

LITCHFIELD COUNCIL



Community effort is essential

Risk Management and Audit Committee (RMAC)

BUSINESS PAPER

TUESDAY 7/05/2019

Meeting to be held commencing 2.00PM
In Executive Meeting Room at 7 Bees Creek Road, Freds Pass

A handwritten signature in black ink, appearing to read 'Silke Maynard', written in a cursive style.

Silke Maynard, Acting Chief Executive Officer

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.



LITCHFIELD COUNCIL RMAC MEETING

Notice of Meeting

to be held in the Council Chambers, Litchfield
on Tuesday, 7 May 2019 at 10.00am

Silke Maynard
Acting Chief Executive Officer

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1. Opening of meeting

2. Apologies and Leaves of Absence

3. Disclosure of Interests

Any member of the RMAC who may have a conflict of interest, or a possible conflict of interest regarding any item of business to be discussed at the RMAC 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.

4. Confirmation of Minutes

THAT the full minutes of the Risk Management and Internal Audit Committee Meeting held Tuesday 5 February 2019, 5 pages, be confirmed

Minutes have been distributed under separate cover and are publicly available on Council's website <http://www.litchfield.nt.gov.au/council/committees> or in hard copy by request.

5. Business Arising from the minutes

THAT Council receives and notes the Action Sheet

Item 5.1 Business Arising Action Sheet

Meeting Date	Agenda Item & Resolution	Action Officer	Status
5 February 2019	5.1 Business Arising Requests meeting invites be sent out for all 2019 RMAC meetings	Gov & Risk Advisor	Complete
5 February 2019	<p>8.1 Update on Internal Works Permit Audit THAT the RMAC:</p> <ol style="list-style-type: none"> Note the update on the Works Permit Audit and Accept that the management response will be finalised once the Director Infrastructure and Operations approved the minor amendments to Litchfield Council’s Development and Subdivision Standards and email confirmation of these amendments is sent out to staff and the relevant public. Requests evidence for items 4,5 and 11 of the works permit audit recommendations 	Gov & Risk Advisor	<p>Complete</p> <p>Recommendation 4 of the works permit audit is no longer part of the works permit process and is included as an action in Risk Profile 13 – Inadequate Engagement Practices.</p> <p>Recommendation 5 has been addressed through the updating and development of the Planning Administration and the Planning Application Evaluation user guides approved by the Director of Infrastructure and Operations and are available on request. Form and letter templates have also been developed and are in either the forms and template folder of the EDRMS or available through Authority.</p> <p>Recommendation 11 – The documentation of the works permit process including forms are available from the Council website (https://www.litchfield.nt.gov.au/land-infrastructure/planning-and-development/development-and-subdivision-standards)</p>

Item 5.1 Business Arising Action Sheet

Meeting Date	Agenda Item & Resolution	Action Officer	Status
5 February 2019	<p>8.2 Risk Register THAT RMAC</p> <ol style="list-style-type: none"> 1. Note the updated strategic risk register with due dates modified for risk profiles RP12 and RP15 were received; and 2. Note the completed actions in the Risk Dashboard of the Strategic Risk Register, to will be removed from the action list with controls to be added where required. 3. Requests that the municipal plan key outputs be included as controls in the appropriate risk profiles. 4. Requests a report on how controls in RP8 are going to be improved. 5. Supports an earlier due date for actions in RP12 and suggests completion by July 2019. 6. Noted that id.Consult economic and social data be included as a control for RP13 7. Requests completion dates against each of the asset categories for the development of asset management plans in RP15 actions and attention be given to where playgrounds and skate parks are considered in the asset management plans. 	Gov & Risk Advisor	<p>Item 2. Completed actions have been removed and controls added where appropriate.</p> <p>Item3. Complete Municipal plan controls have been added to appropriate risk profiles. 17 controls added across 7 risk profiles.</p> <p>Item 4. RP8 Controls – Report to be provided at next RMAC meeting, Executive Team are developing WHS prioritisations</p> <p>Item 5. Complete. Due date for the establishment of a project management methodology (RP12) revised to July 2019.</p> <p>Item 6. Complete. id.Consult economic and social data is now included as a control for RP13</p> <p>Item 7. Complete. Completion dates for development of asset management plans are tabled in Attachment A below which will be included as separate actions in the risk register.</p> <p>A full risk register report will be presented at the August RMAC meeting as per the approved workplan.</p>

Item 5.1 Business Arising Action Sheet

Meeting Date	Agenda Item & Resolution	Action Officer	Status
5 February 2019	<p>8.3 Management Response from External Auditor's Closing Report</p> <p>THAT the RMAC</p> <ol style="list-style-type: none"> 1. Requests that the management response is provided to the external auditor with the RMAC endorsement. 	Finance Manager	Complete – Response sent 8 February 2019
5 February 2019	<p>8.4 2018/19 Internal Audit update</p> <p>THAT the RMAC,</p> <ol style="list-style-type: none"> 1. Request a full report at its next meeting on the payroll audit final report and management response. 2. That future internal audits provide an opinion of control adequacy as part of the scope of works 	Gov & Risk Advisor	Complete – See items 8.3 & 10.1

Item 5.1 Business Arising Action Sheet

Item 5.1 Attachment A – Schedule of Asset Management Plan Development

Class/ Group	Includes	Due Date	Comments
Cemetery	All Cemetery assets	Completed	Completed
Roads	Roads and Kerbs	May 2019	Council Agenda May
Fleet	Plant and Vehicles	Aug 2019	Drafted for review
Driveway	Driveway access and driveway culverts	Oct 2019	Drafted for review
Council Build & Surrounds	Adm building, irrigation, dog shelter	Oct 2019	In progress
Drainage	Cross Road Culverts, Underground Drainage	Dec 2019	Next Priority
Waste Transfer Stations	All	June 2021	
Recreational Reserves	All	June 2021	
Street Signs	Road signs	June 2021	
IT equipment	iPad, computers, Notebook	June 2021	

NB. It is expected that all plans will be completed by June 2021. A review and update of scheduled completion dates will be conducted in January 2020 and reported to RMAC once the current plans in development are approved.

6. Presentations

Nil

7. Accepting or Declining Late Items

8. Officer Reports



Agenda Item Number:	8.1
Report Title:	Procurement Improvement Committee
Report Number:	
Meeting Date:	7/05/2019
Attachments:	Attachment A - Terms of Reference

Purpose

This report updates RMAC on the status of the Procurement Improvement Committee and its activities in working on procurement related audits and recommendations.

Summary

The Procurement Improvement Committee (PIC) has been re-established to ensure Council has a focus on continual improvement of procurement activities. Internal audits and operational reviews of procurement activities have been consolidated into a single location where they are reviewed by the PIC and responsibility for actions determined and then monitored.

There are a total of 91 actions identified within the consolidated list, with 38 (42%) recorded as complete and the majority of the remainder underway.

Recommendation

THAT the RMAC note the report on the Procurement Improvement Committee (PIC) and the progress made on the procurement roadmap.

Background

The Procurement Improvement Committee (PIC) has been re-established to ensure Council has a focus on continual improvement of procurement activities. The PIC has a Terms of Reference (attached) and includes the key staff involved in decision making relating to procurement across Council.

The PIC has met twice in the last two months and will meet no less than quarterly moving forward. The key items that the PIC is working is;

1. Finalising 2017 Procurement Audit recommendations (a Risk Dashboard Action for RP9)
2. Council resolutions relating to procurement
3. Reviewing and actioning recommendations from operational probity reviews
4. 2018 Procurement maturity roadmap

Every action item has been consolidated into a spreadsheet that the PIC reviews each meeting. There are 91 actions in total, some of which overlap depending on the purpose of the review, however it was considered important to have everything that had been reviewed and provided to Council over the past three years to ensure that nothing was missed.

A summary of the actions as at 8 April 2019 is included in the table below.

Status	Quantity
Complete	38
Confirm (check to confirm as complete)	5
In Progress	45
Not Started	1

The risk profile of each of these individual actions has not been reviewed in detail due to many of the actions coming from recommendations from reviews and reports that did not include a risk rating. The PIC determines the responsible officer and deadline for the action. The majority of the actions listed as 'in progress' are administrative actions that require inclusion into procedures or manuals to enable their completion.

The PIC has determined not to resolve items as complete until the action is appropriately documented. For example, the inclusion of 'flowcharts on Council records system' has occurred in the draft procurement manual but will not be marked as complete until the manual is finalised. In addition, some 'in progress' items will be further reviewed and actioned through the internal Contract Management audit that will occur over the next two months.

Further updates will be incorporated into the relevant Risk Dashboard Action status updates and through summary reports to RMAC as appropriate.

Links with Strategic Plan

A well-run Council

Legislative and Policy Implications

Nil

Risks

Nil

Financial Implications

Nil

Community Engagement

Nil

**Recommending
Officer:**

Nadine Nilon, Director of Infrastructure and Operations

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

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TERMS OF REFERENCE

Procurement Improvement Committee

Introduction

These Terms of Reference set out the operating framework for the Procurement Improvement Committee (PIC).

Purpose

- Develop, set and maintain strategic direction for Litchfield Council's procurement processes.
- Establish and monitor the implementation of the Procurement Policy and Manual (or Guidelines).
- Develop and monitor Key Performance Indicators (KPIs) in relation to procurement processes.
- Report on procurement activities, including audit recommendations, in line with established KPIs and as required by the Executive Team.

The PIC will report to the Executive Team (ET).

Definitions

For the purpose of these Terms of Reference:

- "Member" means a member of the Committee
- "Council" means the Litchfield Council.

Membership

The Committee shall be made up of Council Officers based on their classification and have representation from key staff involved in procurement activities and reporting at Council.

Chief Executive Officer (optional)
Director Infrastructure and Operations
Director Community and Corporate Services
Manager Infrastructure and Assets
Governance and Risk Advisor
Finance Manager
Works Administrator

Agenda Item 8.1 Attachment – A

Meetings

The Committee shall meet no less than once every three calendar months.

Chairperson

The Chairperson shall be the Director Infrastructure and Operations.

If the Chairperson is unable to attend a meeting, the Committee shall nominate an acting chair for that meeting.

The Chairperson is responsible for the conduct of meetings, ensuring fair and equitable opportunities for views and opinions to be voiced and discussed by the Committee.

Responsibilities of the Chairperson include:

- Guiding the meeting according to the agenda and time available;
- Ensuring all discussion items end with a decision, action or definite outcome; and
- Develop the draft agenda and minutes

Meeting Protocol

The Committee shall adhere to normal meeting protocols.

Conflict of Interest

A 'conflict of interest' is when a person has to make a decision on an issue in which they have, or are perceived to have, a personal interest or benefit in a specific outcome. The conflicts can often be based around financial matters (pecuniary interest) such as contracts or the terms and conditions of a rental.

Any committee members with a conflict of interest or perceived conflict of interest must declare the interest prior to discussion of the item.

'Disclosures of Interest' will be a standing item on the agenda.

Reporting

The Committee will report formally to ET on a quarterly basis via the Director Infrastructure and Operations.

Amendment

Review within 12 months of establishment.



RMAC REPORT

Agenda Item Number:	8.2
Report Title:	External Audit Plan
Report Number:	
Meeting Date:	7/05/2019
Attachments:	Nil

Purpose

This report provides an update on the expected timeline for completion of Litchfield Council's Audit of 2018/2019 Financial Statements to be performed by Merit Partners.

Summary

In conjunction with the preparation of Litchfield Council's Financial Statements, an external audit will take place with the appointed auditors contracted last year, Merit Partners. Confirmation has been received with the commencement of controls testing for the period Tuesday, 11 June 2019 to Friday, 14 June 2019 to allow for the full year of transactions to action their controls testing.

It is expected that Merit Partners will return to Council for the period 3 September to 6 September 2019 with the Audit Report to be complete and available for viewing at the Risk Management and Audit Committee Meeting on 8 October 2019.

Recommendation

THAT the RMAC notes the expected timeline for the External Audit of Litchfield Council's 2018/2019 Financial Statements.

Background

At the February 2018 Council Meeting, Merit Partners Pty Ltd was appointed Council's External Auditors for a three-year term commencing in 2017/18 financial year.

As outlined in the table below, Merit Partners has confirmed they will commence controls testing on-site Tuesday, 11 June to Friday, 14 June 2019 to allow for almost a full year of transactions for controls testing to take place.

Merit Partners are expected to return to Litchfield Council for the period Tuesday, 3 September to Friday, 6 September 2019 to finalise the Audit, with the Audit Report to be complete and available for viewing at the Risk Management and Audit Committee Meeting on Tuesday, 8 October 2019. This will allow sufficient time for the Audit Reports inclusion into the Annual Report and delivery to the Minister's Office.

Preparation of the 30 June 2019 Annual Financial Statements	Start Date	Finish Date	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19
Auditor - 1-week Pre-Audit (Tuesday)	11/06/2019	14/06/2019						
Close off 2018-2019 Creditors Invoices for payment	1/07/2019	12/07/2019						
General Ledger processing Journals	1/07/2019	19/07/2019						
Preparation of the Financial Statement	22/07/2019	15/08/2019						
Auditor- 1-week Audit (Tuesday)	3/09/2019	6/09/2019						
Auditor - Audit Report	30/09/2019	2/10/2019						
Financial Statements to be review by Audit Committee	8/10/2019	8/10/2019						
CEO signoff followed by Auditor's Report Signoff	9/10/2019	11/10/2019						
Annual Report to be presented to Council	16/10/2019	16/10/2019						
Annual Report to be printed	21/10/2019	31/10/2019						
Delivery to Minster by 15/11/19	1/11/2019	15/11/2019						

Proposed timeframe

Critical dates unable to be changed

Links with Strategic Plan

Enabler: A well run Council.

Legislative and Policy Implications

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

Risks

Not applicable to this report.

Financial Implications

The costs associated with the External Audit are outlined in the Budget 2019/2020.

Community Engagement

Not applicable to this report.

Recommending Officer: **Silke Maynard, Director Community and Corporate Services**

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RMAC REPORT

Agenda Item Number:	8.3
Report Title:	Internal Audit Plan
Report Number:	
Meeting Date:	7/05/2019
Attachments:	Attachment A - Contract Management Process Internal Audit Project Scope

Purpose

The purpose of this paper is to update the RMAC on the progress of the 2018/19 internal audit plan components.

Summary

Two internal audits, Payroll Processes (see confidential item in this agenda) and Contract Management Practices (Scope provided in Attachment A), have been initiated this financial year which will expend the 2018/19 budget allocation. The 2018/19 Municipal Plan Key Performance Indicator (KPI) of three per year will not be met.

Recommendation

THAT RMAC,

1. Notes the scope of the Contract Management Practices internal audit.
2. Recommends that the internal audit budget is maintained at the current level and that the internal audit KPI in the 2019/20 Municipal plan is set at two per year.
3. Requests an updated internal audit plan at the next RMAC meeting in August 2019

Background

The RMAC has previously endorsed an internal audit plan that extends to the 2020/21 financial year. This plan proposes three internal audits per year and is supported by key performance indicators in the Municipal Plan. Internal audits were proposed based on risk and control ratings of risk profiles in the Litchfield Council strategic risk register and the need to monitor the implementation of findings from past internal audits.

Two internal audits have been initiated to date for 2018/19 financial year, Payroll Processes (see confidential item in this agenda) and Contract Management Practices. The scope for the Contract Management Practice audit is supplied in Attachment A and included a requirement to provide an assessment of the adequacy of current controls and recommendations for any potential improvements as per RMAC recommendation at its February 2019 meeting. This internal audit has recently been let and is expected to be finalised by July 2019.

To date two internal audits amount to a total cost of \$29,950 out of an allocated budget of \$30,000. Notwithstanding the budget implications, the capacity of staff indicates that it is unlikely that a third internal audit for 2018/19 (Audit of Council's processes related to traffic management of Council commissioned work) will occur.

A considerable amount of work has been invested into reviewing previous procurement audits (See Item 8.1 of this agenda). The internal resources required to manage the audits process, respond to audit reports and most importantly, implement recommendations have had a bearing on Councils ability to successfully action three internal audits for 2018/19, prompting a review of the internal audit KPI.

Moving forward there are two options.

1. Increase the budget for internal audits to accommodate for three per year and accept that under the current resourcing extending timelines may be required for the implementation of audit findings.
2. Maintain the current internal audit budget and reduce the internal audit KPI to two per year.

Links with Strategic Plan

A well-run Council

Legislative and Policy Implications

This item is consistent with FIN08 Risk Management and FIN09 Risk Management and Audit Committee

Risks

There is a risk that by reducing the number of internal audits per year the review of adequacy of operational controls may be delayed. This is offset however with a robust strategic risk register that document overall control and risk ratings which inform the development of the internal audit plan.

Financial Implications

By updating the internal audit KPI and maintaining the current internal audit budget there is no increased financial impact.

Community Engagement

Nil

Recommending Officer: **David Jan, Governance and Risk Advisor**

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Contract Management Process Internal Audit Project Scope

The objective of the audit is to assess whether governance, risk management and control processes over contract management are adequate and effective, assessing whether contractual obligations are being met.

The audit will cover all areas of contract management from the point that a contract is awarded and will address the following:

- Contract documentation and distribution, such as:
 - Insurances received
 - Requested Management Plans are received (Environmental, Work Health Safety, Project Management etc)
 - Relevant information being provided to project officers and other internal stakeholders
- Contract setup in Authority (Council's financial management system) to enable orders/recording information
- Documentation throughout contract duration, including:
 - Progress claims
 - Payment certification
 - Variation identification and approval
- Performance management tools and records
- Include a specific audit of a minimum of two schedule of rate contracts, including one construction and one service provision. This will include reviewing all contract paperwork, claims, invoices and variations
- An assessment of the adequacy of current controls and recommendations for any potential improvements

In conducting this internal audit, the auditor will have access to sensitive personal information which is covered under Council's Privacy Policy and should be treated accordingly.

9. Other Business

10. Confidential Items

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:

10.1 Draft Internal Audit Payroll Report and Management Response

Regulation 8(a) – information about the employment of a particular individual as a member of the staff or possible member of the staff of the council that could, if publicly disclosed, cause prejudice to the individual.

11 Close of Meeting