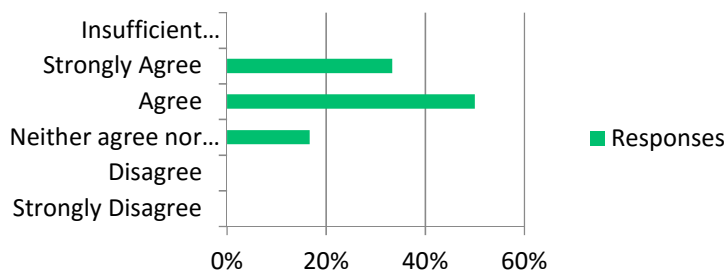


### Section 3 Committee Processes and Procedures

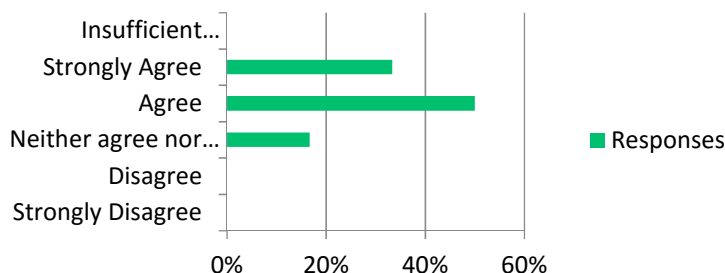
17. The audit committee has a scheduled calendar of meetings that ensures sufficient time and resources are available to meet its responsibilities under its charter



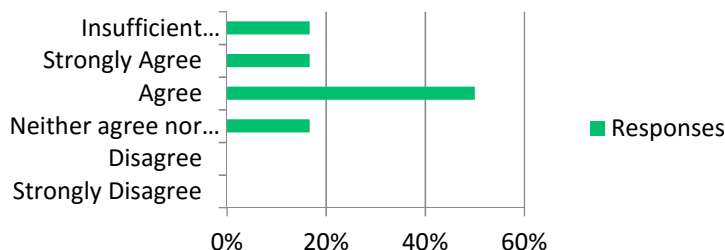
18. The frequency of committee meetings and time allocated for meetings allows the committee to fulfil its duties effectively



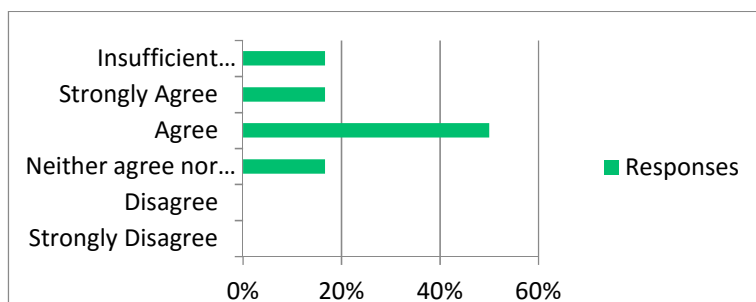
19. Audit committee meetings are conducted effectively and sufficient time is spent dealing with significant audit issues



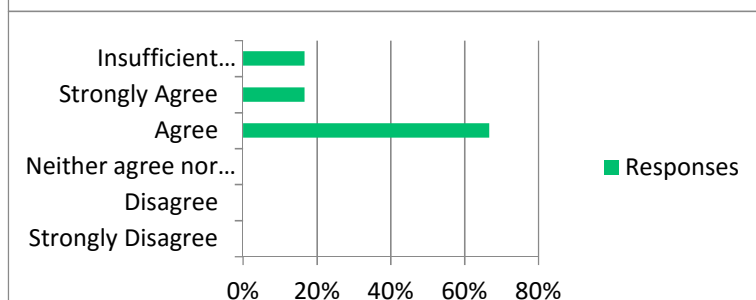
20. Council provides the committee with sufficient funding to fulfil its role and objectives



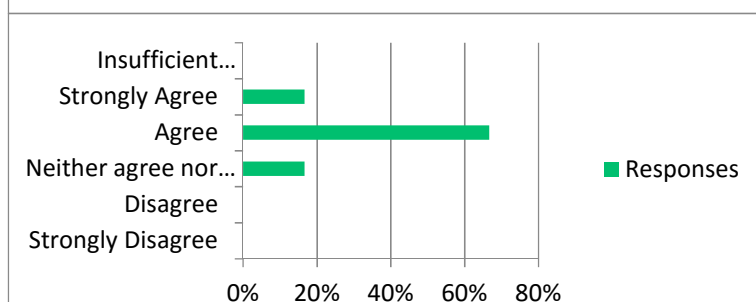
21. Communication levels between the committee and other relevant parties is appropriate



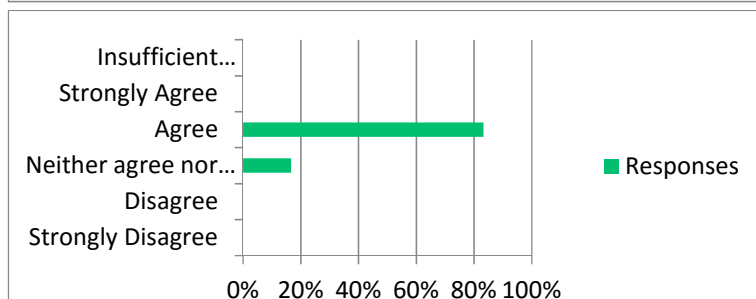
22. Audit committee findings are reported at Council meetings



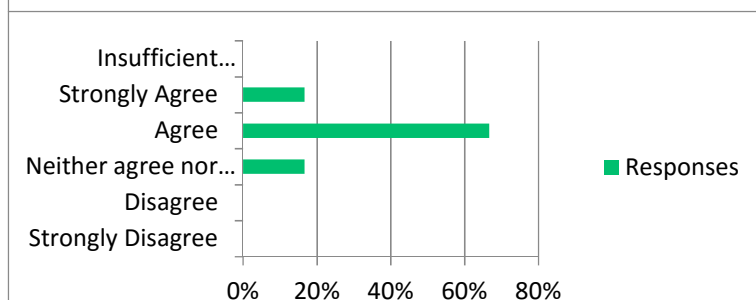
23. Committee agendas, minutes and supporting documentation are circulated in advance of meetings with sufficient time for members to study and comprehend information to be addressed



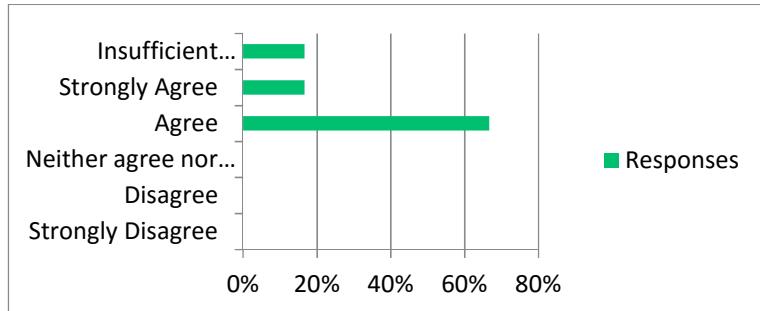
24. Written reports and other materials provided to the committee are relevant and concise



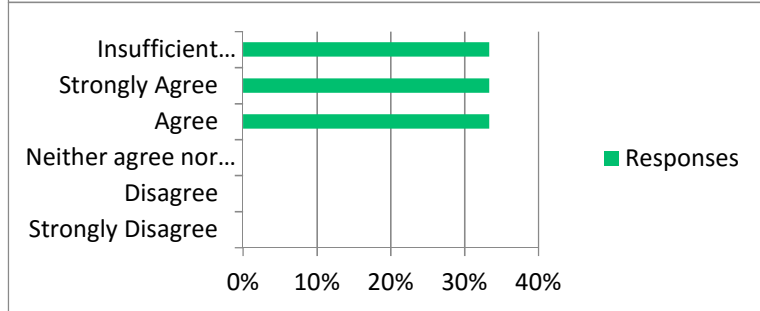
25. The committee maintains comprehensive minutes of its meetings



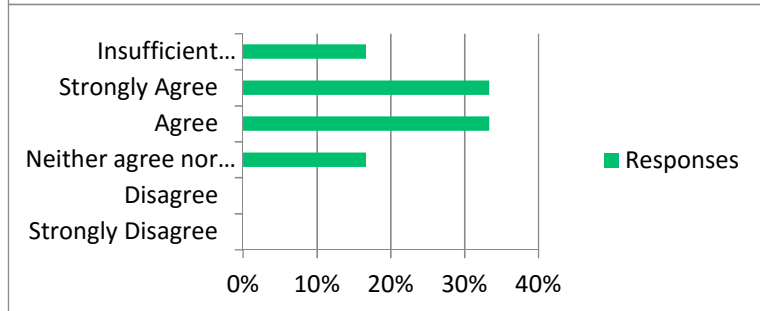
26. Committee members come to meetings well prepared to address the business on the agenda



27. A register of attendance of committee members is maintained and reported annually to Council

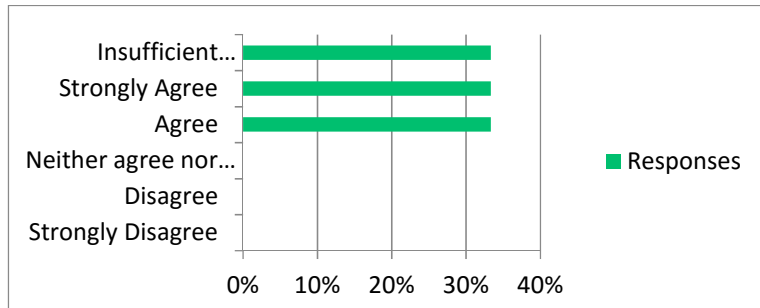


28. The committee recognises and respects the separation between oversight of, and management of Councils financial reporting processes

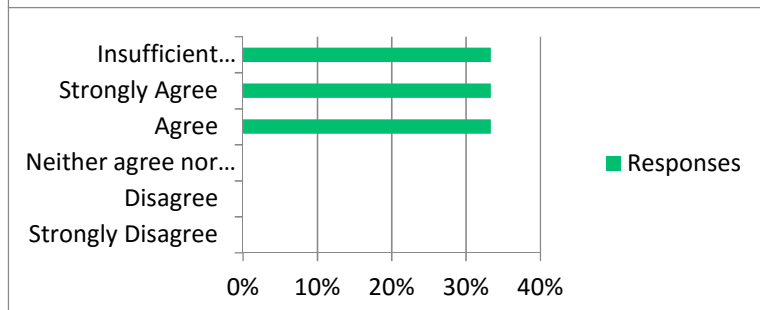


## Section 4 Oversight of Financial Processes and Internal Controls

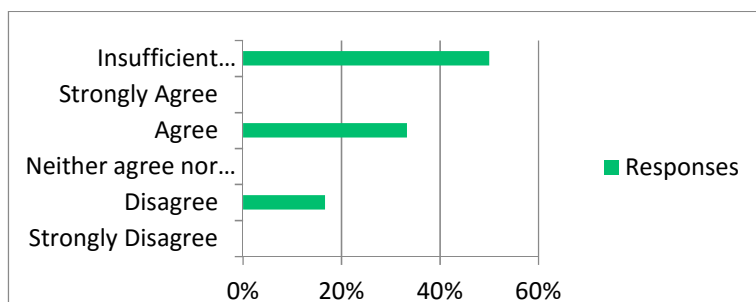
29. The committee considers the quality and appropriateness of financial accounting and reporting processes



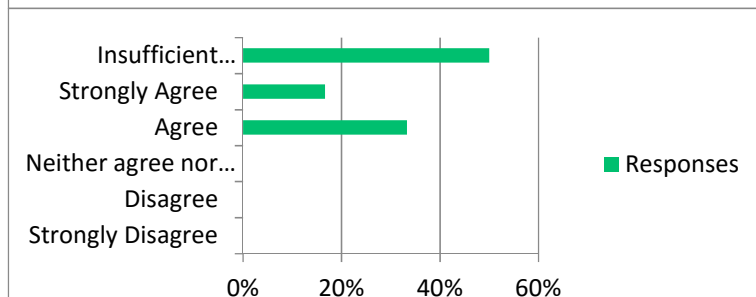
30. The committee has a role in reviewing Council's significant accounting policies



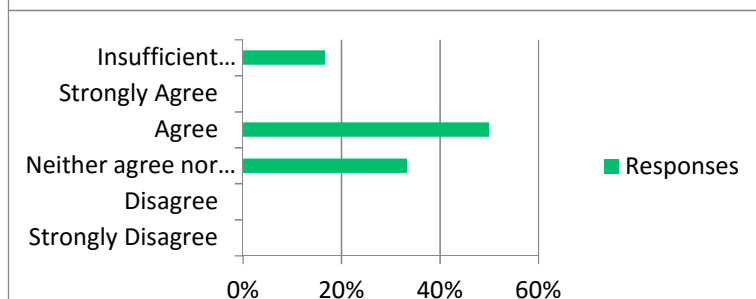
31. The committee understands and approves the process used by management to identify and disclose related party transactions



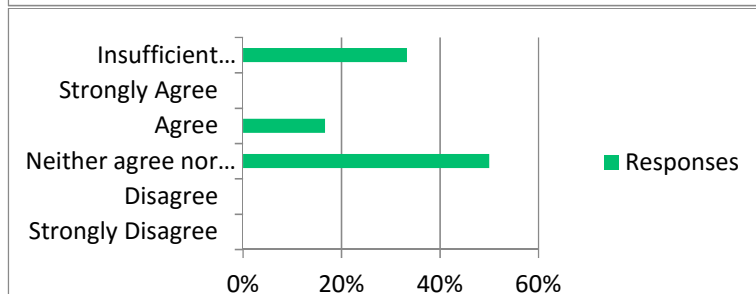
32. The committee reviews the processes related to financial statement certifications made by the CEO



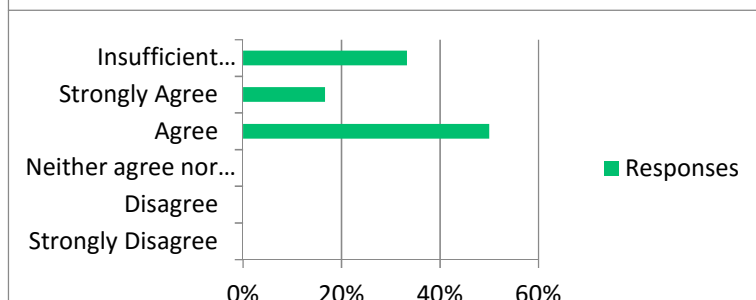
33. The committee receives sufficient information to assess and understand management's processes for identifying and evaluating Council's systems of internal control over financial management practises and financial reporting



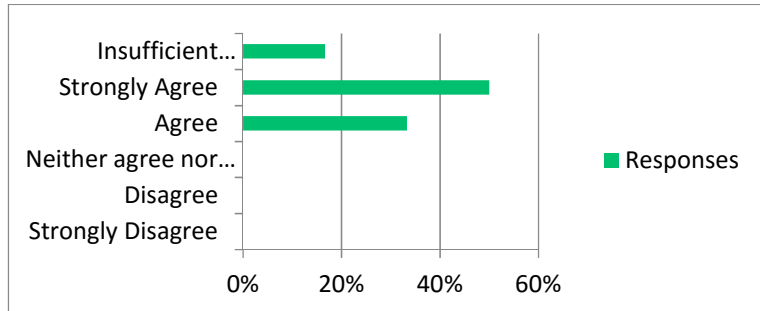
34. The committee understands and approves the internal control testing methodologies applied by management through control self-assessment, by internal auditors and external auditors



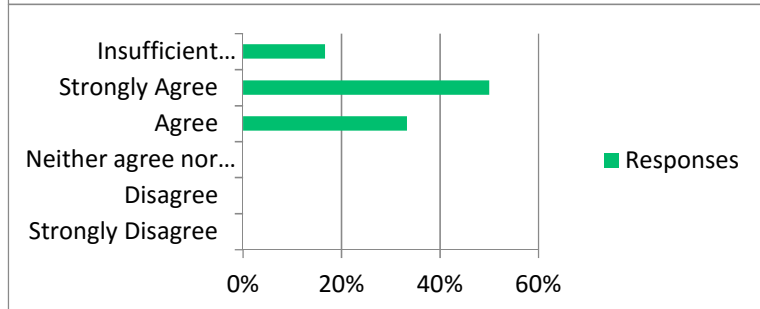
35. The committee ensures that appropriate action is taken in relation to significant deficiencies and material weaknesses that are identified by audits and control self-assessment programs and that action items are recorded and monitored



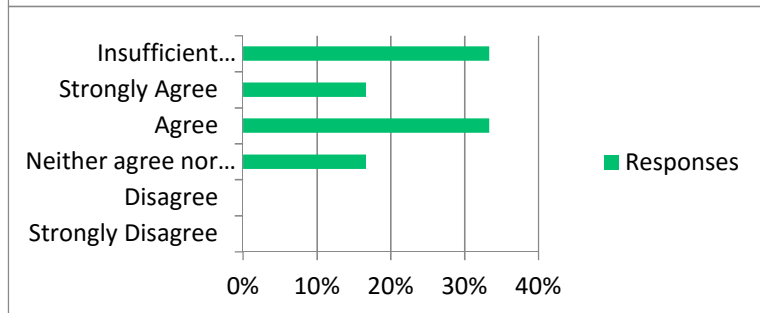
36. The committee reviews management recommendation letters from internal and external auditors and monitors the all significant matters requiring corrective action



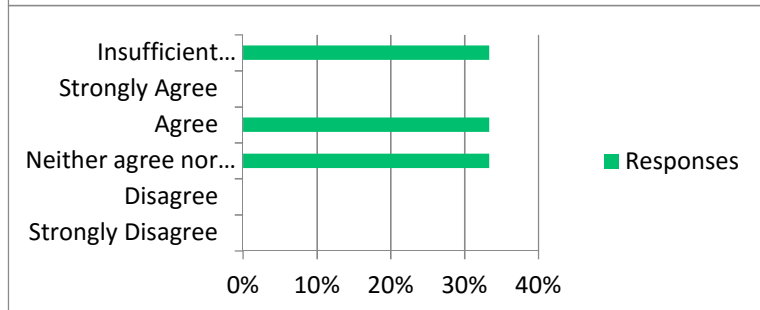
37. The committee ensures that management takes timely action to address repeat comments from internal and external auditors, especially relating to the strength of internal controls



38. Adjustments to financial statements arising from auditor comments are reviewed by the committee

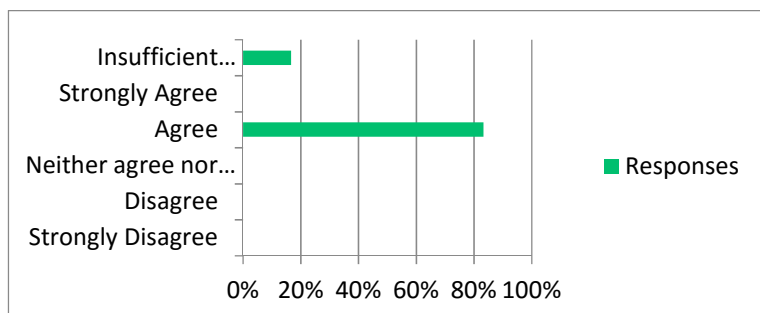


39. The committee is consulted when management is seeking a second opinion on an accounting or auditing matter

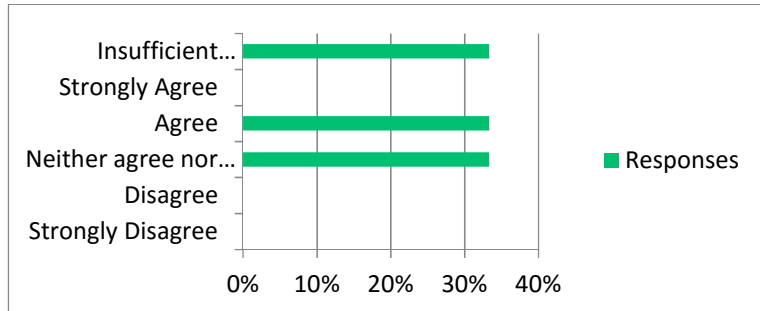


## Section 5 Oversight of Audit Activity

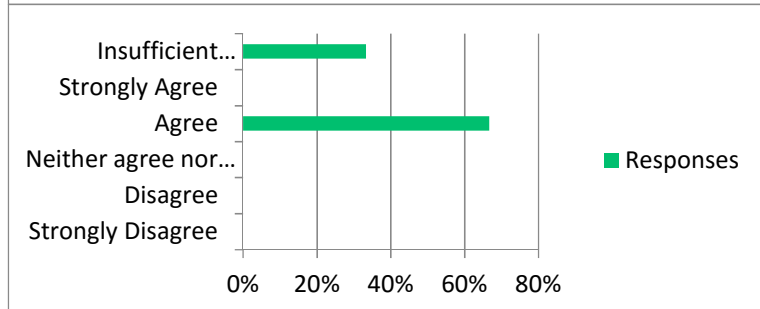
40. The audit committee understands the roles of internal and external auditors and clearly articulates its expectations of each entity



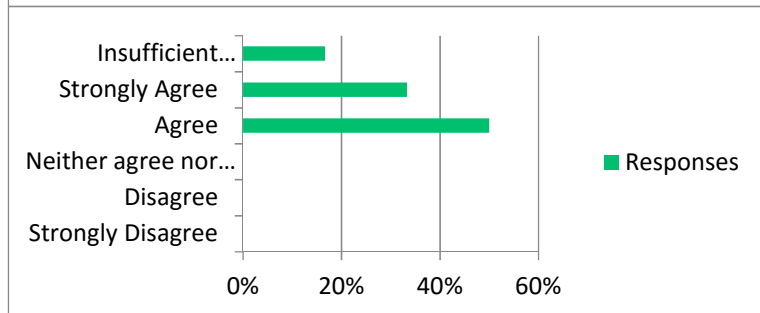
41. The committee regularly reviews the adequacy of the internal audit function (charter, audit plan, budget allocation, quality of audit staff)



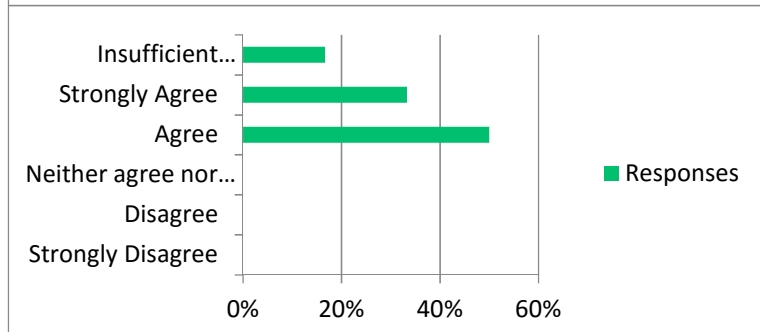
42. Reporting lines from internal auditors to the committee facilitate the conveying of key information arising from audits that needs to be brought to the committee's attention



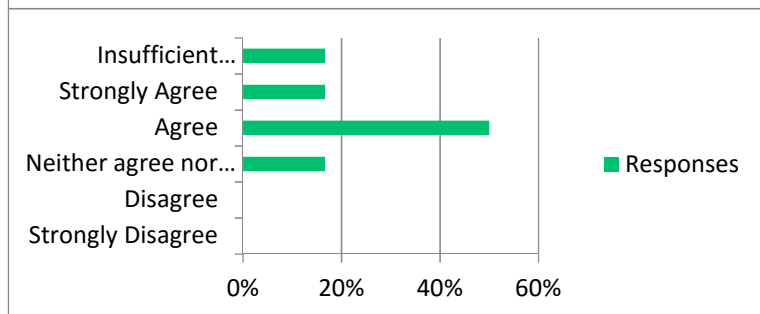
43. The committee appropriately considers internal audit reports and recommendations, management responses and monitors progress of implementation of agreed corrective actions



44. The committee oversees the role of external auditors and has an effective role in assessing the auditor's qualifications and performance

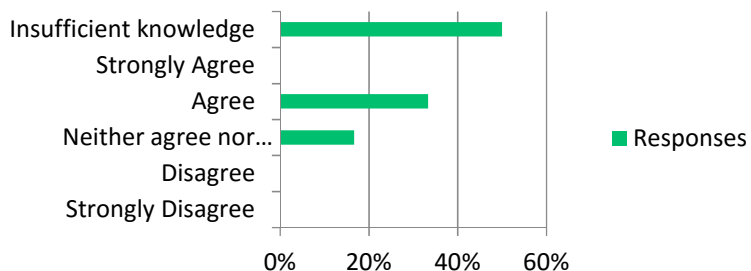


45. The committee reviews the fee scale paid to external auditors

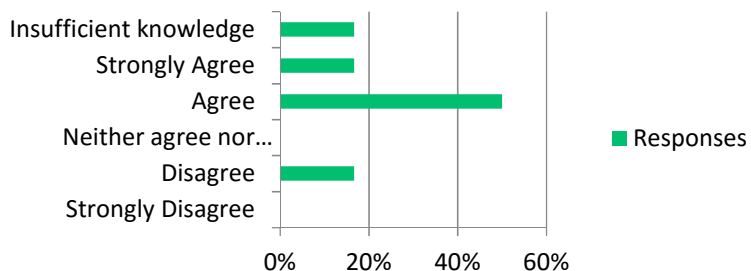




46. The committee reviews and approves the scope of non-audit services particularly when services relate to accounting processes and financial reporting

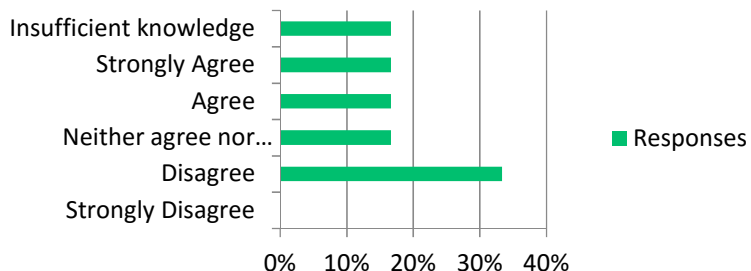


47. The committee has access to private sessions with management, internal auditors and external auditors where pertinent issues relating to audits may be discussed

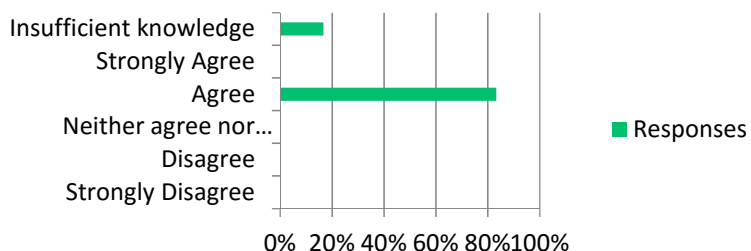


## Section 6 Ethics and Compliance

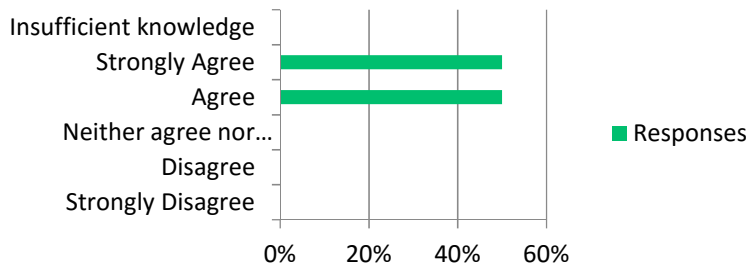
48. Annual performance evaluation is undertaken of the audit committee and results reported to the elected members at Council meetings



49. Members' session fees are approved by Council



50. Members of the committee adhere to independence and conflict of interest requirements



<b>Agenda Item Number:</b>	11.2
<b>Report Title:</b>	Risk Management Framework
<b>Meeting Date:</b>	10/10/2017
<b>Attachments:</b>	Litchfield Council Risk Dashboard Report Sample Risk Theme Profile Litchfield Council Risk Management Framework

## **Purpose**

To provide the Risk Management and Audit Committee (RMAC) with progress on the development of the Litchfield Council risk management framework and registers.

## **Summary**

This paper presents to the RMAC revised risk registers and a draft risk management framework that has been developed with the assistance of Jardine Lloyd Thompson (JLT) that is fit for purpose for Litchfield Council.

JLT was engaged to assist Council in enhancing its risk management capability. The outcomes of the project will provide a platform for ongoing improvements and development changes in risk management to occur and foster a proactive risk management culture.

The process was conducted over a number of phases and included

- a gap analysis
- formalisation of Councils risk management framework including a presentation to CEO, Directors and Managers
- risk profiling including a half day workshop with CEO, Directors and Managers, and
- development of a dashboard summary and individual themed reports.

JLT have provided the following recommendations delivered with the dashboard and framework.

That Council

1. Review the identified risks, controls and ratings to ensure workshop discussion accuracy and intent is captured.
2. Review the risk information to determine whether further controls should be documented and/or actions need to be taken to improve existing controls / reduce the risks to an acceptable level.
3. Review and assess identified risk treatments for implementation, in terms of cost, benefit, impact to existing controls / level of risk and ease of implementation. This also includes assigning a responsible person and due date. It should be noted that the existing control rating and level of risk will remain unchanged if nothing is done to address any unacceptable risk issues.

4. Identify suitable key (lead and lag) indicators that will assist in providing assurance over time to Council that risks are within acceptable levels.
5. Revisit this risk information as the context changes, new information becomes available, risk events occur etc.

Management accepts these recommendations and will be putting in place a process to ensure implementation.

It is recommended that the dashboard report (Attached) be provided to the RMAC for review twice per year in February and August.

The dashboard and associated 16 risk theme profiles (Sample attached) are the key implementation tools for the Risk Management Framework (Attached). The Framework is aligned with AS/NZS ISO 31000:2009 Risk Management Principles and Guidelines.

### **Recommendation**

THAT the RMAC

1. Endorse the Risk Management Framework, including the dashboard summary and individual themed profiles methodology.
2. Request that the dashboard report be presented to the RMAC twice per year
3. Request a report at the next RMAC meeting as to the progress in implementing the JLT recommendations.

### **Background and Discussion**

Council policy FIN08 Risk Management was endorsed in November 2016. This policy notes that the Litchfield risk management framework will be conform to the ISO31000 Risk Management standard. The result was the development of risk registers (organisational and work health and safety) for each of Councils program areas as identified the Litchfield Council Municipal Plan.

Initial detailed risk registers were created which were complex and part of a developing management framework. An underdeveloped risk culture within the organisation and the complexity of the registers contributed to the slow progress of completing the risk registers.

The absence of documented risk management framework and registers is a risk in itself. In recognition of this JLT was engaged to assist in the development of the Litchfield Council risk management capability and culture.

### **Links with Strategic Plan**

5. An effective and sustainable Council

### **Legislative and Policy Implications**

The development of the Risk Register is in line with FIN08 Risk Management policy as well as the NT Local Government Act, Regulations, Guidelines and General Instructions.

### **Risks**

It is standard business practice to manage risk.

### **Financial Implications**

Council may need to allocate funds to mitigate high risk functions.

### **Community Engagement**

Not Applicable

Recommending Officer: David Jan, Governance and Risk Advisor

Any queries on this report may be directed to the Recommending Officer on telephone (08) 8983 0600.

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# Litchfield Council

## Risk Dashboard Report

### September 2017

#### Executive Summary

Being Litchfield Council's first risk review under the 2017 revised risk management approach, initial focus is on developing appropriate and effective risk information then followed by embedding and driving continual improvement. Future reports will continue to provide relevant insight and recommendations to assist governance and risk activities for the Audit and Risk Committee. It is supported by the attached documents that were produced through workshops on the 14th September 2017 and ensuing discussions:

1. Risk Information for the 16 Risk Profiles Identified.
2. Risk Management Policy and Procedures.

#### Recommendations

##### Embedding

1. Arrange for the attached Risk Management Policy and Procedures to be endorsed and adopted.

##### Risk Profiles

1. Discuss, review and approve the attached Risk Profiles (from a Risk & Control perspective).
2. Confirm Current Issues / Actions / Treatments (Responsibility & Due Date)

<u>Misconduct</u>		Risk	Control
		Moderate	Adequate
Current Issues / Actions / Treatments	Due Date	Responsibility	
Finalise Whistle Blower Policy	TBC	Chief Executive Officer	
Undertake Review of Council Financial Policies	TBC	Director Community and Corporate	
Ongoing Fraud and Misconduct Awareness Training/Information	Ongoing	Chief Executive Officer	

<u>Business and Community Disruption</u>		Risk	Control
		Moderate	Adequate
Current Issues / Actions / Treatments	Due Date	Responsibility	
Develop Council Business Continuity Framework and Action Plan	TBC	Governance and Risk Advisor	

<u>Inadequate Environmental Management</u>		Risk	Control
		Low	Adequate
Current Issues / Actions / Treatments	Due Date	Responsibility	
Undertake Landfill Rehabilitation	TBC	TBC	

<u>Errors, Omissions, Delays and Incorrect Advice</u>		Risk	Control
		Moderate	Adequate
Current Issues / Actions / Treatments	Due Date	Responsibility	
Formalise Procedures, Documentation and Checklists for Core Operations	TBC	TBC	

<u>External Theft and Fraud (inc. Cyber Crime)</u>		Risk	Control
		Moderate	Adequate
Current Issues / Actions / Treatments	Due Date	Responsibility	
Ongoing Monitor and Review of Risk and Controls	Ongoing	TBC	

<u>ICT Systems and Infrastructure Failure</u>		Risk	Control
		High	Inadequate
Current Issues / Actions / Treatments	Due Date	Responsibility	
Finalise and Implement ICT Improvement Plan and Road Map	TBC	Director Community and Corporate Service	

# Litchfield Council

## Risk Dashboard Report

### September 2017

<u>Failure to Fulfil Statutory, Regulatory or Compliance Requirements</u>		Risk	Control
		Moderate	Adequate
Current Issues / Actions / Treatments	Due Date	Responsibility	
Ongoing Monitor and Review of Risk and Controls	Ongoing	TBC	

<u>Inadequate Safety and Security Practices</u>		Risk	Control
		High	Inadequate
Current Issues / Actions / Treatments	Due Date	Responsibility	
Review Existing Safety Practices and Develop Council Safety Management Systems	TBC	TBC	

<u>Ineffective and Unsustainable Financial Management</u>		Risk	Control
		Moderate	Adequate
Current Issues / Actions / Treatments	Due Date	Responsibility	
Finalise Rating Policy and Undertake Review of Rating System	TBC	Director Community and Corporate Service	
Review Developer Contribution Plan	TBC	Director Community and Corporate Service	
Implementation of Procurement Audit Findings	TBC	Director Community and Corporate Service	
Implementation of Works Permit Audit Findings	TBC	Director Community and Corporate Service	

<u>Ineffective Management of Public Facilities / Venues / Events</u>		Risk	Control
		Moderate	Inadequate
Current Issues / Actions / Treatments	Due Date	Responsibility	
Formalise Public Places By-Law	TBC	TBC	
Undertake Formalised Playground Inspections	TBC	TBC	
Review Reserve Management Leases	TBC	TBC	
Undertake Tree Audit on Public Facilities	TBC	TBC	

<u>Inadequate Records Management Processes</u>		Risk	Control
		Moderate	Inadequate
Current Issues / Actions / Treatments	Due Date	Responsibility	
Employ Records Management Officer	TBC	TBC	
Implement Records Management Improvement Project	TBC	TBC	

<u>Inadequate Project/Change Management</u>		Risk	Control
		High	Inadequate
Current Issues / Actions / Treatments	Due Date	Responsibility	
Establish Council Project Management Methodology	TBC	TBC	
Provide Project Management Training Opportunities	TBC	TBC	

<u>Inadequate Engagement Practices</u>		Risk	Control
		Moderate	Adequate
Current Issues / Actions / Treatments	Due Date	Responsibility	
Explore Community Engagement Enhancements	TBC	TBC	
Finalise Community Engagement Strategy	TBC	TBC	

<u>Inadequate Procurement / Supplier / Contract Management</u>		Risk	Control
		High	Inadequate
Current Issues / Actions / Treatments	Due Date	Responsibility	
Increase Staff Awareness and Consistency in Approach to Procurement, Contracts and Suppliers	TBC	TBC	

<u>Inadequate Asset Sustainability Practices</u>		Risk	Control
		High	Inadequate
Current Issues / Actions / Treatments	Due Date	Responsibility	
Develop Council Asset Management Strategy	TBC	TBC	

<u>Ineffective HR Management / Employment Practices</u>		Risk	Control
		Moderate	Adequate
Current Issues / Actions / Treatments	Due Date	Responsibility	
Develop Corporate Training Program	TBC	TBC	
Implement Reward and Recognition Program	TBC	TBC	
Implement People and Culture Program	TBC	TBC	

# Business and Community Disruption

Sep-17

## This Risk Theme is defined as:

Failure to adequately prepare and respond to events that cause disruption to the local community and/or normal Local Government business activities.

The event may result in damage to buildings, property, plant and equipment, lack of availability of key staff and/or interruptions to supply chain.

*This does includes;*

- Lack of (or inadequate) emergency response / business continuity plans.
- Lack of training to specific individuals or availability of appropriate emergency response.
- Failure in command and control functions as a result of incorrect initial assessment or untimely awareness of incident.
- Inadequacies in environmental awareness and monitoring of fuel loads etc

Note: This does not include IT and/or communications systems and infrastructure related failures - refer "Failure of IT and/or Communication Systems and Infrastructure".

## Potential causes include:

- Cyclone, Storm Surges, Fire, Earthquake
- Terrorism / Sabotage / Criminal Behaviour
- Epidemic / Pandemic
- Extended Power Outage
- Economic Factors
- Loss of Key Staff

Key Controls	Type	Date	Rating
Business Continuity Framework (Policy & Procedures)	Preventative	14/09/2017	Inadequate
Business Continuity Plans	Responsive	14/09/2017	Inadequate
Cyclone Plan	Responsive	14/09/2017	Adequate
Fire Management Plan	Preventative	14/09/2017	Excellent
Council Property Inspections for Compliance (Informal)	Detective	14/09/2017	Adequate
Pre cyclone clean up	Preventative	14/09/2017	Adequate
Emergency Management Procedures/Drills	Responsive	14/09/2017	Adequate

Overall Control Ratings:	Adequate
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Risk Ratings	Rating
Consequence:	Moderate
Likelihood:	Unlikely

Overall Risk Ratings:	Moderate
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Key Indicators	Tolerance	Date	Overall Result
Vegetation slashing and mowing of 900kms of road network before July fire bans	2 rounds		
Fire breaks and road reserve slashing of 1000kms within Council excised land	>75%		
Lost time due to plant and equipment breakdown	<20hrs		

## Comments

As rated by Workshop Attendees - 14/9/2017 - Consequence rating referred to moderate service interruption, reputation and environmental impacts. Noting the risk refers to Councils ability to adequately and appropriately fulfil its role and responsibilities to prepare and/or respond to a disruptive event, not the disruptive event itself.

Current Issues / Actions / Treatments	Due Date	Responsibility
Develop Council Business Continuity Framework and Action Plan	TBC	Governance and Risk Advisor

<b>Agenda Item Number:</b>	11.3
<b>Report Title:</b>	Management Response to Interim Management Letter 2017
<b>Meeting Date:</b>	10/10/2017
<b>Attachments:</b>	Interim Management Letter 2017

### **Purpose**

To provide the committee with the Interim Management letter for 2017 including the Management response.

### **Summary**

The attached Interim Management letter prepared by the external auditor UHY Haines Norton has been provided to Council in August 2017 following the interim audit. Management Responses have been added to the six issues identified in the audit.

### **Recommendation**

THAT the RMAC receive and note the Council's response to the 2017 Interim Management Letter as attached to this report.

### **Background and Discussion**

The Interim Management Letter has been presented to the RMAC as a late item in the August meeting and management has provided the RMAC with verbal responses. This report provides the written version of the final Interim Management Letter with Management responses included.

The progress of the organisation is evident as the Interim Audit Management letter identified only six items, compared to last year's letter with 17 items. Some issues raised in the letter are minor and had been addressed immediately after the audit.

### **Links with Strategic Plan**

5. An effective and sustainable Council

### **Legislative and Policy Implications**

The RMAC is provided with the report in line with FIN09.

### **Risks**

Nil

### **Financial Implications**

Nil



## Community Engagement

Not applicable

Recommending Officer: Silke Maynard, Director Community and Corporate Services

Any queries on this report may be directed to the Recommending Officer on telephone (08) 8983 0600.

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## LITCHFIELD COUNCIL

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INTERIM MANAGEMENT LETTER FOR THE YEAR  
ENDED 30 JUNE 2017

## CONTENTS

1. LEVELS OF RISK USED IN OUR ASSESSMENT	2
2. SUMMARY OF ISSUES IDENTIFIED	2
3. ISSUES IDENTIFIED	3
4. REVIEW OF MATTERS RAISED IN PRIOR YEAR MANAGEMENT LETTERS	10

## 1. LEVELS OF RISK USED IN OUR ASSESSMENT

We have provided an assessment of the level of risk associated with each of the audit observations outlined in our management letter. This task has been undertaken to give Council an idea as to the potential risk that could occur. It is ultimately Council's responsibility to assess the level or risk for each of the outlined audit observations.

The levels of risk used in our assessment have been summarised below.

<b>H</b>	Weakness that requires immediate attention as it has a potential to have a serious, adverse effect on the Council.
<b>M</b>	Weakness that could adversely affect the Council if not addressed or reduce the efficiency of Council operations.
<b>L</b>	Weakness that results in controls falling short of best practice.

## 2. SUMMARY OF ISSUES IDENTIFIED

The following is a summary of the issues that has been identified:

Issue Number	Issue Identified	Risk Level
1	Procurement Policy	M
2	Tender Evaluations	M
3	Purchase Orders	M
1	Payroll Audit Trail Reports	M
1	Restriction of Access to Payment Batch Files	H
6	Review of Rating Parameters	M

### 3. ISSUES IDENTIFIED

Issue No.	Issue	Risk Level
1.	Procurement Policy	M

Observation	Implication	Suggestion	Management Response
The procurement policy in place at the time of our interim audit visit, was compliant with section 29(2) of the <i>Local Government (Accounting) Regulations</i> . However, the process being followed by staff was not compliant to the procurement policy and regulations as noted in the table below.	Council being in breach with the <i>Local Government (Accounting) Regulations</i> .	We suggest that procurement processes are altered to be in line with the <i>Local Government (Accounting) Regulations</i> .	The procedure for tender opening has been re-assessed and the following changes have occurred: <ul style="list-style-type: none"><li>- A list of all files submitted through Tenderlink is printed and the Tender Evaluation Panel signs off that all files have been received in electronic format for review.</li><li>- All successful tenderers are published on Council's website under "Work and Business – Tenders and Quotations – Awarded Tenders". This has been rectified for all tenders since May 2016.</li><li>- Tenders within the financial delegation are approved by the CEO. The quarterly reports to Council inform Council of these tenders awarded under delegation.</li></ul>

Regulation	Observation
Regulation 29 (2) requires either the council itself, or a committee of 3 members of the council's staff delegated by the council to open and consider the tenders and report to the council on the tenders.	Tender opening form is signed by two employees when the submitted tenders are downloaded and opened.  We note that only tenders over \$500,000 were reported to council.
Regulation 29 (3) (b) states that the council	There was no indication at the time of our audit

give notice of the successful tender in writing to each other person who submitted a tender and by publishing the notice on the council's website.	visit that the successful tenders were published on the council website.
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DRAFT

Issue No.	Issue	Risk Level
2.	Tender Evaluations	M

Observation	Implication	Suggestion	Management Response
During our testing we noted that the percentage weightings & assessment criteria disclosed in the Public Tender Request document varies to what has been used by the Evaluation Tender Panel in assessing each of the submitted tenders received.	<p>There is a risk that the tender could be manipulated.</p> <p>There is a risk that a tenderer could challenge the council's decision and there could be financial implications if tenderer takes council to court.</p>	We suggest that council staff involved in the tender evaluation assessments ensure that the percentage weightings & assessment criteria are being followed exactly to what has been disclosed in the Public Tender Request.	<p>The item described was an on-off human error.</p> <p>The tender evaluation weightings and assessment criteria is set by the TEP before calling a tender and checked upon assessment by Works Controller.</p>

Issue No.	Issue	Risk Level
3.	Purchase Orders	M

Observation	Implication	Suggestion	Management Response
Procurement Policy requires purchase orders to be created for all purchases with the exception of petty cash and credit cards.	There is a risk that goods and services are obtained by employees outside of their delegation limits and outside of their budget constraints.	We note that the Accounting and Policy Manual limits petty cash disbursements to \$50 (Excl GST) and does not require a purchase order. In line with this principal we suggest purchases by credit card below \$50 (excl. GST) do not require a purchase order, however, due to the potential risk of fraud with credit cards we suggest that credit card purchases above \$50 (excl. GST) should require a purchase order.	Council understands the risk, however does not agree with creating purchase orders for credit card and petty cash purchases. Credit Cards are only granted to employees with sufficient financial delegation and purchase cards lower or equal to all delegation limits. Petty cash is not granted unless signed by manager.
The procurement policy does not exempt repetitive purchases such as utilities and fuel from requiring a purchase order. We note that these types of purchases do not have a purchase order.	The adopted policies within the council are not being followed.	We suggest that processes be brought into line with Council's policy.	All repetitive costs such as fuel and utilities now have standing purchase orders to allocate invoices to on payment.



Issue No.	Issue	Risk Level
4.	Payroll Audit Trail Reports	M

Observation	Implication	Suggestion	Management Response
Payroll audit trail reports are being reviewed by an employee who has user access edit permission rights to the payroll module in Authority.	Unauthorised set-up of new employees and changes to bank details could be made without detection. This could result in the payroll masterfile not remaining pertinent and potential fraud.	We suggest that these reports are reviewed on a regular basis by an officer who does not have user access edit permissions to the payroll module. This review should be evidenced by a signature.	The edit permissions have been removed from the Payroll Certifying Officer, this generally being the Finance Administration Assistant, to ensure they only have the review option, they cannot update any details. This restriction will eliminate the risk of potential fraud.

Issue No.	Issue	Risk Level
5.	Restriction of Access to Payment Batch Files	H

Observation	Implication	Suggestion	Management Response
We note that the network folders where the payment batch files are stored are not restricted to authorised Officers.	There is a risk that the payment batch files can be manipulated such as the changing of bank account details before they are uploaded to the bank. This could result in banking transactions being inaccurately recorded and/or potential fraud.	<p>We suggest that council ensure that these folders are only accessible to authorised Officers.</p> <p>It is also suggested that the folders are locked to restrict changes being made to the payment files and any changes that are made should trigger an audit log entry.</p>	Council understands the risk, however does not agree with the risk level as the ability to manipulate these encrypted bank files is almost impossible. Also, the network drive is only used by the finance team, all other employees are not aware of the location, timing and editability of such files. In the case that manipulation did occur, Council would be quickly notified as all remittances of payments are sent the same day and therefore creditors would advise Council of the nil payment almost immediately.

Issue No.	Issue	Risk Level
6.	Review of Rating Parameters	M

Observation	Implication	Suggestion	Management Response
We note that there is no evidence of a secondary review of the rating parameters once they are entered into the system. The Rates Officer enters the rating parameters into the system once they have been adopted by Council and we understand that the Finance Manager will perform a review of these parameters, however this is not evidenced.	Incorrect rate revenue may be generated if the rating parameters are input incorrectly.	We suggest that the Finance Manager document the review of the rating parameters to ensure that she and the Rates Officer are satisfied that they have been entered correctly.	With the granting of 2017/18 Rates and Charges all rating parameters were reviewed and signed-off by the Finance Manager prior to the Rates Notices sent to printers.

## 4. REVIEW OF MATTERS RAISED IN PRIOR YEAR MANAGEMENT LETTERS

The issues in this section were raised in previous management letters but remain relevant in the current year. For each of these issues, I have determined:

- how management has addressed the issue in the current year
- what management still needs to do to address unresolved issues.

Prior Issues Raised	Assessment of Action Taken By Council	Suggestions	Comments
<p><b>Review of IT Access Levels</b></p> <p>UHY Haines Norton conducted a review of the user access permission rights in the Authority Accounting System and found minimal segregation of duties were being enforced.</p> <p>We suggested that a documented review of user access levels to be scheduled at regular intervals. This review should include an assessment of the access requirements of each employee commensurate with their roles. If an employee's role does not require access to a certain module for day to day usage, access should be removed. We also suggested that an audit trail be implemented to track changes made to access levels during the year.</p>	<p>It is our understanding that management have reviewed the user access permission rights in Authority during the year. Council identified and removed user access permission rights for council staff who do not require access to certain modules within Authority.</p>	<p>Please provide an update in regards to this issue and document the regular reviews that are being performed to ensure that council staff have access only to certain modules in order to perform their daily duties.</p> <p>Are there audit trail reports being utilised to monitor the changes in user access permissions?</p>	<p>Quarterly reviews are undertaken to ensure staff have access to only the modules that are in line with their work requirements.</p> <p>There are only two staff that can update the IT Access Levels – These are monitored at least quarterly.</p>

### IT Policies

We noted that there were minimal documented policies in place for IT procedures. For example, IT security and upgrading and updating software.

Council has implemented and adopted IT policies and the Disaster Recovery Plan during the 2016/2017 FY.

We suggest that IT policies should be adopted for the following:

- Security of council data within the IT systems.
- Guidelines for assessing the suitability of new software programs,
- Implementation of new software programs and guidelines in regards to upgrades and updates of hardware and software.

The IT Policies are yet to be adopted in line with the completion of IT Strategy Plan.

### Thorak Regional Cemetery Financial Data

We noted that prepayments received for cemetery services are currently being recorded in an excel spreadsheet and being updated on a yearly basis. The split between sales that should be recorded as income in the current year and the sales that are required to be recorded as a prepayment (and recorded as income in a future period when the service is provided) has in prior years been recorded incorrectly. The financial statements for the Cemetery were restated last financial to correct these errors. We note that there is minimal documentation retained by Council for these prepayment balances.

Management discussed that were new processes and systems in place in the recording of cemetery services payments that are processed into Authority. The new procedure ensures that at the time of processing, the correct allocations in the accounts between revenue and prepayments are being applied.

We suggest that to ensure consistent procedures are maintained from year to year, that a policy is implemented providing guidelines in relation to the capturing and recording of cemetery services data in Authority and guidelines to ensure that all data and supporting documentation is retained and routinely monitored to ensure that all balances and transactions can be justified.

Management will develop appropriate procedures to capture consistent data into the future.



---

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<b>Agenda Item Number:</b>	11.4
<b>Report Title:</b>	2016/17 Annual Financial Statements
<b>Meeting Date:</b>	10/10/2017
<b>Attachments:</b>	Litchfield Council General Purpose Financial Reports for the year ended 30 June 2017.
	Thorak Regional Cemetery Special Purpose Financial Report for the year ended 30 June 2017.

### **Purpose**

To provide the RMAC with the Financial Statements with Audit Clearance for review.

### **Summary**

To provide the Committee with the Financial Statements with Audit Clearance for review and consider the suitability for certification by the Chief Executive Officer of the 2016/17 Annual Financial Statements (for inclusion in the Annual Report and presented to Council before lodgement with the Minister and the Northern Territory Grants Commission in accordance with the statutory requirements).

### **Recommendation**

THAT the RMAC confirms the draft 2016/17 Financial Statements are suitable for certification by the Chief Executive Officer for inclusion in the Annual Report presented to Council.

### **Background and Discussion**

FIN09 – Risk Management and Audit Committee Policy contains the following outline of the role of the Risk Management and Audit Committee:

#### **4.9 – Financial Reporting**

##### **4.9.1.1 – The Committee shall monitor the integrity of the**

- Annual financial statement of the Council, reviewing the significant financial reporting issues and judgements which they contain; and
- The annual report.

##### **4.9.1.2 – The Committee shall review and challenge where necessary:**

- The consistency of, and/or any changes to, accounting policies;
- The methods used to account for significant or unusual transactions where different approaches are possible;
- Whether the Council has followed appropriate accounting standards and made appropriate estimates and judgements, taking into account the views of the external auditor;
- The clarity of disclosure in the Council's financial reports and the context in which statements are made; and
- All material information presented with the financial statements.

As highlighted above in FIN09, the responsibility of the Risk Management and Audit Committee is to ensure that Litchfield Council's 2016/17 Financial Statements contains an accurate assessment of Council's operations.

The following items have been changed from the draft presented to the auditors to the draft attached to this report

- A review of Depreciation of Asset Renewals for Road reseals;
- A review of Annual Leave and Long Service Leave for Waste Transfer Staff; and
- Related Party Disclosure amounts.

The complete Annual Report 2016/17 including the Annual Financial Statements will be presented to Council at a Special Meeting scheduled to be held on Wednesday 8 November 2017 for adoption.

### **Links with Strategic Plan**

5. An effective and sustainable Council

### **Legislative and Policy Implications**

This paper is consistent with FIN09 Risk Management and Audit Committee Policy.

### **Risks**

NIL

### **Financial Implications**

NIL

### **Community Engagement**

NIL

Recommending Officer: Silke Maynard, Director Community and Corporate Services

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.*





# LITCHFIELD COUNCIL

*Community effort is essential*

**General Purpose Financial Statements**

**For the year ended 30 June 2017**

# **Litchfield Council**

## **General Purpose Financial Reports** *for the year ended 30 June 2017*

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# **Litchfield COUNCIL**

## **ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2017**

### **OFFICER'S STATEMENT**

I, Kaylene Conrick the Chief Executive Officer of the Litchfield Council, hereby certify that the Annual Financial Statements:

(a) have been drawn up in accordance with the applicable Australian Accounting Standards, the Local Government Act and the Local Government (Accounting) Regulations so as to present fairly the financial position of the Council and the results for the year; and

(b) are in accordance with the accounting and other records of Council.

Chief Executive Officer

Date

# Litchfield Council

## STATEMENT OF COMPREHENSIVE INCOME for the year ended 30 June 2017

	Notes	2017 \$	2016 \$
<b>INCOME</b>			
Rates	2	9,812,902	9,041,804
Statutory charges	2	36,922	56,249
User charges	2	1,096,342	1,291,119
Grants, subsidies and contributions	2	7,869,167	11,164,122
Investment income	2	812,587	780,369
Reimbursements	2	15,217	188,880
Other income	2	140,916	413,872
<b>Total Income</b>		<b>19,784,053</b>	<b>22,936,415</b>
<b>EXPENSES</b>			
Employee costs	3	5,562,439	5,014,522
Materials, contracts & other expenses	3	7,467,712	8,070,251
Depreciation, amortisation & impairment	3	16,749,678	16,787,411
<b>Total Expenses</b>		<b>29,779,829</b>	<b>29,872,184</b>
<b>OPERATING DEFICIT</b>		<b>(9,995,776)</b>	<b>(6,935,769)</b>
Net gain (loss) on disposal or revaluation of assets	4	28,396	(15,140)
Amounts received specifically for new or upgraded assets	2	245,000	20,000
Physical resources received free of charge	2	887,075	4,566,642
<b>NET DEFICIT</b>		<b>(8,835,305)</b>	<b>(2,364,267)</b>
Other Comprehensive Income		-	-
<b>Total Other Comprehensive Income</b>		<b>-</b>	<b>-</b>
<b>TOTAL COMPREHENSIVE LOSS</b>		<b>(8,835,305)</b>	<b>(2,364,267)</b>

This Statement is to be read in conjunction with the attached Notes.

**Litchfield Council**

**STATEMENT OF FINANCIAL POSITION**  
as at 30 June 2017

	Notes	2017 \$	2016 \$
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	5	1,930,063	1,273,210
Trade & other receivables	5	2,486,043	2,393,448
Other financial assets	5	19,574,537	19,769,224
<b>Total Current Assets</b>		<b>23,990,643</b>	<b>23,435,882</b>
<b>Non-current Assets</b>			
Infrastructure, Property, Plant & Equipment	7	271,163,166	282,195,344
Other Non-current Assets	6	2,144,459	708,756
<b>Total Non-current Assets</b>		<b>273,307,625</b>	<b>282,904,100</b>
<b>Total Assets</b>		<b>297,298,268</b>	<b>306,339,982</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade & Other Payables	8	1,573,163	2,056,532
Provisions	8	720,061	490,579
<b>Total Current Liabilities</b>		<b>2,293,224</b>	<b>2,547,111</b>
<b>Non-current Liabilities</b>			
Provisions	8	339,745	292,267
<b>Total Non-current Liabilities</b>		<b>339,745</b>	<b>292,267</b>
<b>Total Liabilities</b>		<b>2,632,969</b>	<b>2,839,378</b>
<b>NET ASSETS</b>		<b>294,665,299</b>	<b>303,500,604</b>
<b>EQUITY</b>			
Accumulated Surplus		37,198,219	45,776,256
Asset Revaluation Reserves	9	243,311,730	243,311,730
Other Reserves	9	14,155,350	14,412,618
<b>TOTAL EQUITY</b>		<b>294,665,299</b>	<b>303,500,604</b>

This Statement is to be read in conjunction with the attached Notes.

# Litchfield Council

## STATEMENT OF CHANGES IN EQUITY for the year ended 30 June 2017

	Accumulated Surplus	Asset Revaluation Reserve	Other Reserves	TOTAL EQUITY
	\$	\$	\$	\$
<b>2017</b>				
Balance at end of previous reporting period	45,776,256	243,311,730	14,412,618	303,500,604
Net Deficit for Year	(8,835,305)	-	-	(8,835,305)
Other Comprehensive Loss	-	-	-	-
<i>Amounts which will not be reclassified subsequently to operating result</i>				
Transfers between reserves	257,268	-	(257,268)	-
<b>Balance at end of period</b>	<b>37,198,219</b>	<b>243,311,730</b>	<b>14,155,350</b>	<b>294,665,299</b>
<b>2016</b>				
Balance at end of previous reporting period	52,040,194	243,311,730	10,512,947	305,864,871
Net Deficit for Year	(2,364,267)	-	-	(2,364,267)
Other Comprehensive Loss	-	-	-	-
<i>Amounts which will not be reclassified subsequently to operating result</i>				
Transfers between reserves	(3,899,671)	-	3,899,671	-
<b>Balance at end of period</b>	<b>45,776,256</b>	<b>243,311,730</b>	<b>14,412,618</b>	<b>303,500,604</b>

This Statement is to be read in conjunction with the attached Notes

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# Litchfield Council

## CASH FLOW STATEMENT for the year ended 30 June 2017

	Notes	2017 \$	2016 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<u>Receipts</u>			
Rates - general & other		9,689,096	9,533,433
Fees & other charges		1,361,838	1,474,230
Investment receipts		806,120	804,447
Grants utilised for operating purposes		8,459,355	12,001,431
Other operating receipts		2,570,503	2,202,079
<u>Payments</u>			
Employee Costs		(5,378,080)	(4,866,840)
Contractual services & materials		(8,259,709)	(7,923,758)
Other operating payments		(2,794,225)	(2,193,901)
<b>Net Cash provided by Operating Activities</b>		<b>6,454,898</b>	<b>11,031,121</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
<u>Receipts</u>			
Amounts specifically for new or upgraded assets		245,000	20,000
Sale of surplus assets		179,924	68,031
Net disposal of investment securities		194,687	-
<u>Payments</u>			
Expenditure on renewal/replacement of assets		(6,417,656)	(5,590,031)
Net purchase of investment securities		-	(4,620,195)
<b>Net Cash used in Investing Activities</b>		<b>(5,798,045)</b>	<b>(10,122,195)</b>
<b>Net Increase in cash held</b>		<b>656,853</b>	<b>908,926</b>
Cash & cash equivalents at beginning of period		1,273,210	364,284
<b>Cash &amp; cash equivalents at end of period</b>		<b>1,930,063</b>	<b>1,273,210</b>

This Statement is to be read in conjunction with the attached Notes

# Litchfield Council

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2017

### Note 1 - SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

#### 1 Basis of Preparation

##### 1.1 Compliance with Australian Accounting Standards

This general purpose financial report has been prepared in accordance with Australian Accounting Standards as they apply to not-for-profit entities, other authoritative pronouncements of the Australian Accounting Standards Board, and relevant Northern Territory legislation.

The financial report was authorised for issue by certificate under clause 16 of the *Local Government (Accounting) Regulations* dated (insert date).

##### 1.2 Historical Cost Convention

Except where stated below, these financial statements have been prepared in accordance with the historical cost convention.

##### 1.3 Critical Accounting Estimates

The preparation of financial statements in conformity with Australian Accounting Standards requires the use of certain critical accounting estimates, and requires management to exercise its judgement in applying Council's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are specifically referred to in the relevant sections of this Note.

##### 1.4 Rounding

All amounts in the financial statements have been rounded to the nearest dollar (\$).

#### 2 The Local Government Reporting Entity

Litchfield Council is incorporated under the NT Local Government Act and has its principal place of business at 7 Bees Creek Road, Freds Pass NT. These financial statements include the Council's direct operations and all entities through which Council controls resources to carry on its functions. In the process of reporting on the Council as a single unit, all transactions and balances between activity areas and controlled entities have been eliminated.

#### 3 Income recognition

Income is measured at the fair value of the consideration received or receivable. Income is recognised when the Council obtains control over the assets comprising the income, or when the amount due constitutes an enforceable debt, whichever first occurs.

Where grants, contributions and donations recognised as incomes during the reporting period were obtained on the condition that they be expended in a particular manner or used over a particular period, and those conditions were undischarged as at the reporting date, the amounts subject to those undischarged conditions are disclosed in these notes. Also disclosed is the amount of grants, contributions and receivables recognised as incomes in a previous reporting period which were obtained in respect of the Council's operations for the current reporting period.



## Litchfield Council

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2017

#### Note 1 - Significant Accounting Policies (cont)

In recent year the payment of untied financial assistance grants has varied from the annual allocation as follows:

	Cash Payment Received	Annual Allocation	Difference	
2016/17	\$4,459,048	\$2,939,690	+	\$1,519,358

Because these grants are untied, the Australian Accounting Standards require that payments be recognised as income upon receipt. Accordingly, the operating results of these periods have been distorted compared to those that would have been reported had the grants been paid in the year to which they were allocated.

The Operating Surplus Ratio disclosed in Note 15 has also been calculated after adjusting for the distortions resulting from the difference between actual grants received and the grants entitlements allocated.

The actual amounts of untied grants received during the reporting periods (including the advance allocations) are disclosed in Note 2.

#### 4 Cash, Cash Equivalents and other Financial Instruments

Cash Assets include all amounts readily convertible to cash on hand at Council's option with an insignificant risk of changes in value with a maturity of three months or less from the date of acquisition.

Receivables for rates and annual charges are secured over the subject land, and bear interest at rates determined in accordance with the Local Government Act 2008. Other receivables are generally unsecured and do not bear interest.

All receivables are reviewed as at the reporting date and adequate allowance made for amounts the receipt of which is considered doubtful.

All financial instruments are recognised at fair value at the date of recognition. A detailed statement of the accounting policies applied to financial instruments forms part of Note 13.

#### 5 Infrastructure, Property, Plant & Equipment

##### 5.1 Land under roads

Council has elected not to recognise land under roads acquired prior to 1 July 2008 as an asset in accordance with AASB 1051 Land under Roads. Land under roads acquired after 30 June 2008 has not been recognised as in the opinion of Council it is not possible to reliably attribute a fair value.

##### 5.2 Initial Recognition

All assets are initially recognised at cost. For assets acquired at no cost or for nominal consideration, cost is determined as fair value at the date of acquisition.

Cost is determined as the fair value of the assets given as consideration plus costs incidental to the acquisition, including architects' fees and engineering design fees and all other costs incurred. The cost of non-current assets constructed by the Council includes the cost of all materials used in construction, direct labour on the project and an appropriate proportion of variable and fixed overhead.

All non-current assets purchased or constructed are capitalised as the expenditure is incurred and depreciated as soon as the asset is held "ready for use". Capital works still in progress at balance date are recognised as other non-current assets and transferred to *infrastructure, property, plant & equipment* when completed ready for use.

## **Litchfield Council**

### **NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2017**

#### **Note 1 - Significant Accounting Policies (cont)**

##### **5.3 Subsequent Recognition**

Certain asset classes are revalued on a regular basis such that the carrying values are not materially different from fair value. Additions acquired subsequent to a revaluation are recognised at cost until next revaluation of that asset class. Further detail of existing valuations, methods and valuers are provided at Note 7.

##### **5.4 Depreciation of Non-Current Assets**

Other than land, all infrastructure, property, plant and equipment assets recognised are systematically depreciated over their useful lives on a straight-line basis which, in the opinion of Council, best reflects the consumption of the service potential embodied in those assets.

##### **5.5 Impairment**

Assets that have an indefinite useful life are not subject to depreciation and are reviewed annually for impairment. Assets carried at fair value whose future economic benefits are not dependent on the ability to generate cash flows, and where the future economic benefits would be replaced if Council were deprived thereof, are not subject to impairment testing.

Other assets that are subject to depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount (which is the higher of the present value of future cash outflows or value in use).

Where an asset that has been revalued is subsequently impaired, the impairment is first offset against such amount as stands to the credit of that class of assets in Asset Revaluation Reserve, any excess being recognised as an expense.

#### **6 Payables**

##### **6.1 Goods & Services**

Creditors are amounts due to external parties for the supply of goods and services and are recognised as liabilities when the goods and services are received. Creditors are normally paid in line with creditor terms. No interest is payable on these amounts.

##### **6.2 Payments Received in Advance & Deposits**

Amounts (other than grants) received from external parties in advance of service delivery, and security deposits held against possible damage to Council assets, are recognised as liabilities until the service is delivered or damage reinstated, or the amount is refunded as the case may be.

#### **7 Employee Benefits**

##### **7.1 Salaries, Wages & Compensated Absences**

Liabilities for employees' entitlements to salaries, wages and compensated absences expected to be paid or settled within 12 months of reporting date are accrued at nominal amounts (including payroll based oncosts) measured in accordance with AASB 119.

Liabilities for employee benefits not expected to be paid or settled within 12 months are measured as the present value of the estimated future cash outflows (including payroll based oncosts) to be made in respect of services provided by employees up to the reporting date.

No accrual is made for sick leave as Council experience indicates that, on average, sick leave taken in each reporting period is less than the entitlement accruing in that period, and this experience is expected to recur in future reporting periods. Council does not make payment for untaken sick leave.

## Litchfield Council

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2017

#### Note 1 - Significant Accounting Policies (cont)

##### 7.2 Superannuation

The Council makes employer superannuation contributions in respect of its employees to the SA Statewide Superannuation Scheme. The Scheme has two types of membership, each of which is funded differently. No changes in accounting policy have occurred during either the current or previous reporting periods. Details of the accounting policies applied and Council's involvement with the schemes are reported in Note 16.

##### 8 GST Implications

In accordance with Interpretation 1031 "Accounting for the Goods & Services Tax"

- Receivables and Creditors include GST receivable and payable.
- Except in relation to input taxed activities, revenues and operating expenditures exclude GST receivable and payable.
- Non-current assets and capital expenditures include GST net of any recoupment.
- Amounts included in the Statement of Cash Flows are disclosed on a gross basis.

##### 9 Comparative Information

Comparative information has been reclassified to be consistent with the current year disclosure of equivalent information.

##### 10 Pending Accounting Standards

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2017 reporting period.

- AASB 7 Financial Instruments – Disclosures
- AASB 9 Financial Instruments
- AASB 15 Revenue from Contracts with Customers
- AASB 16 Leases
- AASB 1058 Income for Not-for-Profit Entities
- Standards containing consequential amendments to other Standards and Interpretations arising from the above - AASB 2010-7, AASB 2014-1, AASB 2014-3, AASB 2014-4, AASB 2014-5, AASB 2014-6, AASB 2014-7, AASB 2014-8, AASB 2014-9, AASB 2014-10, AASB 2015-1, AASB 2015-2, AASB 2015-3, AASB 2015-4, AASB 2015-5, AASB 2015-6 and AASB 2015-7.

*Other than AASB 16 and AASB 1058 Council is of the view that none of the above new standards or interpretations will affect any of the amounts recognised in the financial statements, but that they may impact certain information otherwise disclosed.*

Accounting Standard AASB 16 *Leases* may have a material effect on the amounts disclosed in these reports, particularly in relation to Infrastructure, Property, Plant & Equipment, but does not commence until the 2019/20 financial period, and it is not Council's intention to adopt this Standard early.

Accounting Standard AASB 1058 *Income for Not-for-Profit Entities* may have a material effect on the amounts disclosed in these reports, particularly in relation to revenue from Grants & Subsidies, but does not commence until the 2019/20 financial period, and it is not Council's intention to adopt this Standard early.

# Litchfield Council

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2017

### Note 2 - INCOME

	2017	2016
<b>RATES REVENUES</b>		
<u>General Rates</u>		
Residential	6,055,957	5,533,409
Commercial/Industrial	602,935	481,954
Other	75,166	70,524
	<u>6,734,058</u>	<u>6,085,887</u>
<u>Special Rates</u>		
Humpty Doo Waste Transfer Station	411,100	405,716
	<u>411,100</u>	<u>405,716</u>
<u>Other Charges</u>		
Waste Management Service	2,667,744	2,550,201
	<u>2,667,744</u>	<u>2,550,201</u>
	<u>9,812,902</u>	<u>9,041,804</u>
<b>STATUTORY CHARGES</b>		
Regulatory Services	36,922	56,249
	<u>36,922</u>	<u>56,249</u>
<b>USER CHARGES</b>		
Cemetery/crematoria fees	744,442	844,680
Rent Received	18,816	15,088
Subdivision and development fees	45,160	104,793
Permit fees	7,639	8,860
Waste disposal fees	177,532	209,654
Rate search fees	16,800	21,487
Sundry	85,953	86,557
	<u>1,096,342</u>	<u>1,291,119</u>
<b>INVESTMENT INCOME</b>		
Interest on investments		
Banks & other	573,309	513,523
Interest on overdue rates and charges	239,278	266,846
	<u>812,587</u>	<u>780,369</u>

# Litchfield Council

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2017

### NOTE 2 - INCOME (continued)

	2017	2016
	\$	\$
<b>REIMBURSEMENTS</b>		
- for private works	13,717	149,397
- other	1,500	39,483
	<u>15,217</u>	<u>188,880</u>
<b>OTHER INCOME</b>		
Insurance & other recoupments - infrastructure, property, plant & equipment	27,117	4,545
Rebates received	-	345,310
Sundry	113,799	64,017
	<u>140,916</u>	<u>413,872</u>
<b>GRANTS, SUBSIDIES, CONTRIBUTIONS</b>		
Amounts received specifically for new or upgraded assets	245,000	20,000
Other grants, subsidies and contributions	7,869,167	11,164,122
	<u>8,114,167</u>	<u>11,184,122</u>
<i>The functions to which these grants relate are shown in Note 12.</i>		
<b>Sources of grants</b>		
Commonwealth government	7,237,828	6,280,154
Northern Territory government	629,605	4,678,055
Other	246,734	225,913
	<u>8,114,167</u>	<u>11,184,122</u>

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# Litchfield Council

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2017

### NOTE 2 - INCOME (continued)

	Notes	2017 \$	2016 \$
<b>Conditions over grants &amp; contributions</b>			
<i>Grants and contributions which were obtained on the condition that they be expended for specified purposes or in a future period, but which are not yet expended in accordance with those conditions, are as follows:</i>			
Unexpended at the close of the previous reporting period		4,850,050	225,095
Less: expended during the current period from revenues recognised in previous reporting periods			
Roads Infrastructure		(2,635,290 )	-
Subtotal		(2,635,290 )	-
Plus: amounts recognised as revenues in this reporting period but not yet expended in accordance with the conditions			
Roads Infrastructure		1,994,358	4,624,955
Heritage & Cultural Services		70,000	-
Subtotal		2,064,358	4,624,955
Unexpended at the close of this reporting period and		4,279,118	4,850,050
Net (decrease) / increase in assets subject to conditions in the current reporting period		(570,932 )	4,624,955
<b>PHYSICAL RESOURCES RECEIVED FREE OF CHARGE</b>			
Land & Improvements		-	9,090
Roads, Bridges & Footpaths		887,075	4,557,552
<b>TOTAL PHYSICAL RESOURCES RECEIVED</b>		<b>887,075</b>	<b>4,566,642</b>

# Litchfield Council

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2017

### Note 2A - RECONCILIATION OF GOVERNMENT GRANTS

This schedule records all amounts received from other levels of Government, whether described as grants, subsidies or otherwise. (Amounts shown as negative are awaiting reimbursement to Council.)

#### GRANTS (with discretion on use)

##### GENERAL PURPOSE (Untied)

- Grants Commission Grant - general purpose
- Grants Commission Grant - roads funding

##### Subtotal

##### SPECIFIC PURPOSE (Recurrent)

- Roads to Recovery
- Blackspot Funding
- NT Government Major Projects Grant - Anzac Parade
- NT Government Major Projects Grant - Freds Pass Road
- Libraries - Feasibility Study
- Streetlight Maintenance PAWA - Grant
- Waste Management Container Grant
- Aquatic Needs Study
- Other

##### Subtotal

#### TOTAL OTHER GRANTS

##### Comparatives

#### GRANTS SPECIFICALLY FOR NEW/UPGRADED ASSETS

##### SPECIFIC PURPOSE (Recurrent)

- Howard Park Reserve - Irrigation Grant
- Mobile Workforce Shed - Grant
- Freds Pass Reserve Capital Upgrade grant
- Howard Park Reserve Scout Roof grant
- Livingstone Reserve Pony Club Improvements
- Berry Springs Reserve Caretakers Dwelling

#### TOTAL GRANTS SPECIFICALLY FOR NEW/UPGRADED ASSETS

##### Comparatives

Recognised as revenue in advance of expenditure

	Opening Balance 1 July 2016	Movements		Closing Balance 30 June 2017
		Received/ Receivable	Expended	
Notes	\$	\$	\$	\$
	N/A	729,135	481,109	248,026
	N/A	3,729,913	2,458,581	1,271,332
	-	4,459,048	2,939,690	1,519,358
	-	2,178,780	2,178,780	-
	-	600,000	600,000	-
	800,000	250,000	1,063,230	(13,230)
	500,000	-	84,750	415,250
	-	50,000	-	50,000
	-	62,060	62,060	-
	-	10,890	10,890	-
	40,000	-	40,000	-
	-	32,706	32,706	-
	1,340,000	3,184,436	4,072,416	452,020
	1,340,000	7,643,484	7,012,106	1,971,378
				1,340,000

	-	20,000	-	20,000
	-	225,000	-	225,000
	3,000,000	-	937,260	2,062,740
	125,095	-	125,095	-
	195,500	-	195,500	-
	189,455	-	189,455	-
	3,510,050	245,000	1,447,310	2,307,740
				3,510,050

	4,850,050	4,279,118
	4,850,050	4,279,118

# Litchfield Council

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2017

### Note 3 - EXPENSES

	Notes	2017 \$	2016 \$
<b>EMPLOYEE COSTS</b>			
Salaries and Wages		4,582,069	4,377,953
Employee leave expense		262,559	14,960
Superannuation - defined contribution plan contributions	16	439,636	382,511
Workers' Compensation Insurance		99,551	115,797
Fringe Benefit Tax		26,943	35,147
Other		151,681	88,154
<b>Total Operating Employee Costs</b>		<b>5,562,439</b>	<b>5,014,522</b>
<b>Total Number of Employees</b>		<b>53</b>	<b>46</b>
<i>(Full time equivalent at end of reporting period)</i>			
<b>MATERIALS, CONTRACTS &amp; OTHER EXPENSES</b>			
<u>Prescribed Expenses</u>			
Auditor's Remuneration			
- Auditing the financial reports		41,271	37,654
- Other Services		2,880	960
Bad and Doubtful Debts		8,208	56,899
Elected members' expenses		219,118	146,066
Election expenses		-	105,956
Official Manager Fees		-	27,948
Subtotal - Prescribed Expenses		<b>271,477</b>	<b>375,483</b>
<u>Other Materials, Contracts &amp; Expenses</u>			
Cemetery Operations		296,259	369,718
Contractors		4,287,979	5,293,434
Energy		216,767	220,367
Insurance		201,977	194,677
Maintenance		528,295	446,753
Legal Expenses		163,512	61,804
Donations and Community Support		101,473	66,147
Computer/IT Costs		240,773	305,463
Parts, accessories & consumables		151,360	251,724
Professional services		640,884	161,677
Sundry		366,956	323,004
Subtotal - Other Materials, Contracts & Expenses		<b>7,196,235</b>	<b>7,694,768</b>
		<b>7,467,712</b>	<b>8,070,251</b>



## Litchfield Council

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2017

#### Note 3 - EXPENSES (cont)

	Notes	2017 \$	2016 \$
<b>DEPRECIATION, AMORTISATION &amp; IMPAIRMENT</b>			
<b>Depreciation</b>			
Buildings		981,394	997,133
Infrastructure			
- Sealed Roads		10,956,990	10,575,794
- Unsealed Roads		2,935,914	3,136,238
- Road Culverts		331,591	331,591
- Kerbs & Gutters		29,210	29,209
- Driveway Vehicle Crossings		176,374	177,239
- Footpaths		15,956	15,956
- Road Signs		90,521	91,889
- Inverts		877	877
- Point Generic		35,233	27,502
- Driveways		941,075	1,163,712
- Bicycle Paths		24,914	26,028
Plant & equipment		38,559	38,560
Motor Vehicles		191,070	175,683
		<u>16,749,678</u>	<u>16,787,411</u>

# Litchfield Council

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2017

### Note 4 - ASSET DISPOSAL & FAIR VALUE ADJUSTMENTS

	Notes	2017 \$	2016 \$
<b>INFRASTRUCTURE, PROPERTY, PLANT &amp; EQUIPMENT</b>			
<i><b>Assets renewed or directly replaced</b></i>			
Proceeds from disposal		-	-
Less: Carrying amount of assets sold		-	24,052
<b>Loss on disposal</b>		<u>-</u>	<u>(24,052)</u>
<i><b>Assets surplus to requirements</b></i>			
Proceeds from disposal		179,924	68,031
Less: Carrying amount of assets sold		151,528	59,119
<b>Gain on disposal</b>		<u>28,396</u>	<u>8,912</u>
<b>NET GAIN (LOSS) ON DISPOSAL OR REVALUATION OF ASSETS</b>		<u>28,396</u>	<u>(15,140)</u>

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## Litchfield Council

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2017

#### Note 5 - CURRENT ASSETS

	2017	2016
	Notes	
<b>CASH &amp; EQUIVALENT ASSETS</b>	<b>\$</b>	<b>\$</b>
Cash on Hand and at Bank	<u>1,930,063</u>	<u>1,273,210</u>
	<u>1,930,063</u>	<u>1,273,210</u>
 <b>TRADE &amp; OTHER RECEIVABLES</b>		
Rates - General & Other	2,153,120	2,029,314
Accrued Revenues	197,650	191,183
Debtors - general	108,139	209,980
Prepayments	33,040	15,654
Total	2,491,949	2,446,131
 Less: Allowance for Doubtful Debts	<u>5,906</u>	<u>52,683</u>
	<u>2,486,043</u>	<u>2,393,448</u>
 <b>OTHER FINANCIAL ASSETS</b>		
Bank Investments - Term Deposits	<u>19,574,537</u>	<u>19,769,224</u>
	<u>19,574,537</u>	<u>19,769,224</u>

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## Litchfield Council

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2017

#### Note 6 - NON-CURRENT ASSETS

	2017	2016
	\$	\$
<b>OTHER NON-CURRENT ASSETS</b>		
Capital Works-in-Progress	<u>2,144,459</u>	<u>708,756</u>
	<u>2,144,459</u>	<u>708,756</u>

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# Litchfield Council

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2017

	Fair Value Level	2016				2017			
		AT FAIR VALUE	AT COST	ACCUM DEP'N	CARRYING AMOUNT	AT FAIR VALUE	AT COST	ACCUM DEP'N	CARRYING AMOUNT
		\$	\$	\$	\$	\$	\$	\$	\$
Note 7 - INFRASTRUCTURE, PROPERTY, PLANT & EQUIPMENT									
Land - Council owned	2	14,387,856	-	-	14,387,856	14,387,856	-	-	14,387,856
Land - Drainage	3	6,638,569	-	-	6,638,569	6,638,569	-	-	6,638,569
Buildings	2	35,863,263	157,917	(14,556,119)	21,465,061	35,863,263	763,473	(15,537,513)	21,089,223
Infrastructure									
- Sealed Roads	3	231,761,720	8,007,961	(50,670,853)	189,098,828	231,761,720	12,246,454	(61,627,843)	182,380,331
- Unsealed Roads	3	27,141,583	-	(14,440,845)	12,700,738	27,141,583	-	(17,376,759)	9,764,824
- Road Culverts	3	33,122,065	183,209	(12,700,023)	20,605,251	33,122,065	274,037	(13,031,614)	20,364,488
- Kerbs & Gutters	3	1,459,296	159,980	(674,043)	945,233	1,459,296	159,980	(703,253)	916,023
- Driveway Vehicle Crossings	3	15,716,238	197,691	(7,230,828)	8,683,101	15,716,238	228,687	(7,407,202)	8,537,723
- Footpaths	3	590,549	88,500	(238,867)	440,182	590,548	154,560	(254,822)	490,286
- Road Signs	3	1,347,780	150,137	(612,176)	885,741	1,347,780	304,647	(702,697)	949,730
- Inverts	3	26,320	-	(12,712)	13,608	26,320	-	(13,589)	12,731
- Point Generic	3	539,417	139,472	(318,008)	360,881	539,417	179,972	(353,241)	366,148
- Driveways	3	8,960,449	253,000	(5,838,740)	3,374,709	8,960,449	327,820	(6,779,815)	2,508,454
- Bicycle Paths	3	780,841	-	(357,304)	423,537	780,841	-	(382,218)	398,623
- Storm Waste Drains	3	-	608,490	-	608,490	-	608,490	-	608,490
Office Equipment	2	587,995	-	(587,995)	-	587,995	-	(587,995)	-
Plant & equipment	2	388,718	-	(154,218)	234,500	388,718	9,484	(192,777)	205,425
Motor Vehicles	2	1,774,866	376,633	(822,440)	1,329,059	1,306,211	934,414	(696,383)	1,544,242
Other assets	2	21,229	-	(21,229)	-	21,229	-	(21,229)	-
TOTAL PROPERTY, PLANT & EQUIPMENT		381,108,754	10,322,990	(109,236,400)	282,195,344	380,640,098	16,192,018	(125,668,950)	271,163,166
Comparatives		381,417,418	-	(92,674,481)	288,742,937	381,108,754	10,322,990	(109,236,400)	282,195,344

This Note continues on the following pages.

# Litchfield Council

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2017

	2016	CARRYING AMOUNT MOVEMENTS DURING YEAR				2017
	CARRYING AMOUNT	Additions		Disposals	Depreciation	CARRYING AMOUNT
	\$	New/Upgrade \$	Renewals \$	\$	\$	\$
<b>Note 7 - INFRASTRUCTURE, PROPERTY, PLANT &amp; EQUIPMENT</b>						
Land - Council owned	14,387,856	-	-	-	-	14,387,856
Land - Drainage	6,638,569	-	-	-	-	6,638,569
Buildings	21,465,061	-	605,556	-	(981,394)	21,089,223
Infrastructure						
- Sealed Roads	189,098,828	702,796	3,535,697	-	(10,956,990)	182,380,331
- Unsealed Roads	12,700,738	-	-	-	(2,935,914)	9,764,824
- Road Culverts	20,605,251	27,424	63,404	-	(331,591)	20,364,488
- Kerbs & Gutters	945,233	-	-	-	(29,210)	916,023
- Driveway Vehicle Crossings	8,683,101	30,996	-	-	(176,374)	8,537,723
- Footpaths	440,182	-	66,060	-	(15,956)	490,286
- Road Signs	885,741	10,538	143,972	-	(90,521)	949,730
- Inverts	13,608	-	-	-	(877)	12,731
- Point Generic	360,881	40,500	-	-	(35,233)	366,148
- Driveways	3,374,709	74,820	-	-	(941,075)	2,508,454
- Bicycle Paths	423,537	-	-	-	(24,914)	398,623
- Storm Waste Drains	608,490	-	-	-	-	608,490
Plant & equipment	234,500	-	9,484	-	(38,559)	205,425
Motor Vehicles	1,329,059	-	557,781	(151,528)	(191,070)	1,544,242
<b>TOTAL INFRASTRUCTURE, PROPERTY, PLANT &amp; EQUIPMENT</b>	<b>282,195,344</b>	<b>887,074</b>	<b>4,981,954</b>	<b>(151,528)</b>	<b>(16,749,678)</b>	<b>271,163,166</b>
<b>Comparatives</b>	<b>288,742,937</b>	<b>4,566,642</b>	<b>5,756,348</b>	<b>(83,172)</b>	<b>(16,787,411)</b>	<b>282,195,344</b>

*This Note continues on the following pages.*

# Litchfield Council

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2017

### Note 7 (cont) – INFRASTRUCTURE, PROPERTY, PLANT & EQUIPMENT

#### Valuation of Assets

##### General Valuation Principles

*Accounting procedure* - Upon revaluation, the current new replacement cost and accumulated depreciation are re-stated such that the difference represents the fair value of the asset determined in accordance with AASB 13 *Fair Value Measurement*: accumulated depreciation is taken to be the difference between current new replacement cost and fair value. In the case of land, fair value is taken to be the current replacement cost.

*Highest and best use* - For land which Council has an unfettered right to sell, the "highest and best use" recognises the possibility of the demolition or substantial modification of some or all of the existing buildings and structures affixed to the land.

Much of the land under Council's care and control is Crown land or has been declared as community land. Other types of restrictions also exist.

For land subject to these restrictions, the highest and best use is taken to be the "highest and best use" available to Council, with a rebuttable presumption that the current use is the "highest and best use". The reason for the current use of a large proportion of Council's assets being other than the "highest and best use" relates to Council's principal role as the provider of services to the community, rather than the use of those assets for the generation of revenue.

For buildings and other structures on and in the land, including infrastructure, "highest and best use" is determined in accordance with the land on and in which they are situated.

*Transition to AASB 13* - The requirements of AASB 13 *Fair Value Measurement* have been applied to all valuations undertaken since 1 July 2013 as shown by the valuation dates by individual asset classes below.

##### Land under Roads

Council being of the opinion that it is not possible to attribute a value sufficiently reliably to qualify for recognition, land under roads has not been recognised in these reports. Land acquired for road purposes during the year is initially recognised at cost, but transferred to fair value at reporting date, effectively writing off the expenditure.

##### Land & Land Improvements

*Fair value hierarchy level 2 valuations* - Certain land, and the buildings and structures thereon, are shown above as being based on fair value hierarchy level 2 valuation inputs. They are based on prices for similar assets in an active market, with directly or indirectly observable adjustments for specific advantages or disadvantages attaching to the particular asset.

*Fair value hierarchy level 3 valuations of land* - Valuations of Crown land, community land and land subject to other restrictions on use or disposal, shown above as being based on fair value hierarchy level 3 valuation inputs, are based on prices for similar assets in an active market, but include adjustments for specific advantages or disadvantages attaching to the particular asset that are not directly or indirectly observable in that market, or the number and / or amount of observable adjustments of which are so great that the valuation is more fairly described as being based on level 3 valuation inputs.

These assets were valued as at 30 June 2015 valuation by Maloney Field Services Pty Ltd (previous valuation – 1 July 2011 – Maloney Field Services Pty Ltd).

##### Buildings & Other Structures, Infrastructure and other assets shown as fair value hierarchy level 3

There is no known market for these assets and they are valued at depreciated current replacement cost. This method involves:

## Litchfield Council

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2017

#### Note 7 – Infrastructure, Property, Plant & Equipment (cont)

- The determination of the cost to construct the asset (or its modern engineering equivalent) using current prices for materials and labour, the quantities of each being estimated based on recent experience of this or similar Councils, or on industry construction guides where these are more appropriate.
- The calculation of the depreciation that would have accumulated since original construction using current estimates of residual value and useful life under the prime cost depreciation method adopted by Council.

This method has significant inherent uncertainties, relying on estimates of quantities of materials and labour, residual values and useful lives, and the possibility of changes in prices for materials and labour, and the potential for development of more efficient construction techniques.

#### Buildings & Other Structures

These assets were valued as at 30 June 2015 valuation by Maloney Field Services Pty Ltd (previous valuation – 1 July 2011 – Maloney Field Services Pty Ltd).

#### Infrastructure

These assets were valued as at 30 June 2015 valuation by Maloney Field Services Pty Ltd (previous valuation – 1 July 2011 – Maloney Field Services Pty Ltd).

#### Capitalisation Thresholds

Capitalisation thresholds used by Council for a representative range of assets are shown below. No capitalisation threshold is applied to the acquisition of land or interests in land.

#### Estimated useful lives and Capitalisation Thresholds

Building & Other Structures	15 to 25 years	-
Infrastructure		
Sealed Roads – Surface	13 to 25 years	-
Sealed Roads – Pavement	20 to 50 years	-
Unsealed Roads	7 to 20 years	-
Roads – Earthworks	80 to 100 years	-
Road Culverts	80 to 100 years	-
Kerbs & Gutters	20 to 70 years	-
Driveway Vehicle Crossings	80 to 100 years	-
Footpaths	20 to 70 years	-
Road Signs	10 to 20 years	-
Inverts	20 to 70 years	-
Point Generic	10 to 20 years	-
Driveways	5 to 12 years	-
Bicycle Paths	20 to 70 years	-
Office Equipment	5 to 10 years	\$5,000
Plant & Equipment	3 to 20 years	\$5,000
Motor Vehicles	5 to 10 years	\$5,000



# Litchfield Council

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2017

### Note 8 - LIABILITIES

		2017		2016	
		\$		\$	
	Notes	Current	Non-current	Current	Non-current
<b>TRADE &amp; OTHER PAYABLES</b>					
Goods & Services		<b>810,696</b>	-	1,182,062	-
Payments received in advance		<b>295,904</b>	-	259,203	-
Accrued expenses - employee entitlements		<b>128,441</b>	-	212,548	-
Deposits, Retentions & Bonds		<b>338,122</b>	-	402,719	-
		<b><u>1,573,163</u></b>	-	<b><u>2,056,532</u></b>	-
<b>PROVISIONS</b>					
Employee entitlements (including oncosts)		<b>720,061</b>	<b>339,745</b>	490,579	292,267
		<b><u>720,061</u></b>	<b><u>339,745</u></b>	<b><u>490,579</u></b>	<b><u>292,267</u></b>

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# Litchfield Council

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2017

### Note 9 - RESERVES

<b>ASSET REVALUATION RESERVE</b>	1/07/2016	Net Increments (Decrements)	Transfers, Impairments	30/06/2017
Notes	\$	\$	\$	\$
Land - Council owned	125,175,674	-	-	<b>125,175,674</b>
Buildings	11,728,040	-	-	<b>11,728,040</b>
Infrastructure				
- Roads	67,214,133	-	-	<b>67,214,133</b>
- Road Culverts	20,079,696	-	-	<b>20,079,696</b>
- Kerbs & Gutters	602,563	-	-	<b>602,563</b>
- Driveway Vehicle Crossings	10,124,337	-	-	<b>10,124,337</b>
- Footpaths	203,312	-	-	<b>203,312</b>
- Road Signs	1,350,810	-	-	<b>1,350,810</b>
- Inverts	17,994	-	-	<b>17,994</b>
- Point Generic	338,757	-	-	<b>338,757</b>
- Driveways	5,835,193	-	-	<b>5,835,193</b>
- Bicycle Paths	518,927	-	-	<b>518,927</b>
Motor Vehicles	122,294	-	-	<b>122,294</b>
<b>Total Infrastructure, Property, Plant &amp; Equipment</b>	<b>243,311,730</b>	-	-	<b>243,311,730</b>
<b>TOTAL</b>	<b>243,311,730</b>	-	-	<b>243,311,730</b>
<b>Comparatives</b>	<b>243,311,730</b>	-	-	<b>243,311,730</b>

<b>OTHER RESERVES</b>	1/07/2016	Transfers to Reserve	Transfers from Reserve	30/06/2017
	\$	\$	\$	\$
Property	508,902	-	(43,430 )	<b>465,472</b>
Plant and equipment	137,446	-	(100,763 )	<b>36,683</b>
Infrastructure	2,334,793	-	(118,767 )	<b>2,216,026</b>
Developer Contributions	855,766	214,483	(288,678 )	<b>781,571</b>
Waste Management	3,344,062	935,646	(217,756 )	<b>4,061,952</b>
Election	25,044	-	-	<b>25,044</b>
Disaster Recovery	790,388	-	-	<b>790,388</b>
Strategic Initiatives	1,374,139	-	(86,900 )	<b>1,287,239</b>
Capital Grants unexpended	4,850,050	2,064,358	(2,635,290 )	<b>4,279,118</b>
Cemetery	192,028	19,829	-	<b>211,857</b>
<b>TOTAL OTHER RESERVES</b>	<b>14,412,618</b>	<b>3,234,316</b>	<b>(3,491,584 )</b>	<b>14,155,350</b>
<b>Comparatives</b>	<b>10,512,947</b>	<b>6,310,976</b>	<b>(2,411,305 )</b>	<b>14,412,618</b>

## **PURPOSES OF RESERVES**

### **Asset Revaluation Reserve**

The asset revaluation reserve is used to record increments and decrements arising from changes in fair value of non-current assets and available-for-sale financial assets.

### **Other Reserves**

These are cash backed reserves to meet anticipated future needs. In each case the amount related to a perceived future requirement which is not currently a liability:

Disaster Recovery Reserve	This reserve will fund expenses occurred due to storms, storm surges, and floods or any other natural disaster. The fund will enable Litchfield Council to recover from these disasters and return to operations. Where external funds are received after an event for the purpose of disaster recovery, these funds shall be used to replenish this reserve.
Strategic Initiative Reserve	This reserve will fund strategic initiatives for the future development of Litchfield Council in line with the Municipal Plan and the Long Term Financial Plan. Specific initiatives must be identified in order to have funds allocated.
Election Reserve	This reserve will fund expenses related to Local Government elections and By-Elections.
Infrastructure Reserve	This reserve holds funding for renewal, replacement or upgrading of existing assets and/or the establishment of new assets in line with Council's Asset Management Plan for Infrastructure.
Waste Management Reserve	This reserve holds funding for renewal, replacement or upgrading of existing assets and/or the establishment of new assets in line with Council's Asset Management Plan for Waste Management.
Property Reserve	This reserve holds funding for renewal, replacement or upgrading of existing assets and/or the establishment of new assets in line with Council's Asset Management Plan for Property.
Plant and Equipment Reserve	This reserve holds funding for renewal, replacement or upgrading of existing assets and/or the establishment of new assets in line with Council's Asset Management Plan for Plant and Equipment.
Developer Contributions*	These contributions are paid by developers pursuant to the conditions of a development permit for a specified purpose in a designated locality. The developer contributions are levied in accordance with the Litchfield Council Developer Contribution Plan at the time of payment.
Cemetery Reserve*	These funds represent total equity of the Thorak Regional Cemetery. Control of the cemetery can be removed at any time as a result of changes to the Northern Territory Government arrangements.

\* Externally restricted reserves

# Litchfield Council

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2017

### Note 10 - ASSETS SUBJECT TO RESTRICTIONS

The uses of the following assets are restricted, wholly or partially, by legislation or other externally imposed requirements. The assets are required to be utilised for the purposes for which control was transferred to Council, or for which the revenues were originally obtained.

	Notes	2017 \$	2016 \$
<b>CASH &amp; FINANCIAL ASSETS</b>			
Unexpended amounts received from Federal Government		4,279,118	4,850,050
Developer Contributions		214,483	855,766
		<u>4,493,601</u>	<u>5,705,816</u>
<b>TOTAL ASSETS SUBJECT TO EXTERNALLY IMPOSED RESTRICTIONS</b>		<u>4,493,601</u>	<u>5,705,816</u>

# Litchfield Council

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2017

### Note 11 - RECONCILIATION TO CASH FLOW STATEMENT

#### (a) Reconciliation of Cash

Cash Assets comprise highly liquid investments with short periods to maturity subject to insignificant risk of changes of value. Cash at the end of the reporting period as shown in the Cash Flow Statement is reconciled to the related items in the Statement of Financial Position as follows:

	Notes	2017 \$	2016 \$
Total cash & equivalent assets	5	<b>1,930,063</b>	1,273,210
Balances per Cash Flow Statement		<b>1,930,063</b>	<b>1,273,210</b>

#### (b) Reconciliation of Change in Net Assets to Cash from Operating Activities

Net Deficit		<b>(8,835,305)</b>	(2,364,267)
Non-cash items in Income Statement			
Depreciation, amortisation & impairment		<b>16,749,678</b>	16,787,411
Net increase (decrease) in unpaid employee benefits		<b>192,853</b>	147,682
Change in allowances for under-recovery		<b>(46,777)</b>	15,797
Non-cash asset acquisitions		<b>(887,075)</b>	(4,566,642)
Grants for capital acquisitions treated as Investing Activity		<b>(245,000)</b>	(20,000)
Net (Gain) Loss on Disposals		<b>(28,396)</b>	15,140
		<b>6,899,978</b>	10,015,121
Add (Less): Changes in Net Current Assets			
Net (increase) decrease in receivables		<b>(45,818)</b>	524,071
Net increase (decrease) in trade & other payables		<b>(399,262)</b>	491,929
<b>Net Cash provided by operations</b>		<b>6,454,898</b>	<b>11,031,121</b>

#### (c) Non-Cash Financing and Investing Activities

Acquisition of assets by means of:

- Physical resources received free of charge	3	<b>887,075</b>	4,566,642
<i>Amounts recognised in Income Statement</i>		<b>887,075</b>	4,566,642

#### (d) Financing Arrangements

Council does not have in place any financing facilities or arrangements.

# Litchfield Council

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2017

### Note 12 - FUNCTIONS

REVENUES, EXPENSES AND ASSETS HAVE BEEN DIRECTLY ATTRIBUTED TO THE FOLLOWING FUNCTIONS & ACTIVITIES														
GENERAL PUBLIC SERVICES			PUBLIC ORDER & SAFETY			ECONOMIC AFFAIRS			ENVIRONMENTAL PROTECTION			HOUSING & COMMUNITY AMENITIES		
BUDGET	ACTUAL	ACTUAL	BUDGET	ACTUAL	ACTUAL	BUDGET	ACTUAL	ACTUAL	BUDGET	ACTUAL	ACTUAL	BUDGET	ACTUAL	ACTUAL
2017	2017	2016	2017	2017	2016	2017	2017	2016	2017	2017	2016	2017	2017	2016
\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>OPERATING REVENUES</b>														
Rates	6,442,326	6,734,057	6,085,888	-	-	-	-	-	3,050,044	3,078,845	2,955,916	-	-	-
Statutory & User Charges	80,500	77,766	82,292	43,500	37,376	58,732	46,000	52,799	113,653	202,065	232,923	-	-	-
Grants - NT recurrent	1,100	51,955	91,100	-	-	-	-	-	-	10,890	22,000	-	62,060	-
Grants - NT capital	-	-	-	-	-	-	1,220,500	250,000	1,300,000	-	-	-	-	-
Grants - Cwltth recurrent	464,608	729,135	464,608	-	-	-	2,367,391	3,729,913	2,491,993	-	-	-	-	-
Grants - Cwltth capital	-	-	-	-	-	-	3,502,156	2,778,780	3,323,553	-	-	-	-	-
Contributions & Donations	-	-	-	-	-	-	280,000	245,234	205,913	-	-	-	-	-
Investment Income	127,000	723,911	679,223	-	-	-	-	-	-	77,043	89,055	-	-	-
Reimbursements & Other Revenues	47,409	49,640	29,130	-	623	-	124,000	11,814	179,314	-	387,589	-	-	-
<b>Total</b>	<b>7,162,943</b>	<b>8,366,464</b>	<b>7,432,241</b>	<b>43,500</b>	<b>37,999</b>	<b>58,732</b>	<b>7,540,047</b>	<b>7,068,540</b>	<b>7,614,426</b>	<b>3,236,044</b>	<b>3,368,843</b>	<b>3,687,483</b>	<b>-</b>	<b>62,060</b>
<b>OPERATING EXPENSES</b>														
Employee Costs	1,821,628	1,849,755	1,494,410	282,097	299,709	244,763	1,822,985	1,755,273	1,716,630	1,071,548	980,081	-	-	-
Materials, Contracts & Other	1,594,655	1,481,622	1,574,471	154,450	108,339	63,167	3,606,220	2,987,504	3,756,425	1,755,500	1,297,865	50,000	117,976	54,147
Interest Charges	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Depreciation, Amortisation, Impairment	-	97,718	108,154	-	7,005	19,864	-	15,775,921	16,494,292	-	155,922	165,101	-	-
<b>Total</b>	<b>3,416,283</b>	<b>3,429,095</b>	<b>3,177,035</b>	<b>436,547</b>	<b>415,053</b>	<b>327,794</b>	<b>5,429,205</b>	<b>20,518,698</b>	<b>21,967,347</b>	<b>2,827,048</b>	<b>2,734,768</b>	<b>50,000</b>	<b>117,976</b>	<b>54,147</b>
<b>TOTALS</b>	<b>3,746,660</b>	<b>4,937,369</b>	<b>4,255,206</b>	<b>(393,047)</b>	<b>(377,054)</b>	<b>(269,062)</b>	<b>2,110,842</b>	<b>(13,450,158)</b>	<b>(14,352,921)</b>	<b>408,996</b>	<b>634,075</b>	<b>1,244,436</b>	<b>(50,000)</b>	<b>(55,916)</b>
<b>TOTAL ASSETS UTILISED</b>	<b>23,990,643</b>	<b>25,560,868</b>	<b>22,760</b>	<b>86,747</b>	<b>252,186,158</b>	<b>253,365,614</b>	<b>3,304,355</b>	<b>3,252,476</b>						

RECREATION, CULTURE & RELIGION			EDUCATION			CEMETERY			TOTAL		
BUDGET	ACTUAL	ACTUAL	BUDGET	ACTUAL	ACTUAL	BUDGET	ACTUAL	ACTUAL	BUDGET	ACTUAL	ACTUAL
2017	2017	2016	2017	2017	2016	2017	2017	2016	2017	2017	2016
\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>OPERATING REVENUES</b>											
Rates	-	-	-	-	-	-	-	-	9,492,370	9,812,902	9,041,804
Statutory & User Charges	-	-	-	-	-	842,450	763,258	859,768	1,198,450	1,133,264	1,347,368
Grants - NT recurrent	-	-	-	-	-	-	11,200	-	1,100	136,105	113,100
Grants - NT capital	3,000,000	-	3,264,955	-	-	-	-	-	4,220,500	250,000	4,564,955
Grants - Cwltth recurrent	-	-	-	-	-	-	-	-	2,831,999	4,459,048	2,956,601
Grants - Cwltth capital	-	-	-	-	-	-	-	-	3,502,156	2,778,780	3,323,553
Contributions & Donations	-	-	-	-	-	-	-	-	280,000	245,234	205,913
Investment Income	-	-	-	-	-	-	11,633	12,091	127,000	812,587	780,369
Reimbursements & Other Revenues	-	56,165	2,172	-	-	12,000	37,891	4,547	183,409	156,133	602,752
<b>Total</b>	<b>3,000,000</b>	<b>56,165</b>	<b>3,267,127</b>	<b>-</b>	<b>-</b>	<b>854,450</b>	<b>823,982</b>	<b>876,406</b>	<b>21,836,984</b>	<b>19,784,053</b>	<b>22,936,415</b>
<b>OPERATING EXPENSES</b>											
Employee Costs	-	-	-	-	-	539,605	453,617	578,638	5,537,863	5,562,439	5,014,522
Materials, Contracts & Other	959,000	1,035,166	938,137	12,000	12,000	378,254	350,344	374,039	8,510,079	7,467,712	8,070,251
Interest Charges	-	-	-	-	-	-	-	-	-	-	-
Depreciation, Amortisation, Impairment	-	713,112	-	-	-	-	-	-	-	16,749,678	16,787,411
<b>Total</b>	<b>959,000</b>	<b>1,748,278</b>	<b>938,137</b>	<b>12,000</b>	<b>12,000</b>	<b>917,859</b>	<b>803,961</b>	<b>952,677</b>	<b>14,047,942</b>	<b>29,779,829</b>	<b>29,872,184</b>
<b>TOTALS</b>	<b>2,041,000</b>	<b>(1,692,113)</b>	<b>2,328,990</b>	<b>(12,000)</b>	<b>(12,000)</b>	<b>(63,409)</b>	<b>20,021</b>	<b>(76,271)</b>	<b>7,789,042</b>	<b>(9,995,776)</b>	<b>(6,935,769)</b>
<b>TOTAL ASSETS UTILISED</b>	<b>17,794,352</b>	<b>24,074,277</b>							<b>297,298,268</b>	<b>306,339,982</b>	

# Litchfield Council

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2017

### Note 12 (cont) - COMPONENTS OF FUNCTIONS

The activities relating to Council functions are as follows:

#### **General Public Services**

Administrative, legislative and executive affairs, financial and fiscal affairs, general research and general services; also includes Natural Disaster relief.

#### **Public Order & Safety**

Fire protection; local emergency services; animal control and impounding; control of public places; control of signs, hoardings and advertising, community policing and probationary matters.

#### **Economic Affairs**

General economic, agriculture and forestry, fuel and energy, other labour and employment affairs, CDEP and transport and other industries, saleyards and tourism.

#### **Environmental Protection**

Waste management, pollution reduction, protection of biodiversity and landscape and protection and remediation of soil, ground water and surface water.

#### **Housing & Community Amenities**

Housing, housing and development, water supply and street lighting.

#### **Recreation, Culture and Religion**

Facilities and venues, recreation parks and reserves, culture and religion services, museums and libraries.

#### **Education**

Administration, inspection, support, operation, etc. of education programs and services.

#### **Social Protection**

Outlays on day care services, family day care, occasional care and outside school hours care, aged service, shelter protection, drug and alcohol treatment programs; also includes relief from man-made disasters.

# Litchfield Council

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2017

### Note 13 - FINANCIAL INSTRUMENTS

#### Accounting Policies

<b>Bank, Deposits at Call, Short Term Deposits</b>	<p><b>Accounting Policy:</b> Carried at lower of cost and net realisable value; Interest is recognised when earned.</p> <p><b>Terms &amp; conditions:</b> Short term deposits have an average maturity of 336 days and an average interest rates of 2.73% (2016: 292 days, 2.998%).</p> <p><b>Carrying amount:</b> approximates fair value due to the short term to maturity.</p>
<b>Receivables - Rates &amp; Associated Charges (including legals &amp; penalties for late payment)</b>	<p><b>Accounting Policy:</b> Carried at nominal values less any allowance for doubtful debts. An allowance for doubtful debts is recognised (and re-assessed annually) when collection in full is no longer probable.</p> <p><b>Terms &amp; conditions:</b> Secured over the subject land, arrears attract interest of 17% (2016: 17%) Although Council is not materially exposed to any individual debtor, credit risk exposure is concentrated within the Council's boundaries in the</p> <p><b>Carrying amount:</b> approximates fair value (after deduction of any allowance).</p>
<b>Receivables - Fees &amp; other charges</b>	<p><b>Accounting Policy:</b> Carried at nominal values less any allowance for doubtful debts. An allowance for doubtful debts is recognised (and re-assessed annually) when collection in full is no longer probable.</p> <p><b>Terms &amp; conditions:</b> Unsecured, and do not bear interest. Although Council is not materially exposed to any individual debtor, credit risk exposure is concentrated within the Council's boundaries.</p> <p><b>Carrying amount:</b> approximates fair value (after deduction of any allowance).</p>
<b>Receivables - other levels of government</b>	<p><b>Accounting Policy:</b> Carried at nominal value.</p> <p><b>Terms &amp; conditions:</b> Amounts due have been calculated in accordance with the terms and conditions of the respective programs following advice of approvals, and do not bear interest. All amounts are due by Departments and Agencies of the Governments of the Commonwealth &amp; State.</p> <p><b>Carrying amount:</b> approximates fair value.</p>
<p><i>Note:</i> Certain of the above receivables do not meet the definition of <i>financial instruments</i>, being statutory charges rather than arising from a contract. Accounting policies are reported here for purposes of completeness but they are excluded from the remainder of the Note.</p>	
<b>Liabilities - Creditors and Accruals</b>	<p><b>Accounting Policy:</b> Liabilities are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the Council.</p> <p><b>Terms &amp; conditions:</b> Liabilities are normally settled on 30 day terms.</p> <p><b>Carrying amount:</b> approximates fair value.</p>



## Litchfield Council

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2017

#### Note 13 (cont) - FINANCIAL INSTRUMENTS

##### Liquidity Analysis

2017	Due < 1 year	Due > 1 year; ≤ 5 years	Due > 5 years	Total Contractual Cash Flows	Carrying Values
	\$	\$	\$	\$	\$
<b><u>Financial Assets</u></b>					
Cash & equivalents	1,930,063	-	-	1,930,063	1,930,063
Receivables	305,789	-	-	305,789	305,789
Other financial assets	20,070,160	-	-	20,070,160	19,574,537
<b>Total</b>	<b>22,306,012</b>	<b>-</b>	<b>-</b>	<b>22,306,012</b>	<b>21,810,389</b>
<b><u>Financial Liabilities</u></b>					
Payables	1,573,163	-	-	1,573,163	1,573,163
<b>Total</b>	<b>1,573,163</b>	<b>-</b>	<b>-</b>	<b>1,573,163</b>	<b>1,573,163</b>
<b>2016</b>					
<b><u>Financial Assets</u></b>					
Cash & equivalents	1,273,210	-	-	1,273,210	1,273,210
Receivables	401,163	-	-	401,163	401,163
Other financial assets	21,255,053	-	-	21,255,053	19,769,224
<b>Total</b>	<b>22,929,426</b>	<b>-</b>	<b>-</b>	<b>22,929,426</b>	<b>21,443,597</b>
<b><u>Financial Liabilities</u></b>					
Payables	2,056,532	-	-	2,056,532	2,056,532
<b>Total</b>	<b>2,056,532</b>	<b>-</b>	<b>-</b>	<b>2,056,532</b>	<b>2,056,532</b>

Note: Statutory receivables, such as rates, have been excluded from the above tables.

#### Net Fair Value

All carrying values approximate fair value for all recognised financial instruments. There is no recognised market for the financial assets of the Council.

#### Risk Exposures

**Credit Risk** represents the loss that would be recognised if counterparties fail to perform as contracted. The maximum credit risk on financial assets of the Council is the carrying amount, net of any provision for doubtful debts. In accordance with regulations, all Council investments are made with authorised deposit taking institutions. Except as detailed in Notes 5 & 6 in relation to individual classes of receivables, exposure is concentrated within the Council's boundaries, and there is no material exposure to any individual debtor.

**Market Risk** is the risk that fair values of financial assets will fluctuate as a result of changes in market prices. All of Council's financial assets are denominated in Australian dollars and are not traded on any market, and hence neither market risk nor currency risk apply.

**Liquidity Risk** is the risk that Council will encounter difficulty in meeting obligations with financial liabilities. Liabilities have a range of maturity dates based on cash inflows. Council also has available a range of bank overdraft and short-term draw down facilities that it can access.

**Interest Rate Risk** is the risk that future cash flows will fluctuate because of changes in market interest rates. Most of Council's financial instruments - both assets and liabilities - are at fixed rates. Any such variations in future cash flows will not be material in effect on either Council incomes or expenditures.

# Litchfield Council

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2017

### Note 14 - COMMITMENTS FOR EXPENDITURE

	2017	2016
<u>Notes</u>	\$	\$
<b>Capital Commitments</b>		
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:		
Roads & Footpaths	1,531,804	1,310,050
Plant & Equipment	33,674	-
	<u>1,565,478</u>	<u>1,310,050</u>
These expenditures are payable:		
Not later than one year	<u>1,565,478</u>	<u>1,310,050</u>
	<u>1,565,478</u>	<u>1,310,050</u>

#### Other Expenditure Commitments

Other non-capital expenditure committed:

Maintenance contracts	349,569	-
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#### Finance Lease Commitments

There are no finance lease commitments as at 30 June 2017 and 2016.

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# Litchfield Council

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2017

### Note 15 - FINANCIAL INDICATORS

	2017	2016	2015	2014
<b>Current Ratio</b>				
<u>Current Assets - Externally Restricted Assets</u>	8.5:1	6.96:1	8.8:1	11.38:1
Current Liabilities				
<b>Debt Service Ratio</b>				
<u>Net Debt Service Cost</u>	0%	0%	0%	0%
Operating Revenue*				
* as defined				
<b>Rate Coverage Percentage</b>				
<u>Rate Revenues</u>	36.12%	28.30%	39.27%	40.20%
Total Revenues				
<b>Rates &amp; Annual Charges Outstanding Percentage</b>				
<u>Rates &amp; Annual Charges Outstanding</u>	23.47%	22.52%	28.41%	50.68%
Rates & Annual Charges Collectible				

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# **Litchfield Council**

## **NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2017**

### **Note 16 – SUPERANNUATION**

The Council makes employer superannuation contributions in respect of its employees to Statewide Super (formerly Local Government Superannuation Scheme). There are two types of membership, each of which is funded differently. Permanent and contract employees with Salarylink benefits prior to 24 November 2009 have the option to contribute to the Accumulation section and/or Salarylink. All other employees (including casuals) have all contributions allocated to the Accumulation section.

#### **Accumulation only Members**

Accumulation only members receive both employer and employee contributions on a progressive basis. Employer contributions are based on a fixed percentage of ordinary time earnings in accordance with superannuation guarantee legislation (9.50% in 2016/17; 9.50% in 2015/16). No further liability accrues to the Council as the superannuation benefits accruing to employees are represented by their share of the net assets of the Fund.

#### **Contributions to Other Superannuation Schemes**

Council also makes contributions to other superannuation schemes selected by employees under the “choice of fund” legislation. All such schemes are of the accumulation type, where the superannuation benefits accruing to the employee are represented by their share of the net assets of the scheme, and no further liability attaches to the Council.

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# **Litchfield Council**

## **NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2017**

### **Note 17 - INTERESTS IN OTHER ENTITIES**

#### **Entities consolidated within these Statements**

The principal activities and entities conducted other than in the Council's own name that have been included in these consolidated financial statements are:

Thorak Regional Cemetery	(Ownership interest 100%)
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All transactions and balances between Council and controlled entities have been eliminated.

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## **Litchfield Council**

### **NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2017**

#### **Note 18 - RELATED PARTY DISCLOSURES**

##### **KEY MANAGEMENT PERSONNEL**

The Key Management Personnel of the Council include the Mayor, Councillors, CEO and certain prescribed officers to comply with the Related Party Disclosures under AASB 124. In all 12 persons were paid the following:

	<b>2017</b>
	<b>\$</b>
Salaries, allowances & other short term benefits	964,180
<b>TOTAL</b>	<b>964,180</b>

Amounts paid as direct reimbursement of expenses incurred on behalf of Council have not been included above.

##### **PARTIES RELATED TO KEY MANAGEMENT PERSONNEL**

Key management personnel received the transfer of adjoining land to residential block (Council Resolution 15/0065 on 3 September 2015). The costs associated to this transfer are made up of the following:

- 2015/16 \$1,228 for the Development Application Fee
- 2016/17 \$9,338 for Subdivision Services and Mortgage Adjustment Fee
- 2017/18 \$1,954 for Valuation and Survey Fees

**Thorak Regional Cemetery**  
**Special Purpose Financial Reports**  
**for the year ended 30 June 2017**

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# **Thorak Regional Cemetery**

## **SPECIAL PURPOSE FINANCIAL REPORT for the year ended 30 June 2017**

### **BOARD OF TRUSTEE'S STATEMENT**

I, Kaylene Conrick, the Chief Executive Officer of the Litchfield Council on behalf of the Thorak Regional Cemetery Board of Trustees, hereby certify that the Special Purpose Financial Reports:

- (a) the attached financial statements and notes thereto are in accordance with *Cemeteries Act* and *Cemeteries Regulations*, including compliance with accounting policies in Note 1 and giving a true and fair view of the financial position and performance of Thorak Regional Cemetery; and
- (b) are in accordance with the accounting and other records of the Thorak Regional Cemetery.

\_\_\_\_\_  
(Chief Executive Officer)

\_\_\_\_\_  
Date

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# Thorak Regional Cemetery

## STATEMENT OF COMPREHENSIVE INCOME for the year ended 30 June 2017

	2017	2016
	\$	\$
<b>INCOME</b>		
Internments	462,010	568,786
Cremations	148,571	111,371
Exclusive rights fees	10,828	9,199
Ground maintenance	56,035	63,295
Chapel and Marquee hire	20,276	25,600
Plaque/Headstone installation and permits	32,138	35,287
Funeral director fees	4,468	2,842
Sundry income	10,115	28,300
Grant income	11,200	-
Rent received	18,816	15,088
Investment income	11,633	12,091
Proceeds from sale of assets	37,891	4,545
<b>Total Income</b>	<b>823,981</b>	<b>876,404</b>
<b>EXPENSES</b>		
Salaries	405,022	512,518
Superannuation	38,478	41,547
Staff Training & amenities	4,170	17,936
	28,033	27,791
Accounting Services	8,758	4,320
Consultants	15,127	-
Admin Exp	76,085	84,052
Advertising	1,527	2,854
Computer Support	1,360	1,050
Motor Vehicle Expenses	24,341	29,052
Utilities	52,669	43,803
Telephone	3,069	3,616
Security	4,233	4,268
Grounds Maintenance & Landscaping	14,031	20,476
Repairs and Maintenance	29,305	23,799
Equipment Hire	1,102	-
Plant & Equipment	7,643	5,765
Grave Digging	35,927	49,440
Memorial Expenses	11,213	20,470
Sundry Expense	11,671	-
Exclusive Rights refunds	-	670
Capital works expenditure not capitalised	30,201	59,248
<b>Total Expenses</b>	<b>803,965</b>	<b>952,675</b>
<b>NET SURPLUS / (DEFICIT)</b>	<b>20,016</b>	<b>(76,271)</b>
<b>TOTAL COMPREHENSIVE INCOME / (LOSS)</b>	<b>20,016</b>	<b>(76,271)</b>

This Statement is to be read in conjunction with the attached Notes.

# Thorak Regional Cemetery

## STATEMENT OF FINANCIAL POSITION

as at 30 June 2017

		2017	2016
		\$	\$
<b>ASSETS</b>	Notes		
<b>Current Assets</b>			
Cash and cash equivalents	2	187,193	100,545
Trade & other receivables	2	30,895	85,446
Other financial assets	2	418,032	406,397
<b>Total Current Assets</b>		<b>636,120</b>	<b>592,388</b>
<b>Total Assets</b>		<b>636,120</b>	<b>592,388</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Provisions	3	340,341	288,653
	3	58,726	90,057
<b>Total Current Liabilities</b>		<b>399,067</b>	<b>378,710</b>
<b>Non-current Liabilities</b>			
Provisions	3	25,008	21,649
<b>Total Non-current Liabilities</b>		<b>25,008</b>	<b>21,649</b>
<b>Total Liabilities</b>		<b>424,075</b>	<b>400,359</b>
<b>NET ASSETS</b>		<b>212,045</b>	<b>192,029</b>
<b>EQUITY</b>			
Accumulated Surplus		54,569	54,569
Other Reserves	4	157,476	137,460
<b>TOTAL EQUITY</b>		<b>212,045</b>	<b>192,029</b>

This Statement is to be read in conjunction with the attached Notes.

# Thorak Regional Cemetery

## STATEMENT OF CHANGES IN EQUITY for the year ended 30 June 2017

	Accumulated Surplus	Other Reserves	TOTAL EQUITY
	\$	\$	\$
<b>2017</b>	Notes		
Balance at end of previous year	54,569	137,460	192,029
<b>Net Surplus for Year</b>	20,016	-	20,016
<b>Other Comprehensive Income</b>	-	-	-
<b>Total Comprehensive Income</b>	20,016	-	20,016
Transfers between reserves	(20,016)	20,016	-
<b>Balance at end of period</b>	54,569	157,476	212,045
<b>2016</b>			
	54,570	213,730	268,300
<b>Net Deficit for Year</b>	(76,271)	-	(76,271)
<b>Other Comprehensive Income</b>	-	-	-
<b>Total Comprehensive Loss</b>	(76,271)	-	(76,271)
Transfers between reserves	76,270	(76,270)	-
<b>Balance at end of period</b>	54,569	137,460	192,029

This Statement is to be read in conjunction with the attached Notes.

# Thorak Regional Cemetery

## CASH FLOW STATEMENT for the year ended 30 June 2017

	Notes	2017 \$	2016 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<u>Receipts</u>			
Receipts from customers		866,897	877,583
<u>Payments</u>			
Payments to suppliers and employees		(780,249)	(873,387)
<b>Net Cash provided by Operating Activities</b>	5	<u>86,648</u>	<u>4,196</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
<u>Receipts</u>			
Receipts for investments		-	-
<u>Payments</u>			
Payments for investments		-	(71,627)
<b>Net Cash used in Investing Activities</b>		<u>-</u>	<u>(71,627)</u>
<b>Net Increase (Decrease) in cash held</b>		<u>86,648</u>	<u>(67,431)</u>
Cash & cash equivalents at beginning of the year		<u>100,545</u>	<u>167,976</u>
<b>Cash &amp; cash equivalents at end of the year</b>		<u><b>187,193</b></u>	<u><b>100,545</b></u>

This Statement is to be read in conjunction with the attached Notes.

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# Thorak Regional Cemetery

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2017

### NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

#### 1 Basis of Preparation

##### 1.1 Financial Reporting Framework

Thorak Regional Cemetery ("the Cemetery") is not a reporting entity because in the opinion of the Board of Trustees there are unlikely to exist users of the financial report who are unable to command the preparation of reports tailored so as to satisfy specifically all of their information needs. Accordingly, this 'special purpose financial report' has been prepared to satisfy the Board of Trustees' reporting requirements under the *Cemeteries Act* and *Cemeteries Regulations*.

##### 1.2 Compliance with Australian Accounting Standards

This special purpose financial report has been prepared in accordance with Australian Accounting Standards as they apply to not-for-profit entities, other authoritative pronouncements of the Australian Accounting Standards Board, and relevant Northern Territory legislation.

##### 1.3 Historical Cost Convention

Except where stated below, these financial statements have been prepared in accordance with the historical cost convention.

##### 1.4 Critical Accounting Estimates

The preparation of financial statements in conformity with Australian Accounting Standards requires the use of certain critical accounting estimates, and requires management to exercise its judgement in applying Council's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are specifically referred to in the relevant sections of this Note.

##### 1.5 Rounding

All amounts in the financial statements have been rounded to the nearest dollar (\$).

#### 2 Income recognition

Income is measured at the fair value of the consideration received or receivable. Income is recognised when the Council obtains control over the assets comprising the income, or when the amount due constitutes an enforceable debt, whichever first occurs.

Revenue from burials, cremation and internments is recognised when the services have been rendered to the public and can be measured reliably.

Grants, and other contributions are recognised as revenues when the Cemetery obtains control over, or the right to receive, the assets, it is probable that future economic benefits comprising the asset will flow to the Cemetery, and the amount can be reliably measured. Where grants, contributions and donations recognised as incomes during the reporting period were obtained on the condition that they be expended in a particular manner or used over a particular period, and those conditions were undischarged as at the reporting date, the amounts subject to those undischarged conditions are disclosed in these notes. Also disclosed is the amount of grants, contributions and receivables recognised as incomes in a previous reporting period which were obtained in respect of the Cemetery's operations for the current reporting period.

Interest is recognised as it accrues, when it is probable that the future economic benefits will flow to Cemetery and it can be measured reliably.

# Thorak Regional Cemetery

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2017

### NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

#### **3 Cash, Cash Equivalents and other Financial Instruments**

Cash Assets include all amounts readily convertible to cash on hand at the Board's option with an insignificant risk of changes in value with a maturity of three months or less from the date of acquisition.

All receivables are reviewed as at the reporting date and adequate allowance made for amounts the receipt of which is considered doubtful.

All financial instruments are recognised at fair value at the date of recognition. A detailed statement of the accounting policies applied to financial instruments forms part of Note 6.

#### **4 Infrastructure, Property, Plant & Equipment**

Expenditure on property, plant and equipment is shown as an expense and has not been capitalised as the title to the land is not held by the Board of Trustees thus control of the land and assets can be removed at any time as a result of changes to the Northern Territory Government's arrangements.

When an item of property, plant and equipment is disposed of, the sales proceeds are recognised in profit or loss.

#### **5 Payables**

##### **5.1 Trade and Other Payables**

Trade and other payables are amounts due to external parties for the supply of goods and services and are recognised as liabilities when the goods and services are received. Creditors are normally paid 30 days after the month of invoice. No interest is payable on these amounts.

##### **5.2 Payments Received in Advance**

Amounts (other than grants) received from external parties in advance of service delivery are recognised as liabilities until the service is delivered, or the amount is refunded as the case may be.

#### **6 Employee Benefits**

##### **6.1 Salaries, Wages & Compensated Absences**

Liabilities for employees' entitlements to salaries, wages and compensated absences expected to be paid or settled within 12 months of reporting date are accrued at nominal amounts (including payroll based oncosts) measured in accordance with AASB 119.

Liabilities for employee benefits not expected to be paid or settled within 12 months are measured as the present value of the estimated future cash outflows (including payroll based oncosts) to be made in respect of services provided by employees up to the reporting date.

No accrual is made for sick leave as Council experience indicates that, on average, sick leave taken in each reporting period is less than the entitlement accruing in that period, and this experience is expected to recur in future reporting periods. Council does not make payment for untaken sick leave.

##### **6.2 Superannuation**

The Cemetery makes employer superannuation contributions in respect of its employees to Statewide Super and a number of other Superannuation Funds selected by employees under the 'choice of fund' legislation.

The schemes have two types of membership, each of which is funded differently. No changes in accounting policy have occurred during either the current or previous reporting periods.

# Thorak Regional Cemetery

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2017

### NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

#### 7 GST Implications

In accordance with Interpretation 1031 "Accounting for the Goods & Services Tax"

- Receivables and Creditors include GST receivable and payable.
- Except in relation to input taxed activities, revenues and operating expenditures exclude GST receivable and payable.
- Non-current assets and capital expenditures include GST net of any recoupment.
- Amounts included in the Statement of Cash Flows are disclosed on a gross basis.

#### 8 Comparative Information

Comparative information has been reclassified to be consistent with the current year disclosure of equivalent information.

#### 9 Pending Accounting Standards

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2017 reporting period.

- AASB 7 Financial Instruments – Disclosures
- AASB 9 Financial Instruments
- AASB 15 Revenue from Contracts with Customers
- AASB 16 Leases
- AASB 1058 Income for Not-for-Profit Entities
- Standards containing consequential amendments to other Standards and Interpretations arising from the above:
  - AASB 2010-7, AASB 2014-1, AASB 2014-3, AASB 2014-4, AASB 2014-5, AASB 2014-6, AASB 2014-7, AASB 2014-8, AASB 2014-9, AASB 2014-10, AASB 2015-1, AASB 2015-2, AASB 2015-3, AASB 2015-4, AASB 2015-5, AASB 2015-6 and AASB 2015-7.

*Other than AASB 16 and AASB 1058 Council is of the view that none of the above new standards or interpretations will affect any of the amounts recognised in the financial statements, but that they may impact certain information otherwise disclosed.*

Accounting Standard AASB 16 *Leases* may have a material effect on the amounts disclosed in these reports, particularly in relation to Infrastructure, Property, Plant & Equipment, but does not commence until the 2019/20 financial period, and it is not Council's intention to adopt this Standard early.

Accounting Standard AASB 1058 *Income for Not-for-Profit Entities* may have a material effect on the amounts disclosed in these reports, particularly in relation to revenue from Grant & Subsidies, but does not commence until the 2019/20 financial period, and it is not Council's intention to adopt this Standard early.

# Thorak Regional Cemetery

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2017

### Note 2 - CURRENT ASSETS

	Notes	2017 \$	2016 \$
<b>CASH &amp; EQUIVALENT ASSETS</b>			
Cash on Hand and at Bank		<u>187,198</u>	<u>100,545</u>
		<b>187,198</b>	<b>100,545</b>
 <b>TRADE &amp; OTHER RECEIVABLES</b>			
Accrued Revenues		63	64
Debtors - general		<u>30,832</u>	<u>85,382</u>
		<b>30,895</b>	<b>85,446</b>
 <b>OTHER FINANCIAL ASSETS</b>			
Term Deposits over 90 Days		<u>418,032</u>	<u>406,397</u>
		<b>418,032</b>	<b>406,397</b>

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# Thorak Regional Cemetery

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2017

### Note 3 - LIABILITIES

		2017		2016	
		\$		\$	
<b>TRADE &amp; OTHER PAYABLES</b>	Notes	Current	Non-current	Current	Non-current
Goods & Services		33,157	-	18,805	-
Payments received in advance		295,904	-	259,203	-
Accrued expenses - employee entitlements		11,280	-	10,645	-
		<u>340,341</u>	<u>-</u>	<u>288,653</u>	<u>-</u>
<b>PROVISIONS</b>					
Employee entitlements (including oncosts)					
Annual Leave		58,726	-	62,472	2,513
Long Service Leave		-	25,008	27,585	19,136
		<u>58,726</u>	<u>25,008</u>	<u>90,057</u>	<u>21,649</u>

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# Thorak Regional Cemetery

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2017

### Note 4 - RESERVES

	Notes	\$ 1/07/2016	\$ Transfers to Reserve	\$ Transfers from Reserve	\$ 30/06/2017
<b>RESERVES</b>					
Cemetery		137,459	20,016	-	<b>157,475</b>
<b>TOTAL RESERVES</b>		<b>137,459</b>	<b>20,016</b>	<b>-</b>	<b>157,475</b>
			-		
<i>Comparatives</i>		213,730	-	(76,271 )	<b>137,459</b>

#### PURPOSES OF RESERVES

These are cash backed reserves to meet anticipated future needs. In each case the amount relates to a perceived future requirement which is not currently a liability. This reserve is internally restricted.

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# Thorak Regional Cemetery

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2017

### Note 5 - RECONCILIATION TO CASH FLOW STATEMENT

#### (a) Reconciliation of Cash

Cash Assets comprise highly liquid investments with short periods to maturity subject to insignificant risk of changes of value. Cash at the end of the reporting period as shown in the Cash Flow Statement is reconciled to the related items in the Statement of Financial Position as follows:

	Notes	2017 \$	2016 \$
Total cash & equivalent assets	2	<u>187,193</u>	<u>100,545</u>
Balances per Cash Flow Statement		<u>187,193</u>	<u>100,545</u>

#### (b) Reconciliation of Change in Net Assets to Cash from Operating Activities

Net Surplus (Deficit)	20,016	(76,271)
Non-cash items in Statement of Comprehensive Income		
Investment Income (reinvested)	<u>(11,635)</u>	<u>(12,091)</u>
	8,381	(88,362)
Add (Less): Changes in Net Current Assets		
Net decrease in receivables	54,551	13,270
Net increase in trade & other payables	51,688	19,273
Net (decrease) increase in other provisions	<u>(27,972)</u>	<u>60,015</u>
<b>Net Cash provided by operations</b>	<u>86,648</u>	<u>4,196</u>

# Thorak Regional Cemetery

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2017

### Note 6 - FINANCIAL INSTRUMENTS

#### Accounting Policies

<b>Bank, Deposits at Call, Short Term Deposits</b>	<p><b>Accounting Policy:</b> Carried at lower of cost and net realisable value; Interest is recognised when earned.</p> <p><b>Terms &amp; conditions:</b> Short term deposits have an average maturity of 365 days and an average interest rates of 2.86% (2016: 365 days, 3.05%).</p> <p><b>Carrying amount:</b> approximates fair value due to the short term to maturity.</p>
<b>Receivables - Fees &amp; other charges</b>	<p><b>Accounting Policy:</b> Carried at nominal values less any allowance for doubtful debts. An allowance for doubtful debts is recognised (and re-assessed annually) when collection in full is no longer probable.</p> <p><b>Terms &amp; conditions:</b> Unsecured, and do not bear interest. Although Council is not materially exposed to any individual debtor, credit risk exposure is concentrated within the Council's boundaries.</p> <p><b>Carrying amount:</b> approximates fair value (after deduction of any allowance).</p>
<b>Receivables - other levels of government</b>	<p><b>Accounting Policy:</b> Carried at nominal value.</p> <p><b>Terms &amp; conditions:</b> Amounts due have been calculated in accordance with the terms and conditions of the respective programs following advice of approvals, and do not bear interest. All amounts are due by Departments and Agencies of the Governments of the Commonwealth &amp; State.</p> <p><b>Carrying amount:</b> approximates fair value.</p>
<p><i>Note:</i> Certain of the above receivables do not meet the definition of <i>financial instruments</i>, being statutory charges rather than arising from a contract. Accounting policies are reported here for purposes of completeness but they are excluded from the remainder of the Note.</p>	
<b>Liabilities - Creditors and Accruals</b>	<p><b>Accounting Policy:</b> Liabilities are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the Council.</p> <p><b>Terms &amp; conditions:</b> Liabilities are normally settled on 30 day terms.</p> <p><b>Carrying amount:</b> approximates fair value.</p> <p><b>Terms &amp; conditions:</b> Liabilities are normally settled on 30 day terms.</p> <p><b>Carrying amount:</b> approximates fair value.</p>

# Thorak Regional Cemetery

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2017

### Note 6 - FINANCIAL INSTRUMENTS

#### Liquidity Analysis

2017	Due < 1 year	Due > 1 year; ≤ 5 years	Due > 5 years	Total Contractual Cash Flows	Carrying Values
	\$	\$	\$	\$	\$
<b>Financial Assets</b>					
Cash & equivalents	187,198	-	-	187,198	187,198
Receivables	30,895	-	-	30,895	30,895
Other financial assets	429,528	-	-	429,528	418,032
<b>Total</b>	<b>647,621</b>	<b>-</b>	<b>-</b>	<b>647,621</b>	<b>636,125</b>
<b>Financial Liabilities</b>					
Payables	44,437	-	-	44,437	44,437
<b>Total</b>	<b>44,437</b>	<b>-</b>	<b>-</b>	<b>44,437</b>	<b>44,437</b>
<b>2016</b>					
<b>Financial Assets</b>					
Cash & equivalents	100,545	-	-	100,545	100,545
Receivables	85,446	-	-	85,446	85,446
Other financial assets	418,020	-	-	418,020	406,397
<b>Total</b>	<b>604,011</b>	<b>-</b>	<b>-</b>	<b>604,011</b>	<b>592,388</b>
Payables	29,450	-	-	29,450	29,450
<b>Total</b>	<b>29,450</b>	<b>-</b>	<b>-</b>	<b>29,450</b>	<b>29,450</b>

#### Net Fair Value

All carrying values approximate fair value for all recognised financial instruments.

#### Risk Exposures

**Credit Risk** represents the loss that would be recognised if counterparties fail to perform as contracted. The maximum credit risk on financial assets of the Cemetery is the carrying amount, net of any provision for doubtful debts. In accordance with regulations, all Cemetery investments are made with authorised deposit taking institutions. Except as detailed in Notes 5 in relation to individual classes of receivables, exposure is concentrated within the Council's boundaries, and there is no material exposure to any individual debtor.

**Market Risk** is the risk that fair values of financial assets will fluctuate as a result of changes in market prices. All of the Cemetery's financial assets are denominated in Australian dollars and are not traded on any market, and hence neither market risk nor currency risk apply.

**Liquidity Risk** is the risk that the Cemetery will encounter difficulty in meeting obligations with financial liabilities. Liabilities have a range of maturity dates based on cash inflows.

**Interest Rate Risk** is the risk that future cash flows will fluctuate because of changes in market interest rates. Most of the Cemetery's financial instruments - both assets and liabilities - are at fixed rates. Any such variations in future cash flows will not be material in effect on either the Cemetery incomes or expenditures.

<b>Agenda Item Number:</b>	11.5
<b>Report Title:</b>	2018 RMAC Meeting Schedule and workplan
<b>Meeting Date:</b>	11/10/2016
<b>Attachments:</b>	DRAFT FIN09 Risk Management and Audit Committee Policy

## Purpose

To confirm the 2018 RMAC meeting schedule

## Summary

The following RMAC meeting schedule for 2018 is proposed.

6 February 2018	<ul style="list-style-type: none"> <li>• Review Council response to auditor's management letter</li> <li>• Consider following year internal audits</li> <li>• Review progress on internal audit action plans</li> <li>• Review tender for appointment of external auditor</li> </ul>
8 May 2018	<ul style="list-style-type: none"> <li>• Review progress on internal audit action plans</li> <li>• Review Fraud protection plan</li> <li>• Review annual external audit plan</li> </ul>
7 August 2018	<ul style="list-style-type: none"> <li>• Review progress on internal audit action plans</li> <li>• Receive interim audit letter</li> </ul>
2 October 2018	<ul style="list-style-type: none"> <li>• Review 2017/2018 financial statements</li> <li>• Review Council response to auditor's interim management letter</li> <li>• Review progress on internal audit action plans</li> </ul>

Section 4.7.3 of FIN09 Risk Management and Audit Committee Policy states that 'the Committee shall meet quarterly on the fourth Thursday and as required at appropriate times in the reporting and audit cycle'. It is proposed to update this section to allow for flexibility to set the meetings taking into consideration,

- Compliance deadlines for submission of the audited financial statements and annual report to the Department of Local Government and
- School holidays, including the Christmas break.

## Recommendation

THAT the RMAC,

- Endorse the 2018 meeting schedule and workplan.
- Endorse the updating of section 4.7.3 of FIN09 Risk Management and Audit Committee Policy to read

*The committee shall meet four times per year as per a meeting schedule set at the last meeting of the previous year to accommodate the reporting and audit cycle.*

## **Background and Discussion**

The terms of reference for the RMAC are detailed in FIN09 Risk Management and Audit Committee Policy. FIN09 identifies that the RMAC monitors the integrity of the annual financial statements and annual report as well as stipulating that it meets quarterly.

FIN09 is scheduled to be presented at the 18 October 2017 Council meeting with updates recommended from the previous RMAC meeting.

## **Links with Strategic Plan**

5. An effective and sustainable Council

## **Legislative and Policy Implications**

The suggested meeting dates are consistent with the edits proposed in the DRAFT FIN09 Risk Management and Audit Committee policy attached to be presented at the October Council meeting.

## **Risks**

NIL

## **Financial Implications**

NIL

## **Community Engagement**

NIL

Recommending Officer: David Jan, Governance and Risk Advisor

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.*



Name	FIN09 Risk Management & Audit Committee
Policy Type	Council
Responsible Officer	Chief Executive Officer
Approval Date	[Approval Date]
Review Date	20/11/2019

## 1 Purpose

This Policy sets out the terms of reference for the Risk Management and Audit Committee. The Committee is an Advisory Committee established pursuant to Part 5.2 of the Local Government Act and Section 10 of the Local Government (Accounting) Regulations.

## 2 Principles

The Risk Management and Audit Committee is an Advisory Committee of Council responsible for monitoring the compliance by Council with the proper standards of financial management, and compliance by Council with the Local Government (Accounting) Regulations and the Accounting Standards. In addition, the Committee monitors, reviews, and advises the Chief Executive Officer on compliance, risk management and policy matters, and acts as an independent line of reporting by the auditor to Council.

## 3 Definitions

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

Term	Definition
Committee	This term refers to the Risk Management and Audit Committee.
The Act	The term refers to the most recent Local Government Act of the Northern Territory.
Regulations	This term refers to recent Local Government Regulations in the Northern Territory.

## 4 Policy Statement

### 4.1 Membership

- 4.1.1 The Committee shall consist of at least one independent member and two Elected Members of Council not including the Mayor. The minimum size of the Committee shall be three members.
- 4.1.2 The chairperson of the committee must be an independent member.
- 4.1.3 The Chief Executive Officer (CEO) shall provide an agenda for each meeting, with the Executive Assistant to the CEO providing secretariat services. The Chief Executive Officer and Chief Financial Officer will be invited to attend each Committee meeting.
- 4.1.4 Council's external and internal auditors may be invited to attend meetings of the Committee.

### 4.2 Appointment and Termination of Committee Members

- 4.2.1 Members of the Committee are appointed by the Council. Appointment to the Committee from among the Elected Members of Council shall be for a period of up to one year, or until the end of



the term of the Council. Committee members cease being a member of the committee if they are no longer an elected member of the Council.

4.2.2 Independent member(s) of the Committee shall be appointed for a period of up to four years, commencing part-way through an election cycle, so that their terms overlap each Council election and provide some continuity. Appointees may be reappointed by Council. Independent members can be terminated by the Council subject to the appointment agreement.

4.2.3 The selection process for the independent member (s) should consider the following factors when assessing the applicants:

- Level of understanding of local government and the environment in which they operate;
- 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 with staff, council members and other stakeholders.

#### 4.3 Voting Right of Committee Members

4.3.1 Only members of the Committee are entitled to vote in the Committee meetings. All Committee members have equal voting rights. Unless otherwise required (by the conflict of interest provision in the Act) and each member must vote on every matter that is before the committee for decision.

4.3.2 Where a vote is taken and the result is undecided the chairperson has the casting vote.

#### 4.4 Remuneration Committee Members

4.4.1 The Independent Chair shall be remunerated for the for preparation and attendance at each Committee meeting at the C1 daily rate identified in the Northern Territory Government Remuneration of Board Members as amended from time to time.

4.4.2 Elected members serving on the Committee shall be remunerated as per Council Policy.

#### 4.5 ~~Committee and Individual Member~~ Performance and Review

4.5.1 The chairperson, in consultation with the Chief Executive Officer, will initiate a self-assessment review of performance of the committee ~~and the individual member's performance~~ at least once every two years.

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

#### 4.6 Quorum

4.6.1 The quorum for the transaction of business shall be one independent member and one committee member that is a member of the Council. A duly convened meeting of the Committee at which a quorum is present shall be competent to exercise all of the authorities, powers and discretions vested in or exercisable by the Committee.

#### 4.7 Meetings

4.7.1 In accordance with the principles of open, transparent and informed decision making, Committee meetings must be conducted in a place open to the public. Members must be physically present and cannot attend meetings over phone or other devices.

4.7.2 Where agenda items are addressed in confidential, this shall be done in compliance with Part 4 Confidential Information and Business of the Local Government (Administration) Regulations.

4.7.2 Notice of each meeting confirming the venue, time and date, together with an agenda of items to be discussed, shall be forwarded to each member of the Committee and observers, no later than three clear days before the date of the meeting.

4.7.3 The committee shall meet a minimum of four times per year as per a meeting schedule set at the last meeting of the previous year to accommodate the reporting and audit cycle. ~~The Committee shall meet quarterly on the fourth Thursday and as required at appropriate times in the reporting and audit cycle.~~

#### 4.8 Minutes of Meetings

4.8.1 The Chief Executive Officer shall ensure that the proceedings and resolutions of all meetings of the Committee, including recording the names of those present and in attendance are minute and that the minutes otherwise comply with the requirements of all Regulations.

4.8.2 Minutes shall be circulated within five days after a meeting to all members of the Committee and to all members of the Council and will (as appropriate) be made available to the public within ten business days after the meeting on the Council's website.

4.8.3 The Chief Executive Officer maintains a register of audit report recommendations and action taken to address these recommendations. The Committee considers any follow-up action required pursuant to the report or the implementation of report recommendations.

4.8.4 The Chief Executive Officer shall provide sufficient administrative resources to the Committee to enable it to adequately carry out its functions.

4.8.5 After meeting, the Committee shall report to Council at the next Council Meeting including the Committee's recommendations and key issues of discussion to council.

#### 4.9 Role of the Committee

##### 4.9.1 Financial Reporting

4.9.1.1 The Committee shall monitor the integrity of the

- annual financial statements of the Council, reviewing significant financial reporting issues and judgements which they contain; and
- the annual report.

4.9.1.2 The Committee shall review and challenge where necessary:

- The consistency of, and/or any changes to, accounting policies;
- The methods used to account for significant or unusual transactions where different approaches are possible;
- Whether the Council has followed appropriate accounting standards and made appropriate estimates and judgements, taking into account the views of the external auditor;
- The clarity of disclosure in the Council's financial reports and the context in which statements are made; and
- All material information presented with the financial statements.

##### 4.9.2 Internal Controls and Risk Management Systems

The Committee shall:

4.9.2.1 Keep under review the effectiveness of the Council's internal controls and risk management systems; and

4.9.2.2 Review and recommend the approval, where appropriate, of any material to be included in the annual report concerning internal controls and risk management.

#### 4.9.3 Whistle Blowing

4.9.3.1 The Committee shall review the Council's arrangements for its employees to raise concerns, in confidence, about possible wrongdoing in financial recording or reporting or other matters. The Committee shall ensure these arrangements allow independent investigations of such matters and appropriate follow-up action.

4.9.3.2 Review the effectiveness of the Fraud Protection Plan established by the Chief Executive Officer pursuant to Section 10(2) of the Local Government (Accounting) Regulations.

#### 4.9.4 Internal Audit

The Committee shall:

4.9.4.1 Monitor and review the effectiveness of the Council's internal audit function in the context of the Council's overall risk management system;

4.9.4.2 Consider and make recommendation on the program of the internal audit function and the adequacy of its resources and access to information to enable it to perform its function effectively and in accordance with the relevant professional standards.

4.9.4.3 Review all reports on the Council's operations from the internal auditors;

4.9.4.4 Review and monitor management's responsiveness to the findings and recommendations of the internal auditor; and

4.9.4.5 Where appropriate, meet the internal auditor at least once a year, without management being present, to discuss any issues arising from the internal auditor carried out. In addition, the internal auditor shall be given the right of direct access to the Principal Member of the Council and to the Presiding Member of the Committee.

#### 4.9.5 External Audit

The Committee shall:

4.9.5.1 Monitor the supply of non-audit services by the external auditor, taking into account any relevant ethical guidance on the matter;

4.9.5.2 Consider and make recommendations to the Council, in relation to the appointment, re-appointment and removal of the Council's external auditor.

4.9.5.3 Monitor Council's relationship with the external auditor including, but not limited to:

- Recommending the approval of the external auditor's remuneration, covering fees for both audit or non-audit services, and recommending whether the level of fees is appropriate to enable an adequate audit to be conducted;
- Recommending the approval of external auditor's terms of engagement,
- including any engagement letter issues at the commencement of each audit and the scope of the audit;
- Assessing the external auditor's independence and objectivity taking into account relevant professional and regulatory requirements and the extent of Council's relationship with the auditor, including the provision of any non-audit services;
- Satisfying itself that there are no relationships (such as family, employment, investment, financial or business) between the external auditor and the Council (other than in the ordinary course of business); and
- Assessing the external auditor's qualifications, expertise and resources and the effectiveness of the audit process (which shall include a report from the external auditor on the Audit Committee's own internal quality procedures);

4.9.5.4 Meet the external auditor at least once a year and more often as needed, without management being present; to discuss the external auditor's report and any issues arising from the audit;

- 4.9.5.5 Review and make recommendations on the annual audit plan, and in particular its consistency with the scope of the external audit engagement;
- 4.9.5.6 Review the findings of the audit with the external auditor. This shall include, but not be limited to, the following:
  - A discussion of any major issues which arose during the external audit;
  - Any accounting and audit judgements, and
  - Levels of errors identified during the external audit.
- 4.9.5.7 Review the effectiveness of the external audit;
- 4.9.5.8 Review any representation letter(s) requested by the external auditor before they are signed by management;
- 4.9.5.9 Review the subsequent audit management letter from the external auditor and management's proposed response, by Council, to the external auditor's findings and recommendations in that audit management letter.

#### 4.10 Conflict of Interest

- 4.10.1 Committee members must declare any real or perceived conflicts of interest when joining the committee, annually and at the start of each meeting before discussion of the relevant agenda item or topic. Details of any conflicts of interest should be appropriately minuted.
- 4.10.2 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.

#### 4.11 Committee Access to Council Records and Resources

- 4.11.1 The 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.
- 4.11.2 With consideration of legal and confidentiality implications, via the Chief Executive Officer the Committee is authorised to:
  - Obtain any information it requires from any employee and/or external party.
  - Discuss any matters with the external auditor, or other external parties.
  - Request the attendance of any employee at committee meetings.
  - Obtain external legal or other professional advice, as considered necessary to meet its responsibilities, contingent on a decision by Council to fund such advice.
- 4.11.3 The audit committee has no authority to procure resources independently of council.

#### 4.12 Review of Terms of Reference

- 4.12.1 Every two years the committee will review its Terms of Reference to ensure it is consistent with the perceived needs to the council. This review will be in consultation with the Chief Executive Officer.
- 4.12.2 The outcome and recommendations will be given to council as part of this policy to consider.
- 4.12.3 While the Committee is required to review these Terms of Reference and make recommendations to Council, it has no power or authority to amend or alter the committee's Terms of Reference.

## 6 References and Related Legislation

Local Government Act and associated Regulations, Ministerial Guidelines and General Instructions.

## 7. Review History

[illegible]