

Business Papers

Risk Management & Audit Committee Meeting

Friday, 28 October 2016
9:00am



Notice of Meeting

To the Lord Mayor and Aldermen

You are invited to attend a Risk Management & Audit Committee Meeting to be held in Meeting Room 1, Level 1, Civic Centre, Harry Chan Avenue, Darwin, on Friday, 28 October 2016, commencing at 9.00 am.

A MALGORZEWICZ
ACTING CHIEF EXECUTIVE OFFICER

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OPEN SECTION

RMAC10/1

CITY OF DARWIN

RISK MANAGEMENT & AUDIT COMMITTEE

FRIDAY, 28 OCTOBER 2016

MEMBERS: Mr Iain Summers (Chairman); Member G J Haslett; Member M Palmer; Mr Craig Spencer.

OFFICERS: Acting Chief Executive Officer, Ms Anna Malgorzewicz; General Manager Corporate Services, Dr Diana Leeder; Team Coordinator Risk Audit & Safety, Mr Tony Simons; Finance Manager, Mr Miles Craighead; Manager Strategy & Outcomes, Ms Vanessa Green; Executive Assistant Corporate Services, Ms Jessica Eves; Executive Assistant Corporate Services, Ms Julie Gordon.

GUESTS: Representatives from Merit Partners will be in attendance between 10:00 – 11:00am.

Enquiries and/or Apologies: Jessica Eves
E-mail j.eves@darwin.nt.gov.au - PH: 89300 539
OR Phone Committee Room 1, for Late Apologies - PH: 89300 519

Committee's Responsibilities

THAT pursuant to Local Government Act Section 32(2)(b), Council delegate to the Risk Management & Audit Committee the powers to make decisions relating to:

- follow up issues arising from internal and external audits*
 - the management of outstanding and completed audit issues registers*
 - the receipt and acceptance of strategic and operational risk assessments*
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OPEN SECTION

RMAC10/2

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OPEN SECTION

RMAC10/3

Risk Management & Audit Committee Meeting – Friday, 28 October 2016

1. MEETING DECLARED OPEN

The Chairman declared the meeting open at _____ a.m.

2. APOLOGIES AND LEAVE OF ABSENCE

Common No. 2695036

2.1 Apologies

THAT the apology from Member _____, be received.

2.2 Leave of Absence Granted

THAT it be noted Member M Palmer is an apology due to a Leave of Absence previously granted on 27 September 2016, for the period 13 October 2016 to 17 October 2016.

3. ELECTRONIC MEETING ATTENDANCE

Common No. 2221528

3.1 Electronic Meeting Attendance Granted

Nil

4. DECLARATION OF INTEREST OF MEMBERS AND STAFF

Common No. 2752228

4.1 Declaration of Interest by Members

4.2 Declaration of Interest by Staff

5. CONFIDENTIAL ITEMS

Common No. 1944604

Nil

OPEN SECTION

RMAC10/4

Risk Management & Audit Committee Meeting – Friday, 28 October 2016

6. WITHDRAWAL OF ITEMS FOR DISCUSSION

THAT the Committee resolve under delegated authority that all Information Items and Officers Reports to the Risk Management & Audit Committee Meeting held on Friday, 28 October 2016 be received and considered individually.

7. CONFIRMATION OF MINUTES PERTAINING TO THE PREVIOUS RISK MANAGEMENT & AUDIT COMMITTEE MEETING

THAT the Committee resolve that the minutes of the previous Risk Management & Audit Committee Meeting held on Friday, 26 August 2016, tabled by the Chairman, be received and confirmed as a true and correct record of the proceedings of that meeting.

8. BUSINESS ARISING FROM THE MINUTES PERTAINING TO THE PREVIOUS RISK MANAGEMENT & AUDIT COMMITTEE MEETING

8.1 Business Arising

9. DEPUTATIONS AND BRIEFINGS

9.1 2015/2016 Financial Statements Common No. 2251082

MunLi Chee and Candice Thomson from Merit Partners will be in attendance from 10:00am to brief the Committee on 2015/2016 Financial Statements.

ENCL: YES	RISK MANAGEMENT & AUDIT COMMITTEE/OPEN	AGENDA ITEM: 10.1
INVESTING REVIEWS		
REPORT No.: 16A0121 MC:je	COMMON No.: 3236868	DATE: 28/10/2016

Presenter: Manager Finance, Miles Craighead

Approved: General Manager Corporate Services, Diana Leeder

PURPOSE

The purpose of this report is to advise the Committee on the current status of:

- Outstanding Audit Issues 146 (KPMG report February 2016 focussing on investing internal controls).
- Amicus review of City of Darwin Investment Policy, (focussing on strategy).

LINK TO STRATEGIC PLAN

The issues addressed in this Report are in accordance with the following Goals/Strategies of the City of Darwin 2012 – 2016 as outlined in the 'Evolving Darwin Towards 2020 Strategic Plan':-

Goal

5 Effective and Responsible Governance

Outcome

5.3 Good governance

Key Strategies

5.3.3 Understand and manage Council's risk exposure

KEY ISSUES

- Aspects of the KPMG report around monitoring of investment confirmations and controls over access to the Excel worksheets on investing have been implemented.
- Due to resourcing issues and prioritisation of the financial statements and long term financial plan it has not been possible to finalise the Amicus report on the investing policy and strategies.
- The Amicus report, policies and procedures will be finalised in conjunction with management before the next Committee meeting.

PAGE: 2
 REPORT NUMBER: 16A0121 MC:je
 SUBJECT: INVESTING REVIEWS

RECOMMENDATIONS

THAT the Committee resolve under delegated authority:-

- A. THAT Report Number 16A0121 MC:je entitled Investing Reviews, be received and noted.
- B. THAT issues 146.1 and 146.3 in the Outstanding Audit Issues Register be designated complete.

BACKGROUND

Investments Internal Audit Report

Report No. 16A0032 MC:mp (18/03/16) Common No. 3236868

A. *THAT Report Number 16A0032 MC:mp entitled Investments Internal Audit Report, be received and noted.*

B. *THAT the following agreed management actions be added to the Outstanding Audit Issues register:*

- *Ensure the officer executing the transaction is independent of the officer receiving the investment confirmation. The officer receiving the investment confirmation should execute appropriate verification procedures to validate that the transaction was appropriate.*
- *Conduct a review of the Investment procedures and include in the document future review dates and last approval date.*
- *Put in place access controls and spreadsheet protection over the Cash Flow and Investment Workbook.*
- *The review cycle for Policy No. 024 - Investment Policy be updated to correspond with the Local Government Investment Guidelines with an annual period of review.*
- *Remove specific mention of the TIO as an acceptable approved instrument issuer from the investing policy.*

C. *THAT the Committee recommends that at the next annual review of Policy No. 024 - Investment Policy that consideration be given to:*

- *better informing the investment strategy with reference to the Long Term Financial Plan.*
- *obtaining independent licenced financial advice about investment options, within the capacity available from the government guidelines.*

DECISION NO.21\4217 (18/03/16)

PAGE: 3
 REPORT NUMBER: 16A0121 MC:je
 SUBJECT: INVESTING REVIEWS

DISCUSSION

Discussion on Outstanding Audit Issue 146:

146.1 Ensure the officer executing the transaction is independent of the officer receiving the investment confirmation. The officer receiving the investment confirmation should execute appropriate verification procedures to validate that the transaction was appropriate.

The independent officers with responsibility for managing and reviewing the confirmations are the Financial and Assistant Accountants. They keep a mirror Excel worksheet file of the investments and undertake a reasonable review of the confirmations as to source, authenticity and authorisation. References and comments relating to the confirmations received are inserted in the mirror file alongside the related investment. Any comments and any issues, concerns or queries are required to be raised with the Finance Manager or General Manager Corporate Services.

146.2 Conduct a review of the Investment procedures and include in the document future review dates and last approval date.

It is proposed to update the policy and procedures based on the management responses and outstanding audit issues following this report, the finalisation of the Amicus August 2016 report and prior to the next Committee meeting.

146.3 Put in place access controls and spreadsheet protection over the Cash Flow and Investment Workbook.

Access controls have been placed over the investment Excel worksheet file by the Management Accountant for use as/if required by Officers reporting to her. Read only access is available for other staff as/if required.

146.4 The review cycle for Policy No. 024 - Investment Policy be updated to correspond with the Local Government Investment Guidelines with an annual period of review.

This will be included as a result of the review of policy, strategy and procedure.

146.5 Remove specific mention of the TIO as an acceptable approved instrument issuer from the investing policy.

Council will not be investing in the TIO and this is being removed from the policy as part of the review. However it is considered best to deal with all policy review matters, including strategic issues resulting from the Amicus report, at the same time rather than piecemeal.

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REPORT NUMBER: 16A0121 MC:je
SUBJECT: INVESTING REVIEWS

Discussion on Amicus report (August 2016):

This report was commissioned following the KPMG report with the objective of identifying opportunities to optimise the existing strategy. The terms of reference leading to the Amicus report are provided in **Attachment A** for information.

Due to the staff/resourcing situation around the financial statements, it has not been possible to carry out sufficient internal and management consultation to finalise the report. This is expected to be completed before the next Committee meeting.

CONSULTATION PROCESS

In preparing this report, the following City of Darwin officers were consulted:

- Management Accountant
- Finance Officer (Investing)
- Assistant Accountant

In preparing this report, the following External Parties were consulted:

- Amicus principal, Moray Vincent.

POLICY IMPLICATIONS

A review of policy, procedures and strategy is proposed to be completed prior to the next meeting of the Committee.

BUDGET AND RESOURCE IMPLICATIONS

There are no significant budget implications and the Amicus report has been funded from within the internal audit budget. Some additional effort is required but at this stage should be achievable within current resources. If it is decided to engage ongoing independent specialist advice it is expected that this would be on a costs and benefits basis and covered by improved investing results.

RISK/LEGAL/LEGISLATIVE IMPLICATIONS

The advice received, considerations and ultimately any decisions on investing must be prudent and comply with legal requirements. The focus of investing review at this stage is to achieve more without any increase in risk, noting that ultimately it is the Council that determines its risk profile within the legal framework.

The details of the legal framework were included in the earlier KPMG report and are not reiterated here.

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SUBJECT: INVESTING REVIEWS

ENVIRONMENTAL IMPLICATIONS

The terms of reference for the Amicus report specifically addressed ethical and environmental investing and identified a number of practical issues. These matters will be further discussed with the committee at its next meeting.

COUNCIL OFFICER CONFLICT OF INTEREST DECLARATION

We the Author and Approving Officers declare that we do not have a Conflict of Interest in relation to this matter.

MILES CRAIGHEAD
MANAGER FINANCE

DIANA LEEDER
GENERAL MANAGER
CORPORATE SERVICES

For enquiries, please contact Miles Craighead on 8930 0523 or email:
m.craighead@darwin.nt.gov.au.

Attachments:

Attachment A: Terms of Reference - Review of City of Darwin Investing

TERMS OF REFERENCE**REVIEW OF CITY OF DARWIN INVESTING**

The 2016/17 internal audit plan includes a strategic review of investing.

The process is managed through the Corporate Services Department and the Finance Section.

Initial contact for establishing the audit process will be managed through the Team Coordinator, Risk Audit & Safety, Mr Tony Simons.

The principal contact during the conduct of this audit and responsibility for preparation of management responses to the audit will be the Manager Finance, Mr Miles Craighead.

REVIEW OBJECTIVES

The main objectives of this strategic review are to provide a written report covering:

1. Any opportunities for Council to amend its policy, strategy and tactics so as to achieve better portfolio performance within the statutory constraints for the Northern Territory Local Government and without undertaking any significant additional risk.
2. If the Council was to undertake additional risk to target more return what an example/s of that might be along with commentary on the risk implications.
3. The “business case” for regular ongoing investment advice.

While not a main objective the review does not preclude commentary on any other issues whatsoever relevant to managing investing such as risk, legal compliance, general policy improvements and internal controls etc.

SPECIFIC REVIEW REQUIREMENTS

The following should be specifically addressed in the review:

1. Risk: The Council manages public funds and the review should fundamentally assume that the Council wishes to take low risk, conservative approach to its investing that focusses on the retention of capital rather than maximising returns. If there are any observations that Councils policy and practices are inadvertently undertaking a higher level of risk this should be drawn to its attention. As stated above under objectives the review should also cover if the Council was to undertake additional risk to target more return what an example/s of that might be along with commentary on the additional risk implications.
2. Short term money market: the current legislation and guidelines allow this as an investing option subject to requirements. The review should specifically address whether on a risk, costs and benefits basis there is an opportunity to specifically include this in the policy and actual strategy/tactics.

3. Longer term investments: Currently the policy is fairly restrictive. The review should outline a basis for determining how much of the investing portfolio might be short, long or otherwise and what factors to be aware when investing for longer terms.
4. Green/environmental and ethical investments: The review should provide background and guidance on this approach to investing. If Council would like to include something along those lines in its policy what wording options it might look at.
5. Products: The main focus has been on bank deposits. Typically Council has not made much (if any) use of FRN's and other products. Are there opportunities to include these in the portfolio that are likely to lie within the Council's risk profile appropriate to public funds?
6. Security and ratings: Commentary on ratings from agencies can be included as well as security issues such as prime v subordinated bank debt and other matters to be aware of when assessing risks of products being considered.
7. Bank subsidiaries: sometimes sales people claim the subsidiary acquires an assumed rating from the parent company. How much reliance should be placed on these sort of statements from sales people?
8. Policy v strategy and tactics: Should the Council have further written guidelines such as a strategy?

Fee Quotation or Estimate

Council requires a brief written proposal referring to the terms of reference and including a quote or estimate of costs including any related expenses/disbursements.

The estimated cost basis or a quote for the following additional services should be separately identified and not included in the above:

1. Attendance in Darwin. If required this attendance is likely to be less than a half day and include a meeting with the Risk Management and Audit Committee to be held on 26 August 2016 to discuss the review.
2. Regular ongoing investment advice to implement the recommended strategy.

The proposal should include sufficient information to satisfy the Council that the adviser meets the following minimum requirements:

- Independence (no conflicts of interest).
- Australian Financial Services Licence (AFSL).
- Appropriate liability insurance cover of not less than \$10M.
- Wide experience which should include Local Government.

The work should commence as soon as possible after 1 July 2016 with a draft report to be provided by the end of July.

**ENCL: RISK MANAGEMENT & AUDIT
YES COMMITTEE/OPEN**

AGENDA ITEM: 10.2

AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

REPORT No.: 16A0122 MC:je

COMMON No.: 2251082

DATE: 28/10/2016

Presenter: Manager Finance, Miles Craighead

Approved: General Manager Corporate Services, Diana Leeder

PURPOSE

The purpose of this report is to consider:

- The suitability for certification by the Chief Executive Officer of the Annual Financial Statements (for inclusion in the Annual Report and presentation to Council before lodgement with the Minister and the Northern Territory Grants Commission in accordance with the statutory requirement).
- The draft Audit Reports.

LINK TO STRATEGIC PLAN

The issues addressed in this Report are in accordance with the following Goals/Strategies of the City of Darwin 2012 – 2016 as outlined in the 'Evolving Darwin Towards 2020 Strategic Plan':-

Goal

5 Effective and Responsible Governance

Outcome

5.1 Quality service

Key Strategies

5.1.1 Provide quality service outcomes by ensuring that Council's processes and systems are effective and efficient

KEY ISSUES

- Final drafts of Council's Financial Statements, Audit Reports, Management Summary and the Audit Closing Report for the year ended 30 June 2016 are provided for consideration and a recommendation to Council.
- The draft audit reports indicate that Council has achieved an unqualified audit.
- The Committee has the opportunity to discuss the Statements and Audit Reports with Council's Auditors in attendance.

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 REPORT NUMBER: 16A0122 MC:je
 SUBJECT: AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

RECOMMENDATIONS

THAT the Committee resolve under delegated authority:-

- A. THAT Report Number 16A0122 MC:je entitled Audited Financial Statements for the Year Ended 30 June 2016, be received and noted.
- B. THAT the draft Financial Statements for the year ended 30 June 2016 are suitable for certification by the Chief Executive Officer for inclusion in the Annual Report and presentation to Council.
- C. THAT the draft Finance Overview on the Financial Statements be endorsed for inclusion in the Annual Report.
- D. THAT the final management responses to audit observations be tabled at the first 2017 Risk Management and Audit Committee meeting.

BACKGROUND

Nil

DISCUSSION

The draft Audit Reports, Management Summary and audited Financial Statements have been prepared for the year ended 30 June 2016, (refer to **Attachments A, B and C**).

Last year Council abbreviated the "Management Analysis and Discussion" on the Financial Statements and rebadged it "Finance Overview". The same "Finance Overview" approach for the year ended 30 June 2016 has resulted in the draft at **Attachment B** for consideration. Merit Partners have been asked to provide comment on the adequacy of this report in addition to the audit opinion on the financial statements. This aspect of the audit will be taking place in the days immediately prior to this meeting.

It is pleasing to note that the draft audit reports are without qualification.

All observations and recommendations are agreed and should be added to the Register of Outstanding Audit Issues to be actioned.

Council's auditors, Merit Partners, will attend the Committee meeting at 10:00 a.m.

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 REPORT NUMBER: 16A0122 MC:je
 SUBJECT: AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

CONSULTATION PROCESS

In preparing this report, the Executive Leadership Team and following City of Darwin officers were consulted:

- Management Accountant

In preparing this report, the following External Parties were consulted:

- Merit Partners

POLICY IMPLICATIONS

Preparation of the statements has been based on past practices and policies in line with the previous years with the main exception of the voluntary adoption of the South Australian (SA) Local Government Model financial statements and guidelines. This has been adopted as the preferred approach by LGANT and its Finance Reference Group (FRG) assisted by a separate FRG working group. It is expected to become mandatory in future years.

The Financial Ratios in the SA model have not been included this year but in the meantime those previously endorsed for the City by RMAC are included in the Finance Overview and Annual Report with appropriate explanations.

The accounting policies contained within the audited Financial Statements for the year ended 30 June 2016, once presented to Council become the operative and official policies that year in accordance with City of Darwin Policy No. 022 - Statement of Significant Accounting Policies.

BUDGET AND RESOURCE IMPLICATIONS

The statements are indicative of fiscal responsibility and accountability. There are no concerns in relation to the Council's financial position.

RISK/LEGAL/LEGISLATIVE IMPLICATIONS

Council is required to submit audited financial statements to the Department of Local Government by no later than 15 November each year under *Part 10.7 (132) (b) of the Local Government Act*. Council is also required to submit its audited Financial Statements to the Northern Territory Grants Commission under *Regulation 17 (1) (a) of the Local Government (Accounting) Regulations*.

ENVIRONMENTAL IMPLICATIONS

Nil

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 SUBJECT: AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

COUNCIL OFFICER CONFLICT OF INTEREST DECLARATION

We the Author and Approving Officers declare that we do not have a Conflict of Interest in relation to this matter.

MILES CRAIGHEAD
MANAGER FINANCE

DIANA LEEDER
GENERAL MANAGER
CORPORATE SERVICES

For enquiries, please contact Miles Craighead on 8930 0523 or email:
 m.craighead@darwin.nt.gov.au.

Attachments:

- Attachment A:** Draft Audit Reports and Audit Closing Report for the year ended 30 June 2016
Attachment B: Finance Overview (Management Summary)
Attachment C: Financial Statements for the year ended 2016

DRAFT

City of Darwin

**Closing Report to the Council
for the Year ended 30 June 2016**



28 October 2016

Private and confidential

The Council
City of Darwin
GPO Box 84
DARWIN NT 0801

Dear Council Members

We have completed our audit of City of Darwin (the Council) for the year ended 30 June 2016.

We confirm that we are prepared to issue an unqualified audit opinion on the financial statements in the form that appears in Appendix A, provided management, you or the Risk Management and Audit Committee make no further changes to the financial statements before signing.

This report is intended solely for the use of the Council, the Risk Management and Audit Committee, other members of the Executive Committee and senior management, and should not be used for any other purpose nor given to any other party without our prior written consent.

We would like to thank your staff for the assistance provided to us during the engagement.

I look forward to the opportunity of discussing with you any aspects of this report or any others issues arising from our work.

Yours faithfully

MunLi Chee
Partner/Director

cc Mr Iain Summers, Chairman, Risk Management and Audit Committee

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1. Executive Summary

We have completed the audit of the financial statements of City of Darwin ("the Council") in accordance with the Audit Engagement Letter provided to the Council on 6 May 2016.

As discussed in our audit planning meeting with the Council's Finance Team on 19 May 2016, we identified the following areas of audit focus:

- Revenue received in advance
- Fixed Assets Valuation and Ownership
- Street Lighting fees, maintenance and ownership
- Residual Values Infrastructure Assets
- Restricted Reserves
- Financial Statement Presentation
- Compliance with legislation and government policies
- Compliance with Australian Accounting Standards

This letter is prepared to communicate matters that are directly relevant to the financial statements of the Council and summarises the results of our audit work.

These results include:

- Summary of adjusted and unadjusted audit differences, if any;
- Assessment of the control environment;
- Conclusion over the elements of accounting practice, highlighting any issues, if any; and
- Other matters considered important to communicate in the report.

This letter details audit issues and recommendations issued to management incorporating management responses, which is outlined in Section 1.

This letter also identified a number of opportunities where the Council may consider implementing to continue to improve on its control environment. These are also outlined in Section 4 of this report.

In conclusion, the audit of the financial statements of City of Darwin for the year ended 30 June 2016 has been successfully completed by the mutually agreed due date with the issue of our unqualified/unmodified audit opinion report

2. Significant areas of audit focus

As communicated to you in our audit plan on 12 August 2016, we identified areas of audit focus for the 2015/16 financial statements audit. We have completed our planned audit procedures and outline below the results and findings:

Areas of Audit Focus	Audit procedures performed	Current Status
Revenue received in advance	We obtained and reviewed the Council's position in relation to the recognition of Revenue Received in Advance, in particular, Rates Revenue, to determine suitable application in line with the requirements of the Accounting Standards.	<p>The Council has deemed that monies received in excess of rates due were an overpayment and are classified as a liability at year end</p> <p>We suggest the Council adopts a formal policy in relation to this matter.</p> <p>Management Response:</p> <p>Management plans to present a formal policy at the next Ordinary Council and Risk Management and Audit Committee Meetings.</p>
Fixed assets valuation and ownership	<p>We obtained and reviewed the movements and calculations in the Council's fixed assets register.</p> <p>A sample of additions and disposals were checked against relevant supporting documents (e.g. invoices, contracts).</p> <p>Repairs and maintenance have been reviewed to ensure that relevant transactions of a capital nature have not been omitted from being capitalised.</p> <p>Valuation reports were reviewed to ascertain assets were valued appropriately and the methods and assumptions used by the valuers appeared sound and robust and in compliance with the Australian Accounting Standards.</p> <p>Fixed asset useful lives and depreciation rates, depreciation and amortisation accounts have been tested to ascertain their reasonableness.</p> <p>We have also reviewed the Council and RMAC minutes and correspondence from the Chief Officer's Group for any reference to indicators of impairment.</p>	No issues were noted.

Areas of Audit Focus	Audit procedures performed	Current Status
Financial Statement Presentation	We have reviewed the draft financial statements of the Council ensuring the accounts comply with the requirements of the Australian Accounting Standards and Local Government Act and Regulations.	No issues were noted.
Street lighting maintenance and ownership	We reviewed the Council's current position in relation to street lighting issues and potential impacts on the Council's profit and loss and balance sheet.	<p>The Council anticipates the ownership, control and management of all street lighting within its municipality will take effect from 1 January 2018.</p> <p>There was a positive impact on the 2016 Income Statement as a result of the deferral resulting in past accruals being reversed. The Council has created a Street Lighting Reserve of \$3.3 million at 30 June 2016 as a transitional measure for the expected takeover of the responsibility for street lighting repairs, maintenance and capital renewals.</p>
Restricted Reserves	We obtained and reviewed the Council's support over restricted cash and reserve accounts. We reviewed and tested the accuracy of the information within the accounts to relevant support. Additionally we reviewed budgets and funding agreements to ensure that balances are complete at reporting date.	No issues were noted.
Residual Values Infrastructure Assets	We have reviewed the support provided by the Council in relation to Residual Values for Infrastructure Assets. We have assessed the potential impacts of the changes as they apply to the Council considering the assessment and representations provided to us from the Council.	No issues were noted.
Compliance with legislation and government policies	We considered the requirements of applicable legislation and government policy by review of relevant Acts, Regulations and agreements. We have also performed sufficient audit procedures over key financial requirements imposed on the Council.	No issues were noted.

Areas of Audit Focus	Audit procedures performed	Current Status
Compliance with Australian Accounting Standards	We performed audit procedures over year end reconciliations and reviewed the financial statements in accordance with Australian Accounting Standards and Local Government Act and Regulations.	Other than the matters mentioned above, no other significant issues were noted.

DRAFT

We have also outlined below our observations arising from the audit that we believe are significant and relevant to you, including our view in relation to the accounting practices of the Council.

Elements of accounting practices	Observations
Accounting policies	<p>No accounting standards had been adopted earlier than the applicable dates with the exception of AASB 2015-7 Amendments to Australian Accounting Standards – Fair Value Disclosures of Not-for-Profit Public Sector Entities. New standards/revised standards/ interpretations/ amending standards issued applicable to the current reporting period did not have a financial impact on the Council. The impacts of future accounting standards are not yet determinable at this stage.</p>
Accounting estimates	<p>The estimates and associated assumptions made by management in the preparation of the financial statements appear reasonable.</p> <p>No other accounting assumptions or estimates have been identified that have a significant risk of causing a material adjustment to carrying amounts of assets and liabilities within the next accounting period.</p>
Financial statements disclosures	<p>Financial Statements disclosures generally appear reasonable in accordance with the agreed Financial Statements SA template and the Local Government Regulations.</p> <p>A disclosure that can be improved is Note 5(b) Trade and Other Receivables. Per AASB 7, an entity shall disclose an analysis of the age of financial assets that are past due but not impaired, an analysis of financial assets that are individually determined to be impaired and a reconciliation of changes in the allowance account during the period for each class of financial assets. The Council's 2015/16 Financial Statements do not include this information.</p> <p>Management Response:</p> <p>This will be included in the 2016/17 Financial Statements.</p>
Segregation of duties	<p>There was no segregation of duties issues noted. Review and approval by delegated authorities are in place.</p>
Other matters	<p>Weaknesses in internal control environment have been detailed at Appendix D.</p>

3. Other Audit and Accounting Issues

Our role as auditor requires a thorough assessment of audit risk in the Council. This includes having discussions with management, remaining abreast of your business and continuously looking forward at changes on the horizon and their impact on the business. Apart from the identification of the areas of audit focus, below are the other key audit and accounting issues that were considered during our audit:

Risk	Audit Procedures / Summary of Results / 2017 Planning Focus
Going Concern	<p>Audit Procedures</p> <p>We reviewed the Council's financial statements including revenue streams and noted the following:</p> <ol style="list-style-type: none"> the core revenue of the Council are from rates, user charges and fees and statutory rates, which comprises about 90% of the Council's total revenue; the Council continues to receive funds from the Commonwealth and NT Governments. These programs are generally on an annual arrangement basis and comprise about 6% of the Council's total revenue. <p>We also reviewed the Council's minutes of meetings to account for any events that could impact the viability of the Council's operations in the future.</p> <p>Summary of Results</p> <p>Based on the audit procedures performed, we concluded that the Council has a viable operation and will continue to operate as a going concern for the next 12 months.</p> <p>In addition, we discussed with the Finance Team and reviewed legal expenses and noted that the Council does not have significant pending lawsuits that may negatively impact on financial viability of the Council.</p> <p>The Council has an on-going external borrowing of which the Council pays a fixed amount on a monthly basis until November 2027. The Council appears to have met its ongoing repayment obligations.</p> <p>We also reviewed on a test basis compliance with grant monies in accordance with funding bodies' agreements.</p> <p>As at 30 June 2016, the Council has high liquid assets that will be able to support its operations in the next 12 months.</p> <p>2017 Planning Focus</p> <p>Merit Partners will continue to review the contractual arrangements of the Council in terms of its government funding and external borrowing apart from the review of the financial statements for any going concern indicators.</p>
Impairment of financial and non-financial assets (i.e Receivables, Short-term investments, Infrastructure)	<p>Financial Assets (which includes receivables and short-term investments)</p> <p>Receivables</p> <p>Our review of the doubtful debts report indicates that some customer repayments are behind schedule. These customers are mostly specifically</p>

Risk	Audit Procedures / Summary of Results / 2017 Planning Focus
	<p>identified and an allowance is provided for doubtful debts.</p> <p>In relation to the Infringement debtors, the Council provides for impairment allowance of the total infringement debtors based on an historical data on the recoverability of these debts, which is consistent with prior year.</p> <p>Short-term Investments</p> <p>We obtained a copy of the Council's short-term deposits portfolio and noted that these are from reputable financial institutions. We have obtained 100% confirmation from the financial institutions and no issues were noted.</p> <p>Based on the audit procedures performed, we concluded that the Council's receivables and short-term investments are not materially misstated as at 30 June 2016.</p>
<p>Landfill restoration reserves / provisions</p>	<p>Summary of Audit Observations</p> <p>The Council has an obligation to remediate and restore the landfill at Shoal Bay under the Environmental Protection Act which includes the costs of dismantling and demolition of infrastructure and the removal of residual materials and remediation and rehabilitation of disturbed areas.</p> <p>As at 30 June 2016 the Council has been unable to reliably quantify any future costs associated with this obligation, hence similar to prior years, did not account for this future costs as a provision/liability in the financial statements. The Council however, had set aside reserves in relation to Waste Management and Environmental.</p> <p>The Council's 30 June 2016 financial statement disclosures currently include:</p> <p><i>"Where these can be reliably estimated close down and restoration costs are provided for in the accounting period when the obligation arises, and are carried at the net present value of estimated future costs.</i></p> <p><i>In relation to the Shoal Bay Waste Disposal the Council has not to date been able to sufficiently reliably estimate the close down and restoration costs. Recent developments in the Council's Waste Strategy and improving information are expected to enable a reliable estimate of the close down and restoration obligations from and including the year ending 30 June 2017."</i></p> <p>2017 Planning Focus</p> <p>It is recommended the Council consider engaging an expert to reliably measure any future costs associated with the restoration of landfill and ensure this information is adequately accounted for and disclosed in the financial statements. The Council should also assess the provision annually for any significant uncertainty in the estimates used in the calculation of these future costs.</p> <p>Merit Partners will continue to review the Council's assessment in relation to the future costs of the landfill restoration.</p> <p>Management Response:</p> <p>Internal discussions have been held in regards to this matter.</p> <p>Management advised that consultants have been engaged to further refine the measurement of future costs associated with the restoration of the landfill to achieve the degree of reliability required to adequately account for and disclose the costs in the financial statements.</p>

4. Audit Adjustments

4.1 Summary of unadjusted differences

There were no identified or unadjusted audit differences during the current year under review.

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5. Assessment of Management Discussion and Analysis

In addition to the audit of the financial statements and as requested by the Council, we have reviewed the Management Discussion and Analysis report. [to be completed]

Feedback was provided to Council for any inconsistencies and irregularities identified in the report prior to it being finalised. Generally the information contained and presented in the report was found to be in agreement with the figures presented in the financial statements and in line with our understanding of the operations during the year.

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6. Assessment of control environment

As part of our audit of the financial statements, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. Although our audit was not designed to express an opinion on the effectiveness of internal control we are required to communicate to you significant deficiencies in internal control.

Our audit procedures do not address all internal control and accounting procedures and are based on selective tests of accounting records and supporting data and have not been designed for the purposes of making detailed recommendations. As a result our procedures would not necessarily disclose all weaknesses in the Council's internal control environment, and you should not assume that there are no additional matters that you should be aware of in meeting your responsibilities.

The matters reported below and detailed in Appendix D are limited to those deficiencies that we identified during the audit and that we concluded are of sufficient importance to merit being reported to you.

The following table summarises the key issues and their risk ranking.

City of Darwin	High Needs significant improvement	Moderate Needs substantial improvement	Low Needs some improvement
Trust account clean-up			✓
Signed Minutes of Meetings			✓
Provision for Employee Entitlements			✓

7. Other required Risk Management and Audit Committee communications

We are required by law to report to you certain matters that are not otherwise detailed in this report.

Matter	How matter was addressed
Material uncertainties and going concern	No conditions or events were identified, either individually or in aggregate, that indicated there could be doubt about the Council's ability to continue as a going concern for 12 months from the date of our report.
Disagreements with management	We received full cooperation from management and had no unresolved disagreements over the application of accounting principles, the scope of our audit or disclosures to be included in the financial statements.
Compliance with laws and regulations	We have not identified any instances of non-compliance with laws and regulations.
Fraud and illegal acts	<p>We have made enquires of management and identified discussion in our review of Council and RMAC meetings regarding:</p> <ul style="list-style-type: none"> ▶ Knowledge of any fraud or suspected fraud affecting the entity involving management, employees who have significant roles in internal control; or others where fraud could have a material effect on the financial report ▶ Knowledge of any allegations of fraud, or suspected fraud, affecting the Council's financial information. <p>We did not become aware of any fraud or illegal acts during our audit.</p>
Expected modifications to audit report	We anticipate issuing an unqualified/unmodified audit report on the financial statements of the Council. Draft copies of our reports have been included at Appendix A.

8. Independence

We confirm that in our professional judgment, the engagement team and the Firm are independent.

We consider that our independence in this context is a matter that should be reviewed by both you and ourselves. It is therefore important that you and the Committee consider the facts of which you are aware and come to a view. Should you have any specific matters that you wish to discuss, please contact us.

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9. Outstanding Items

The following items relating to the completion of our audit procedures are outstanding at the date of the release of this report:

Item	Actions to resolve	Responsibility
Representation Letter	► Receipt of signed management representation letter	► Management
Signed Financial Statements	► Receipt of signed financial statements	► Chief Executive Officer

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10. A Commitment to the Future

Our value proposition is simple:

- ▶ A Commitment to providing the Council with the right team of people with the right blend of commercial and technical experience.
- ▶ A Commitment to deliver a tailored service and practical solutions relevant to your industry sectors.
- ▶ A Commitment to 'keep it simple' through dynamic, relevant and proactive continuous communication.
- ▶ A Commitment to developing and maintaining collaborative relationships to appropriately assess your expectations and business needs.
- ▶ A Commitment to effective and responsive technical consultation.
- ▶ A Commitment, through frequent communication with executive management, to provide fair and transparent fees based on: a thorough understanding of audit scope, continuous measuring and monitoring of the audit process and understanding client service requirements.

As part of our commitment to your future, we have identified future financial reporting and audit developments that may impact on the Council in the future. These matters are indicated in Appendix E.

Appendix A Draft Audit Report

Independent auditor's report to the Council of City of Darwin

We have audited the accompanying financial report of the City of Darwin (the "Council"), which comprises the statement of financial position as at 30 June 2016, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the Chief Executive Officer's Statement.

Chief Executive Officer's Responsibility for the Financial Report

The Chief Executive Officer of the Council is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and the Northern Territory of Australia Local Government Act and Regulations and for such internal controls as the Chief Executive Officer determines is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the Council's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Chief Executive Officer, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit we have complied with the independence requirements of the Australian professional accounting bodies.

Opinion

In our opinion, the financial report of the City of Darwin is in accordance with the Northern Territory Local Government Act, including:

- a) giving a true and fair view of the Council's financial position as at 30 June 2016 and of its performance for the year ended on that date; and
- b) complying with the Australian Accounting Standards.

Merit Partners

MunLi Chee
Director
Darwin

Date:

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Appendix B Management Representation Letter

17 October 2016

MunLi Chee
Director
Merit Partners
GPO Box 3470
DARWIN NT 0801

Dear MunLi

City of Darwin

This representation letter is provided in connection with your audit of the financial report of the City of Darwin ("the Council") for the year ended 30 June 2016. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the financial report gives a true and fair view of the financial position of the City of Darwin as of 30 June 2016 and of its financial performance for the year then ended in accordance with Accounting Standards and other mandatory financial reporting requirements in Australia and the Local Government Act and Regulations.

We understand the purpose of your audit is to express an opinion on our financial report in accordance with Australian Auditing Standards. We understand the audit involved an examination of the accounting system, internal control and related data, to the extent you considered necessary in the circumstances, and is not designed to identify - nor necessarily be expected to disclose - fraud, shortages, errors and other irregularities, should any exist.

Accordingly, we make the following representations, which are true to the best of our knowledge and belief:

A. Financial Statements and Financial Records

1. We acknowledge our responsibility for the fair presentation of the financial report. We believe the financial report referred to above gives a true and fair view of the financial position and financial performance of the Council in accordance with Accounting Standards and other mandatory financial reporting requirements in Australia and the Local Government Act and Regulations is free of material misstatements, including omissions. We have approved the financial report.
2. The significant accounting policies adopted in the preparation of the financial report are appropriately described in the financial report.
3. Each element of the financial report is properly classified, described and disclosed in

accordance with Accounting Standards and other mandatory financial reporting requirements in Australia and the Local Government Act and Regulations.

4. We also believe that the Council has a system of internal controls adequate to permit the preparation of an accurate financial report in accordance with Accounting Standards and other mandatory financial reporting requirements in Australia and the Local Government Act and Regulations.
5. The financial records of the Council have been kept so as to be sufficient to enable a financial report to be prepared and audited, and other records and registers required by the Local Government Act and Regulations have been properly kept and are up-to-date.

B. Fraud and Error

1. We acknowledge we are responsible for the design and implementation of internal controls to prevent and detect fraud and error.
2. We have disclosed to you the results of our assessment of the risk that the financial report may be materially misstated as a result of fraud.
3. We have no knowledge of any fraud or suspected fraud involving management or other employees who have a significant role in the Council's internal controls over financial reporting. In addition, we have no knowledge of any fraud or suspected fraud involving other employees in which the fraud could have a material effect on the financial report. We have no knowledge of any allegations of financial improprieties, including fraud or suspected fraud, (regardless of the source or form and including without limitation, any allegations by "whistleblowers") which could result in a misstatement of the financial report or otherwise affect the financial reporting of the Council.
4. There are no unadjusted audit differences identified during the current audit and pertaining to the latest period presented.

C. Compliance with Laws and Regulations

1. We have disclosed to you all known actual or possible noncompliance with laws and regulations whose effects should be considered when preparing the financial report.
2. There has been no noncompliance with requirements of regulatory authorities that could have a material effect on the financial report in the event of noncompliance.

D. Completeness of Information

1. We have made available to you all financial records and related data and all minutes of the meetings of Council held through the year to the most recent meeting.
2. There are no material transactions that have not been properly recorded in the accounting records underlying the financial report.
3. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you all information required to meet the disclosure requirements of AASB 124 – *Related Party Disclosures*, in particular information relating to personally related entities for both specified directors and specified executives.

E. Recognition, Measurement and Disclosure

1. We believe that the significant assumptions underlying the fair value measurements and disclosures used in the preparation of the financial report are reasonable and appropriate in the circumstances. These assumptions reflect our intent and ability to carry out the fair value measurements on behalf of the Council.
2. We have no plans or intentions that may materially affect the carrying value or classification of assets and liabilities reflected in the financial report.
3. We have disclosed to you, and the Council has complied with, all aspects of contractual agreements that could have a material effect on the financial report in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.

F. Ownership and Carrying Value of Assets

1. Except for assets capitalised under finance leases, the Council has satisfactory title to all assets appearing in the statement of financial position, and there are no liens or encumbrances on the Council's assets, nor has any asset been pledged as collateral. All assets to which the Council has satisfactory title appear in the statement of financial position.
2. All agreements and options to buy back assets previously sold have been properly recorded and adequately disclosed in the financial report.
3. There are no formal or informal compensating balance arrangements with any of our cash and investment accounts. We have no line of credit arrangements or other arrangements involving restrictions on cash balances.
4. We have considered the requirements of AASB 136 – *Impairment of Assets* when assessing the carrying values of non-current assets and in ensuring that no non-current assets are stated in excess of their recoverable amount.
5. Adequate provision has been made for adjustments and losses in collection of receivables.
6. Allowances for depreciation have been adjusted for items of property, plant and equipment that have been abandoned or are otherwise unusable.

G. Liabilities and Contingencies

1. All material liabilities and contingencies, including those associated with guarantees and those arising under derivative financial instruments, whether written or oral, have been disclosed to you and are appropriately reflected in the financial report.
2. We have informed you of all outstanding and possible claims, whether or not they have been discussed with legal counsel.
3. We have recorded or disclosed, as appropriate, all liabilities, both actual and contingent.

H. Purchase and Sales Commitments and Sales Terms

1. At the year end, the Council had no unusual commitments or contractual obligations of any sort which were not in the ordinary course of business and which might have an adverse effect upon the Council (e.g., contracts or purchase agreements above market price; repurchase or other agreements not in the ordinary course of business; material commitments for the purchase of property, plant and equipment; significant foreign exchange commitments; open balances on letters of credit; purchase commitments for inventory quantities in excess of normal requirements or at prices in excess of the prevailing market prices; losses from fulfilment of, or inability to fulfil, sales commitments, etc.).
2. All material commitments for construction or acquisition of property, plant and equipment or to acquire other non-current assets, such as investments or intangibles have been disclosed in the financial report.
3. All material commitments for construction or acquisition of property, plant and equipment or to acquire other non-current assets, such as investments or intangibles have been disclosed in the financial report.

I. Independence

1. We are not aware of any act or omission on the part of the Council that does or may impact on your ability to comply with your independence obligations as auditor of the Council. We have brought to your attention any items which we consider may affect your ability to remain independent of the Council and we will continue to work with you to maintain the independence of the audit relationship.

J. Subsequent Events

1. All significant events subsequent to period end which require adjustment of or disclosure are reflected in the financial report or notes thereto.

K. Taxation

1. Adequate amounts have been accrued for all local and foreign taxes including amounts applicable to prior periods not finally settled and paid.

L. Funding Agreements

The Council has complied with funding agreements entered into with the Australian Government, Northern Territory Government and other funding bodies.

M. Electronic Presentation of the Financial Report

1. With respect to publication of the financial report on our website, we acknowledge that:
 - a) we are responsible for the electronic presentation of the financial report;
 - b) we will ensure that the electronic version of the audited financial report and the auditor's report on the website will be identical to the final signed hard copy version;
 - c) we will clearly differentiate between audited and unaudited information in the construction of the entity's web site as we understand the potential risk of misrepresentation;

- d) we have assessed the controls over the security and integrity of the data on the web site and that adequate procedures are in place to ensure the integrity of the information published; and
- e) we will not present the auditor's report on the full financial report with extracts only of the full financial report.

N. Rates Received in Advance

1. The Council has neither control nor control of a right to rates overpaid since they are voluntarily made and that persons and/or entities paying have legal right to demand repayment of the amounts overpaid.
2. The amount of rates overpaid recognised by the Council as a liability are \$2.4million and \$1.6million for the year ended 30 June 2016 and 2015, respectively.

Yours faithfully

(Name of signing officer)*

(Title)

DATE:

(Name of signing officer)*

(Title)

DATE:

- * Ordinarily signed by the members of management who have primary responsibility for the Council and its financial aspects (ordinarily the Chief Executive Officer and the senior financial officer).

Appendix C Understanding the Financial Statements

Statement of Financial Position

	2016 \$'000	2015 \$'000	Movement
Current Assets			
Cash & Cash Equivalents	3,290	3,995	(705)
Investments	74,471	70,190	4,281
Trade & Other Receivables	7,249	7,110	139
Inventories	131	116	15
Assets held for sale	211	0	211
Total current assets	85,352	81,411	3,941
Non-current Assets			
Property, plant & equipment	1,106,436	1,146,998	(40,562)
Total non-current assets	1,106,436	1,146,998	(40,562)
Total assets	1,191,788	1,228,409	(36,621)
Current Liabilities			
Trade and Other Payables	11,444	12,514	(1,070)
Borrowings	226	211	15
Provisions	6,909	6,506	403
Total current liabilities	18,579	19,231	(652)
Non-current Liabilities			
Borrowings	3,287	3,513	(226)
Provisions	500	676	(176)
Total non-current liabilities	3,787	4,189	(402)
Total liabilities	22,366	23,420	(1,054)
Net Assets	1,169,422	1,204,989	(35,567)

Net cash flows provided by operating activities was \$17.2m which was offset by cash flows used in Investing activities of \$17.7m. The cash flows used in Investing activities included \$26.7m used in purchasing new assets.

Movement relates to acquisition of short-term deposits during the year.

Assets expected to be sold within the next 12 months.

Key movements during 2016 were additions of \$34.3m, depreciation \$21.1m, disposals \$1.2m, and land and building revaluation downward adjustment of \$52.3m.

There was a large decrease in trade creditors of \$2.1m - this largely is due to the timing and payment of large accounts prior to 30 June 2016, such as utilities. In 2014/15 utilities payable was approx. \$1.2m compared to nil in the current year. This was offset by increases in accrued salary and wages of \$0.4m and rates overpaid by \$0.8m.

There was an average increase of 4% employees during the year coupled with increases to salary rates of 3.5%.

Appendix C Understanding the Financial Statements

Statement of Financial Position

	2016	2015	
	\$'000	\$'000	Movement
Community Equity			
Asset Revaluation Reserve	771,670	823,978	(52,308)
Retained Surplus/(Deficiency)	332,013	320,058	11,955
Reserves	65,739	60,953	4,786
Total Equity	1,169,422	1,204,989	(35,567)

Decrease due to devaluation of land and buildings during the year

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Appendix C Understanding the Financial Statements

Statement of Comprehensive Income

	2016	2015	
	\$'000	\$'000	Movement
Rates Revenue	64,707	62,294	2,413
Statutory Charges	4,009	3,784	225
User Charges	19,715	18,407	1,308
Grants, Subsidies, Contributions & Donations	5,679	6,225	(546)
Interest & Investment Revenue	2,707	2,955	(248)
Reimbursements	500	507	(7)
Other Income	811	637	174
Total Income	98,128	94,809	3,319
Employee Costs	29,628	27,252	2,376
Materials, Contracts & Other Expenses	50,091	48,398	1,693
Depreciation and Amortisation	21,133	22,646	(1,513)
Finance Costs	242	255	(13)
Total Expenses	101,094	98,551	2,540
Operating Surplus/(Deficit)	(2,966)	(3,742)	779
Asset Disposal & Fair Value Adjustment	(672)	710	(1,362)
Amounts Received Specifically for New or Upgraded Assets	12,811	4,564	8,247
Physical Resources Received Free of Charge	7,568	3,316	4,252
Gain on Carbon Tax Repeal	0	6,938	(6,938)
Net Surplus/(Deficit)	16,741	11,786	4,955
Changes in Revaluation Surplus	(52,308)	0	(52,308)
Total Other Comprehensive Income	(52,308)	0	(52,308)
Total Comprehensive Income	(35,567)	11,786	(47,353)

Rate increase of 3% as per municipal plan plus growth

Increase in actual tonnage of waste going to the weighbridge compared to last year, mostly relating to asbestos revenue. There was also an increase to the rates charged for the weigh bridge.

\$580K grant for DEC was paid directly to DEC in 2015/16.

There was an average increase of 4% of employees during the year coupled with increases to salary rates of 3.5%.

During the year the Council paid back some of the carbon tax levied on waste services; this was \$2.4m.

A slight decline in depreciation expense this year due to some adjustments to useful lives of assets

A number of assets, including the Cavenagh carpark and Parap Pool, were disposed/written off during the year that had been demolished or replaced with new assets.

Significant funds received from the Dept. Sports & Rec during the year for major projects commencing in 16/17 including the Parap Pool \$5M and Velodrome redevelopment \$1.5M.

The Council received 2 infrastructure contributions in 2016 amounting to \$7.5 million compared to 2 land contributions in 2015 amounting to \$3.0 million.

Last year's gain was a result of the de-recognition of the carbon tax liability as a result of the carbon tax repeal effective 1 July 2014.

Appendix D Audit observations

Overview of Risk Ranking System

Though we have rated each finding individually on a stand alone basis, you should also assess the collective impact of these matters, together with other findings from within your organisation.

High Needs significant improvement	Immediate corrective action is required. These recommendations relate to a serious weakness which exposes the organisation to a material extent in terms of achievement of corporate objectives, financial results or otherwise impair the Council's reputation.
Moderate Needs substantial improvement	Corrective action is required, generally within 6 months. A control weakness, which can undermine the system of internal control and/or operational efficiency and should therefore be addressed.
Low Needs some improvement	Corrective action is required, generally within 6 to 12 months. A weakness which does not seriously detract from the system of internal control and/or operational effectiveness/efficiency but which should nevertheless be addressed by management.

Disclaimer

Issues identified are only those found within the course of the audit for year. Recommendation issues are intended solely for the use of Council's management. We disclaim any assumption of responsibility for any reliance on this report, to any person other than the Council or for any purpose other than that for which it was prepared.

City of Darwin (Issue from Prior Years)

Observation	Effect	Risk category	Recommendation	Management Response
<p><i>Trust account clean-up</i></p> <p>The Council maintains a trust account for contractor deposits. The trust account is not recognised in the financial statements. As at 30 June 2016 the balance of the trust account was \$622K (2015: \$615,830).</p> <p>At 30 June 2016 and 2015, there were over 230 transactions totalling almost \$250,000 dating over 10 years since the initial deposit. In some instances the organisation that initially made the deposit no longer exists.</p>	<p>The Council has a fiduciary responsibility to ensure the adequate maintenance of the trust account. There are potentially monies that the Council has received that have not been returned in a timely manner.</p>	<p>Low</p>	<p>The Council should continue its efforts to investigate the long-outstanding balances in the trust account and refund amounts to individuals and/or entities where deemed appropriate.</p> <p>The Council should also ensure that policies and procedures regarding the trust account are up to date and followed accordingly.</p>	<p>Agreed.</p>

City of Darwin (Current Year Issues)

Observation	Effect	Risk category	Recommendation	Management Response
<p>Signed Minutes of Meetings</p> <p>The following minutes of the Ordinary Council Meetings did not appear to have been signed during the year:</p> <ul style="list-style-type: none"> • 16 August 2016 • 17 May 2016 • 12 April 2016 • 24 November 2015 • 10 November 2015 • 27 October 2015 • 13 October 2015 • 29 September 2015 	<p>Significant decisions are made at meetings by the Council and if meeting minutes are not signed, there is no evidence of approval of these decisions.</p>	Low	<p>The Council should ensure that minutes of meetings are appropriately signed as a declaration that they are a true and accurate record of the proceedings and decisions made.</p>	Agreed.
<p>Provision for Employee Entitlements</p> <p>An employee leave data report extract to calculate the provision for employee entitlements at 30 June 2016 was performed on 22 July 2016. As the report could not provide retrospective balances it included leave accrued and taken up to this date.</p>	<p>The calculation for the provision of employee entitlements at 30 June 2016 was not accurate. Nevertheless, we do not believe the financial report balances to be materially misstated at 30 June 2016 as a result.</p>	Low	<p>The employee leave data report should be extracted on 30 June each year to ensure the calculation for the provision for employee entitlements is accurate.</p>	Agreed.

Appendix E Changes in regulatory reporting

Accounting standards issued but not yet effective (mostly for information only)

This table lists all applicable standards/interpretations issued but not yet effective for 30 June 2016 year ends and assumes that the entity has elected not to "early adopt" any of these standards/interpretations.

Reference	Title	Summary	Application date of standard*
AASB 9	Financial Instruments	<p>AASB 9 (December 2014) is a new standard which replaces AASB 139. This new version supersedes AASB 9 issued in December 2009 (as amended) and AASB 9 (issued in December 2010) and includes a model for classification and measurement, a single, forward-looking 'expected loss' impairment model and a substantially-reformed approach to hedge accounting.</p> <p>AASB 9 is effective for annual periods beginning on or after 1 January 2018. However, the Standard is available for early adoption. The own credit changes can be early adopted in isolation without otherwise changing the accounting for financial instruments.</p> <p>Classification and measurement</p> <p>AASB 9 includes requirements for a simpler approach for classification and measurement of financial assets compared with the requirements of AASB 139. There are also some changes made in relation to financial liabilities.</p> <p>The main changes are described below.</p> <p>Financial assets</p> <p>a. Financial assets that are debt instruments will be classified based on (1) the objective of the entity's business model for managing the financial assets; (2) the characteristics of the contractual cash flows.</p> <p>b. Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument.</p> <p>c. Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases.</p> <p>Financial liabilities</p> <p>Changes introduced by AASB 9 in respect of financial liabilities are limited to the measurement of liabilities designated at fair value through profit or loss (FVPL) using the fair value option.</p> <p>Where the fair value option is used for financial liabilities, the change in fair value is to be accounted for as follows:</p> <ul style="list-style-type: none"> ►The change attributable to changes in credit risk are presented in other comprehensive income (OCI) ►The remaining change is presented in profit or loss <p>AASB 9 also removes the volatility in profit or loss that was caused by changes in the credit risk of liabilities elected to be measured at fair value. This change in accounting means that gains or losses attributable to changes in the entity's own credit risk would be recognised in OCI.</p>	1 January 2018

Reference	Title	Summary	Application date of standard*
		<p>These amounts recognised in OCI are not recycled to profit or loss if the liability is ever repurchased at a discount.</p> <p>Impairment</p> <p>The final version of AASB 9 introduces a new expected-loss impairment model that will require more timely recognition of expected credit losses. Specifically, the new Standard requires entities to account for expected credit losses from when financial instruments are first recognised and to recognise full lifetime expected losses on a timelier basis.</p> <p>Hedge accounting</p> <p>Amendments to AASB 9 (December 2009 & 2010 editions and AASB 2013-9) issued in December 2013 included the new hedge accounting requirements, including changes to hedge effectiveness testing, treatment of hedging costs, risk components that can be hedged and disclosures.</p> <p>Consequential amendments were also made to other standards as a result of AASB 9, introduced by AASB 2009-11 and superseded by AASB 2010-7, AASB 2010-10 and AASB 2014-1 – Part E.</p> <p>AASB 2014-7 incorporates the consequential amendments arising from the issuance of AASB 9 in Dec 2014.</p> <p>AASB 2014-8 limits the application of the existing versions of AASB 9 (AASB 9 (December 2009) and AASB 9 (December 2010)) from 1 February 2015 and applies to annual reporting periods beginning on after 1 January 2015.</p>	
AASB 14 ^^^	Regulatory deferral accounts	<p>AASB 14 permits first-time adopters to continue to account for amounts related to rate regulation in accordance with their previous GAAP when they adopt Australian Accounting Standards. However, to enhance comparability with entities that already apply Australian Accounting Standards and do not recognise such amounts, AASB 14 requires that the effect of rate regulation must be presented separately from other items. An entity that is not a first-time adopter of Australian Accounting Standards will not be able to apply AASB 14.</p> <p>AASB 2014-1 Part D makes amendments to AASB 1 First-time Adoption of Australian Accounting Standards, which arise from the issuance of AASB 14 Regulatory Deferral Accounts in June 2014.</p>	1 January 2016
AASB 2014-3	Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations [AASB 1 & AASB 11]	<p>AASB 2014-3 amends AASB 11 Joint Arrangements to provide guidance on the accounting for acquisitions of interests in joint operations in which the activity constitutes a business. The amendments require:</p> <p>(a) the acquirer of an interest in a joint operation in which the activity constitutes a business, as defined in AASB 3 Business Combinations, to apply all of the principles on business combinations accounting in AASB 3 and other Australian Accounting Standards except for those principles that conflict with the guidance in AASB 11</p> <p>(b) the acquirer to disclose the information required by AASB 3 and other Australian Accounting Standards for business combinations</p> <p>This Standard also makes an editorial correction to AASB 11.</p>	1 January 2016
AASB 2014-4	Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to AASB 116)	<p>AASB 116 Property Plant and Equipment and AASB 138 Intangible Assets both establish the principle for the basis of depreciation and amortisation as being the expected pattern of consumption of the future economic benefits of an asset.</p>	1 January 2016

Reference	Title	Summary	Application date of standard*
	and AASB 138)	<p>The IASB has clarified that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset.</p> <p>The amendment also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption, however, can be rebutted in certain limited circumstances.</p>	
AASB 2014-6	<p>Amendments to Australian Accounting Standards – Agriculture: Bearer Plants</p> <p>[AASB 101, AASB 116, AASB 117, AASB 123, AASB 136, AASB 140 & AASB 141]</p>	<p>The amendments require that bearer plants such as grape vines, rubber trees and oil palms, should be accounted for in the same way as property, plant and equipment in AASB 116, because their operation is similar to that of manufacturing.</p> <p>The produce growing on bearer plants will remain within the scope of AASB 141 Agriculture.</p> <p>This Standard also makes various editorial corrections to other Australian Accounting Standards.</p>	1 January 2016
AASB 15	Revenue from Contracts with Customers	<p>AASB 15 Revenue from Contracts with Customers replaces the existing revenue recognition standards AASB 111 Construction Contracts, AASB 118 Revenue and related Interpretations (Interpretation 13 Customer Loyalty Programmes, Interpretation 15 Agreements for the Construction of Real Estate, Interpretation 18 Transfers of Assets from Customers, Interpretation 31 Revenue—Barter Transactions Involving Advertising Services and Interpretation 1042 Subscriber Acquisition Costs in the Telecommunications Industry). AASB 15 incorporates the requirements of IFRS 15 Revenue from Contracts with Customers issued by the International Accounting Standards Board (IASB) and developed jointly with the US Financial Accounting Standards Board (FASB).</p> <p>AASB 15 specifies the accounting treatment for revenue arising from contracts with customers (except for contracts within the scope of other accounting standards such as leases or financial instruments). The core principle of AASB 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps:</p> <ul style="list-style-type: none"> (a) Step 1: Identify the contract(s) with a customer (b) Step 2: Identify the performance obligations in the contract (c) Step 3: Determine the transaction price (d) Step 4: Allocate the transaction price to the performance obligations in the contract (e) Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation <p>AASB 2015-8 amended the AASB 15 effective date so it is now effective for annual reporting periods commencing on or after 1 January 2018. Early application is permitted.</p> <p>AASB 2014-5 incorporates the consequential amendments to a number Australian Accounting Standards (including Interpretations) arising from the issuance of AASB 15.</p>	1 January 2018

Reference	Title	Summary	Application date of standard*
AASB 1056	Superannuation Entities	AASB 1056 is a new Standard applying to superannuation entities replacing AAS 25 Financial Reporting by Superannuation Plans. This new standard specifies requirements for general purpose financial statements of superannuation entities and results in significant changes to presentation of financial statements, measurement and disclosure of defined benefit obligations and disclosure of disaggregated financial information.	1 July 2016
AASB 1057	Application of Australian Accounting Standards	This Standard lists the application paragraphs for each other Standard (and Interpretation), grouped where they are the same. Accordingly, paragraphs 5 and 22 respectively specify the application paragraphs for Standards and Interpretations in general. Differing application paragraphs are set out for individual Standards and Interpretations or grouped where possible. The application paragraphs do not affect requirements in other Standards that specify that certain paragraphs apply only to certain types of entities.	1 January 2016
AASB 2014-9	Amendments to Australian Accounting Standards – Equity Method in Separate Financial Statements	AASB 2014-9 amends AASB 127 Separate Financial Statements, and consequentially amends AASB 1 First-time Adoption of Australian Accounting Standards and AASB 128 Investments in Associates and Joint Ventures, to allow entities to use the equity method of accounting for investments in subsidiaries, joint ventures and associates in their separate financial statements. AASB 2014-9 also makes editorial corrections to AASB 127. AASB 2014-9 applies to annual reporting periods beginning on or after 1 January 2016. Early adoption permitted.	1 January 2016
AASB 2014-10	Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	AASB 2014-10 amends AASB 10 Consolidated Financial Statements and AASB 128 to address an inconsistency between the requirements in AASB 10 and those in AASB 128 (August 2011), in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require: (a) A full gain or loss to be recognised when a transaction involves a business (whether it is housed in a subsidiary or not) (b) A partial gain or loss to be recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. AASB 2014-10 also makes an editorial correction to AASB 10. AASB 2015-10 defers the mandatory effective date (application date) of AASB 2014-10 so that the amendments are required to be applied for annual reporting periods beginning on or after 1 January 2018 instead of 1 January 2016.	1 January 2018
AASB 2015-1	Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012–2014 Cycle	The subjects of the principal amendments to the Standards are set out below: AASB 5 Non-current Assets Held for Sale and Discontinued Operations: • Changes in methods of disposal – where an entity reclassifies an asset (or disposal group) directly from being held for distribution to being held for sale (or visa versa), an entity shall not follow the guidance in paragraphs 27–29 to account for this change. AASB 7 Financial Instruments: Disclosures:	1 January 2016

Reference	Title	Summary	Application date of standard*
		<ul style="list-style-type: none"> • Servicing contracts - clarifies how an entity should apply the guidance in paragraph 42C of AASB 7 to a servicing contract to decide whether a servicing contract is 'continuing involvement' for the purposes of applying the disclosure requirements in paragraphs 42E–42H of AASB 7. • Applicability of the amendments to AASB 7 to condensed interim financial statements - clarify that the additional disclosure required by the amendments to AASB 7 Disclosure–Offsetting Financial Assets and Financial Liabilities is not specifically required for all interim periods. However, the additional disclosure is required to be given in condensed interim financial statements that are prepared in accordance with AASB 134 Interim Financial Reporting when its inclusion would be required by the requirements of AASB 134. <p>AASB 119 Employee Benefits:</p> <ul style="list-style-type: none"> • Discount rate: regional market issue - clarifies that the high quality corporate bonds used to estimate the discount rate for post-employment benefit obligations should be denominated in the same currency as the liability. Further it clarifies that the depth of the market for high quality corporate bonds should be assessed at the currency level. <p>AASB 134 Interim Financial Reporting:</p> <ul style="list-style-type: none"> • Disclosure of information 'elsewhere in the interim financial report' - amends AASB 134 to clarify the meaning of disclosure of information 'elsewhere in the interim financial report' and to require the inclusion of a cross-reference from the interim financial statements to the location of this information. 	
AASB 2015-2	Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101	The Standard makes amendments to AASB 101 Presentation of Financial Statements arising from the IASB's Disclosure Initiative project. The amendments are designed to further encourage companies to apply professional judgment in determining what information to disclose in the financial statements. For example, the amendments make clear that materiality applies to the whole of financial statements and that the inclusion of immaterial information can inhibit the usefulness of financial disclosures. The amendments also clarify that companies should use professional judgment in determining where and in what order information is presented in the financial disclosures.	1 January 2016
AASB 2015-5	Amendments to Australian Accounting Standards – Investment Entities: Applying the Consolidation Exception	This makes amendments to AASB 10, AASB 12 Disclosure of Interests in Other Entities and AASB 128 arising from the IASB's narrow scope amendments associated with Investment Entities.	1 January 2016
AASB 2015-6	Amendments to Australian Accounting Standards – Extending Related Party Disclosures to Not-for-Profit Public Sector Entities [AASB 10, AASB 124 & AASB 1049]	This Standard makes amendments to AASB 124 Related Party Disclosures to extend the scope of that Standard to include not-for-profit public sector entities.	1 July 2016
AASB 2015-7	Amendments to Australian Accounting Standards – Fair Value Disclosures of Not-for-Profit Public Sector Entities [AASB 13]	This Standard makes amendments to AASB 13 Fair Value Measurement to exempt not-for-profit public sector entities from certain requirements of the Standard.	1 July 2016

Reference	Title	Summary	Application date of standard*
AASB 2015-9	Amendments to Australian Accounting Standards – Scope and Application Paragraphs [AASB 8, AASB 133 & AASB 1057]	This Standard inserts scope paragraphs into AASB 8 and AASB 133 in place of application paragraph text in AASB 1057. This is to correct inadvertent removal of these paragraphs during editorial changes made in August 2015. There is no change to the requirements or the applicability of AASB 8 and AASB 133.	1 January 2016
AASB 16	Leases	<p>The key features of AASB 16 are as follows:</p> <p>Lessee accounting</p> <ul style="list-style-type: none"> • Lessees are required to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. • A lessee measures right-of-use assets similarly to other non-financial assets and lease liabilities similarly to other financial liabilities. • Assets and liabilities arising from a lease are initially measured on a present value basis. The measurement includes non-cancellable lease payments (including inflation-linked payments), and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. • AASB 16 contains disclosure requirements for lessees. <p>Lessor accounting</p> <ul style="list-style-type: none"> • AASB 16 substantially carries forward the lessor accounting requirements in AASB 117. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. • AASB 16 also requires enhanced disclosures to be provided by lessors that will improve information disclosed about a lessor's risk exposure, particularly to residual value risk. <p>AASB 16 supersedes:</p> <ul style="list-style-type: none"> (a) AASB 117 Leases (b) Interpretation 4 Determining whether an Arrangement contains a Lease (c) SIC-15 Operating Leases—Incentives (d) SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease <p>The new standard will be effective for annual periods beginning on or after 1 January 2019. Early application is permitted, provided the new revenue standard, AASB 15 Revenue from Contracts with Customers, has been applied, or is applied at the same date as AASB 16.</p>	1 January 2019
2016-1	Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses [AASB 112]	This Standard amends AASB 112 Income Taxes (July 2004) and AASB 112 Income Taxes (August 2015) to clarify the requirements on recognition of deferred tax assets for unrealised losses on debt instruments measured at fair value.	1 January 2017
2016-2	Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107	This Standard amends AASB 107 Statement of Cash Flows (August 2015) to require entities preparing financial statements in accordance with Tier 1 reporting requirements to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and	1 January 2017

Reference	Title	Summary	Application date of standard*
		non-cash changes.	
IFRS 2 (Amendments)	Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2)	<p>This standard amends to IFRS 2 Share-based Payment, clarifying how to account for certain types of share-based payment transactions. The amendments provide requirements on the accounting for:</p> <ul style="list-style-type: none"> ▶The effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments ▶Share-based payment transactions with a net settlement feature for withholding tax obligations ▶A modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled 	1 January 2018

* Designates the beginning of the applicable annual reporting period unless otherwise stated.

Appendix F Audit Developments

ASA 701 – Communicating of Key Audit Matters in the Independent Auditor’s Report

ASA 701 is operative for financial reporting periods ending on or after 15 December 2016. Initially, this standard will be applicable to all listed companies, however, it is envisaged that the application of this new standard will be applied to all general purpose and special purpose financial reports in the future.

The new standard deals with the auditor's responsibility to communicate key audit matters in the auditor's report. It is intended to address both the auditor's judgement as to what to communicate in the auditor's report and the form and content of such communication. Its purpose is to enhance the communicative value of the auditor's report by providing greater transparency about the audit that was performed.

Communicating key audit matters provides additional information to intended users of the financial report to assist them in understanding those matters that, in the auditor's professional judgement, were of most significance in the audit of the financial report of the current period. Communicating key audit matters may also assist intended users in understanding the entity and areas of significant management judgement in the audited financial report. It may provide intended users a basis to further engage with management and those charged with governance about certain matters relating to the entity, the audited financial report, or the audit that was performed.

Application of the above standard will require the auditor to communicate with those charged with governance on a timely basis. This will also require the auditor to prepare audit documentation that is sufficient to support its audit report in the context of key audit matters, as well as certain other audit documentation of significant matters arising during the audit.

Finance Overview

Council's Financial Statements were completed within the statutory timeframe and the audit report was unqualified.

During the 2015/16 year the Council managed a total income of over \$110 million to provide a wide range of services and facilities to the community.

The following information presents a summary of financial results for 2015/16.

(Full details of Council's audited Financial Statements are available within this Annual Report, all budget figures are in accord with the originally adopted Municipal Plan.)

2015/16 Budget Results

Budget: \$1.9 million surplus
Result: \$16.7 million surplus

(Net income including capital revenue)

The improved result included:

- Early receipt of NTG grant for new Parap Pool \$5M
- Grant for Velodrome construction \$1.5M
- Successful negotiations to defer NTG transferring street lighting r & m expenses of \$1.6M
- Developer contributed assets \$7.6M (non-cash)
- Disposal of assets not fully depreciated (-\$0.7M)
- Other revenue and expense variations

The Parap Pool and Velodrome grant moneys are held in the Unexpended Grants Reserve as at 30 June 2016 to pay for capital expenditure in following financial year/s.

The savings on street lighting repairs and maintenance have contributed to a reserve to assist the NTG transfer to Council of full responsibility for street lighting from 1 January 2018.

How does the result compare with previous years?

Net result (after capital revenue)

2015/16	2014/15	2013/14	2012/13
\$16.7M	*\$11.8M	\$8.8M	\$9.5M

*Includes one off de-recognition of carbon tax liability \$6.9 million.

Capital grants and contributions are not consistent from year to year and significantly contribute to the fluctuations in the Net result (after capital revenue).

Looking Ahead

- The Council's strong financial position and results place it in a good position to sustainably meet obligations to current and future generations.
- Improving financial and asset management planning processes.
- Ongoing savings and efficiency gains where possible.
- Continuation of lost revenue if Commonwealth does not adjust annual financial assistance by CPI.
- NTG is expected to transfer full responsibility for street lighting to Council as from 1 January 2018 and this may increase rates (additional costs for r & m and replacing old infrastructure).
- Long term financial plan; indicative rates increases of 3% PA (1.5% above CPI) and recurring operational savings to be identified.

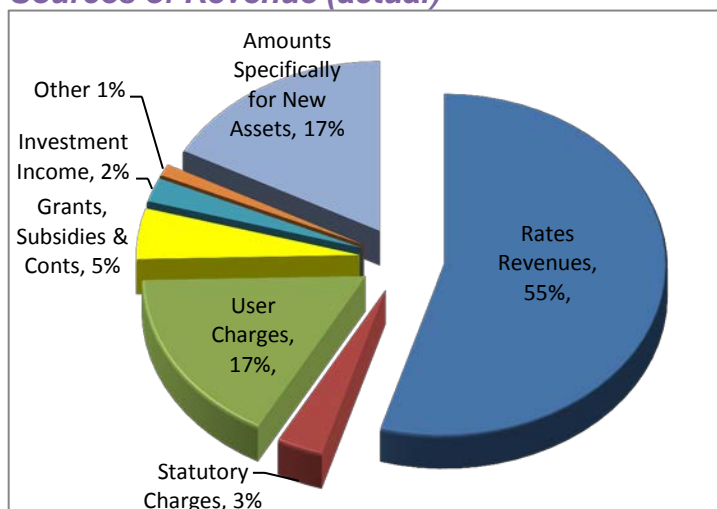
Income

Budget: \$103.9 million
Result: \$118.5 million

The result was \$14.6 million higher due to:

- Grants received earlier than expected.
- Developer contributed assets not budgeted.

Sources of Revenue (actual)



Income - 4 year trend

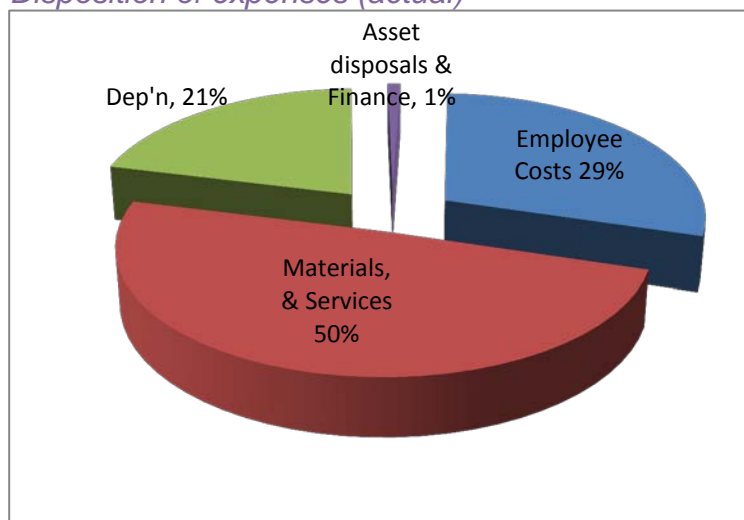
2015/16	2014/15	2013/14	2012/13
\$118.5M	\$110.3M	\$101.1M	\$94.8M

Expenses

Budget: \$102.1 million
Result: \$101.8 million

The result was less than budget due to the combined effects of savings on street lighting, and other variations including asset disposals not budgeted.

Disposition of expenses (actual)



Expenses - 4 year trend

2015/16	2014/15	2013/14	2012/13
\$101.8M	\$98.6M	\$92.3M	\$85.2M

Financial Sustainability Indicators

Each year the Council tracks its performance against 8 key financial sustainability performance measures over a five year period. As outlined below, for 2015/16 the Council has met or exceeded targets in all but 2 indicators (Operating Surplus and Asset Sustainability Ratio are highlighted amber and are slightly outside preferred range, no concerns are held).

FINANCIAL SUSTAINABILITY INDICATORS							
Council Indicators							
1	% of Rate Debtors Outstanding	Target	2015/16	2014/15	2013/14	2012/13	2011/12
Percentage of Rate Debtors Outstanding	Indicator	<5%	2.6%	2.2%	1.9%	2.2%	2.5%
	This indicator is designed to measure Council's effectiveness in recovering debts legally owed to it.						
2	Debt Servicing Ratio	Target	2015/16	2014/15	2013/14	2012/13	2011/12
Debt Servicing Ratio	Indicator	<5%	0.5%	0.5%	0.5%	0.5%	0.6%
	This indicator is designed to show what proportion of revenue is required as a commitment to fund Council's long term capacity to repay loans.						
3	Liquidity Ratio	Target	2015/16	2014/15	2013/14	2012/13	2011/12
Liquidity Ratio	Indicator	>1.00:1	1.01:1	1.01:1	1.06:1	1.05:1	1.06:1
	This indicator is designed to measure whether Council has the ability to pay its debts as they fall due and is expressed as a factor of one.						
4	Rates Ratio	Target	2015/16	2014/15	2013/14	2012/13	2011/12
Rates Ratio	Indicator	60%-70%	63.6%	63.2%	64.2%	65.3%	64.3%
	This indicator is designed to measure Council's ability to cover its day to day expenses through its own tax/rates revenue.						
5	Operating Surplus	Target	2015/16	2014/15	2013/14	2012/13	2011/12
Operating Surplus	Operating Surplus/(Deficit)	Break-even	(\$3.6M)	(\$3.7M)	(\$2.1M)	\$2.1M	(\$0.6M)
	This indicator is designed to provide information on the result of ordinary operations. Trend analysis may enable Council to determine if the current level of services can be sustained into the future. Management will continue to monitor this but as it remains minimal has no concerns at this stage.						
6	Operating Surplus before Depreciation	Target	2015/16	2014/15	2013/14	2012/13	2011/12
Operating Surplus before Depreciation	Operating Surplus/(Deficit)	> Break-even	\$17.5M	\$18.9M	\$14.3M	\$16.8M	\$13.9M
	This indicator is designed to provide information on the result of ordinary operations before depreciation, which is a non cash expense. Excluding depreciation gives the amount of operating income over and above operating expenses that is available to fund capital expenditure.						
7	Asset Sustainability Ratio	Target	2015/16	2014/15	2013/14	2012/13	2011/12
Asset Sustainability Ratio	Indicator	>50%	77.5%	31.0%	32.2%	70.2%	36.6%
	This indicator is designed to indicate the extent to which Council is renewing its assets. A ratio of 100% or more indicates that Council spends at least the amount of depreciation each year on renewing assets. Based on advice from Council's Asset Managers the current maturity profiles of existing assets did not demand immediate renewals in the reporting year (2014/15).						
8	% of Annual Expenditure within Budget	Target	2015/16	2014/15	2013/14	2012/13	2011/12
% Annual Expenditure within Budget	Indicator	95%-105%	99.7%	102.8%	103.8%	98.1%	90.8%
	This indicator is designed to measure how effective Council's budgeting practices are by measuring how close actual expenditures incurred were to budget.						

Service Results

The following table presents, for each program, actual results (statement of income) against original Municipal budgets:

Services (\$'000) for the year ended 30 June 2016	Actual Income	Actual Expenses	Actual Net Result	Budget Net Result	\$ Variance Fav (-Unfav)	% Variance Fav (-Unfav)	Var Note
Chief Executive Officer Section	126	3,775	-3,649	-4,027	377	9%	
Office of the Chief Executive	61	838	-777	-756	-21	-3%	
Climate Change	53	589	-536	-485	-51	-11%	
Communications & Engagement	0	708	-708	-939	230	25%	1
Governance	0	1,305	-1,305	-1,500	195	13%	2
Strategy & Outcomes	12	334	-323	-346	24	7%	
Community & Cultural Services	2,801	9,237	-6,436	-6,977	541	8%	
General Manager Community	0	597	-597	-541	-56	-10%	
Community Development	22	787	-764	-917	152	17%	3
Customer Services	134	631	-497	-527	30	6%	
Darwin Safer City	152	515	-363	-544	181	33%	4
Family & Children	183	319	-136	-220	84	38%	
Libraries	1,548	3,553	-2,005	-2,034	29	1%	
Major Community Events	35	413	-378	-420	42	10%	
Recreation & Leisure	695	1,748	-1,053	-1,123	70	6%	
Sister Cities	4	177	-173	-176	3	2%	
Youth Services	28	498	-470	-476	6	1%	
Corporate services	10,677	19,198	-8,522	-8,156	-366	-4%	
General Manager Corporate	6	688	-682	-508	-174	-34%	5
Business Services	0	174	-174	-181	7	4%	
Contract Administration	0	158	-158	-232	74	32%	
Darwin Entertainment Centre	0	1,172	-1,172	-895	-277	-31%	6
Employee Overheads (net)	89	-89	178	-172	350	204%	7
Employee Relations	125	1,792	-1,667	-1,698	31	2%	
Finance Management	573	3,111	-2,538	-2,578	40	2%	
Fleet Management (net of internal charges/hire)	113	-2,156	2,269	1,815	454	-25%	8
Information Technology	70	2,804	-2,734	-2,650	-85	-3%	
On & Off Street Parking	5,013	5,120	-108	634	-742	117%	9
Property Management	1,459	177	1,282	1,315	-33	3%	
Records & Information Management	19	630	-610	-620	9	2%	
Regulatory & Animal Management	3,210	4,641	-1,431	-1,112	-318	-29%	10
Risk Management	0	976	-976	-1,274	298	23%	11
Infrastructure	21,700	53,476	-31,776	-29,935	-1,841	-6%	
General Manager Infrastructure	0	664	-664	-574	-90	-16%	
Asset Management	0	474	-474	-415	-59	-14%	
Design, Planning & Projects	166	2,157	-1,991	-1,886	-105	-6%	
Operations	0	779	-779	-854	75	9%	
Building Services	0	4,194	-4,194	-4,094	-101	-2%	
Mosquito Control	138	99	40	-135	175	129%	12
Parks & Reserves	238	15,606	-15,368	-14,865	-503	-3%	
Pathways	0	1,447	-1,447	-900	-547	-61%	13
Roads Maintenance	1,778	4,492	-2,714	-6,410	3,696	58%	14
Stormwater Drainage	0	744	-744	-627	-117	-19%	15
Street Cleaning	0	2,945	-2,945	-2,916	-29	-1%	
Waste Management	18,790	19,518	-728	3,597	-4,326	120%	16
Development	590	357	233	144	90	-62%	
Corporate overheads charged to other accounts	0	-5,579	5,579	5,579	0	0%	
Other	83,203	21,658	61,546	45,369	16,177	-36%	
General Revenues (rates, interest, federal asstce)	62,824	-146	62,971	63,481	-510	1%	
Grants & Contributions for Capital Purposes	20,379	0	20,379	3,033	17,346	-572%	17
Loss on sale assets	0	671	-671	0	-671	1000%	18
Depreciation	0	21,133	-21,133	-21,146	12	0%	
Net Operating Result	118,507	101,766	16,741	1,853			

Service Results (continued)

Notes on variances (where exceed + -10% and \$100,000)

- 1 Promotional and projects budgets related to planned communications consultations and internet projects (to be progressed in 16/17) .
 - 2 Savings in Elected Members Allowances and Civic Functions budgets.
 - 3 Savings in Community Development activities due to vacancies and in Community Safety budget (taxi rank).
 - 4 Receipt of Faces in Spaces grant (with expenditure: program to be delivered across financial years); in addition savings due to staff vacancy.
 - 5 Employee costs realigned to this program during the year and legal expenses higher than anticipated.
 - 6 Additional costs of temporary air-conditioning chillers at Darwin Entertainment Centre.
 - 7 Savings in employee sick leave and workers compensation.
 - 8 Savings in fuel, small plant purchases, vehicle damages expenditure and costs charged to other accounts.
 - 9 On and Off Street parking income reduced due to lower occupancy rates and activity.
 - 10 Reduction in CBD infringement income due to greater compliance and staff turnover.
 - 11 Savings on insurance, internal audit and consultant services, also internal audits being completed in 16/17.
 - 12 Operational component of Mosquito Control grant received (transferred to Unspent Grants Reserve).
 - 13 Costs realigned from other Infrastructure programs.
 - 14 NTG deferral of street lighting repairs and maintenance (including unwinding of previous years adjustments). In addition some of the budget was utilised for capital expenditure purposes (roads).
 - 15 Salaries & wages exceeded budget partially due to first year implementation of coroners inspection regime.
 - 16 Some Carbon Tax Levies collected in previous years were refunded and overall there was a reduction in Weighbridge income (less activity)
 - 17 Contributed assets and cash not budgeted and receipt of large grants for assets (including Parap Pool, Velodrome and R2R Esplanade grant).
 - 18 Loss on sale of assets was not budgeted - includes resurfacing of Cavenagh St car park and disposal of Monty's at the Mall building structure.
- (rounding may cause minor differences in addition)

Capital expenditure

Budget: \$26.0 million
Result: \$26.7 million

(excludes developer contributed assets of 7.6 million)

Overall \$0.7 million more than original budget was spent mainly due to expenditure on completing projects from previous year (carry forwards).

Notable projects completed during the year include:

- *Shoal Bay Waste disposal upgrades (ongoing)*
- *Nightcliff Foreshore Café*
- *Nightcliff Master Plan (combination of several programs)*
- *Esplanade Resurface reconstruction*
- *Coastal erosion management plan*
- *Regional Playground Refurbishment*
- *Emergency backup generators civic centre*
- *Network and system upgrade*

Capital expenditure - 4 year trend

2015/16	2014/15	2013/14	2012/13
\$26.7M	\$23.1M	\$16.6M	\$19.7M

<p><u>Reserves</u></p> <p>Legally Restricted: \$33.1M (14/15: \$23.4M)</p> <p>These reserves are subject to legal restrictions in relation to their use and include developer contributions, car parking shortfall rate, unexpended specific purpose grants and waste charges etc.</p> <p>Other Reserves: \$32.6M (14/15: \$37.6)</p> <p>Other reserves support the long term financial plan and asset management. They include funds for Asset Replacement & Refurbishment, Disaster Contingency, Fleet Replacement, On & Off Street Car Parking Strategy and Carbon Tax etc .</p>		<p><i>Increase in Legally Restricted Reserves:</i></p> <p><i>A notable factor is the early receipt of specific purpose grants for the new Parap Pool and Velodrome held until required.</i></p>
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City of Darwin

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2016

*Darwin: A tropical, liveable city that creates opportunity and
choice for our community*



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Overview

- (i) These financial statements are General Purpose Financial Statements.
 - (ii) All figures presented in these financial statements are presented in Australian Currency.
 - (iii) These financial statements were authorised for issue by the Council on 15/11/16.
Council has the power to amend and reissue the financial statements.
-

General Purpose Financial Statements

for the year ended 30 June 2016

Understanding Council's Financial Statements

Introduction

Each year, individual Local Governments across the Northern Territory are required to present a set of audited Financial Statements to their Council and Community.

About the Certification of Financial Statements

The Financial Statements must be certified by the Chief Executive Officer and Mayor as "presenting a true & fair view" of the Council's financial results for the year, and ensuring both responsibility for and ownership of the Financial Statements across Council.

What you will find in the Statements

The Financial Statements set out the financial performance, financial position and cash flows of Council for the financial year ended 30 June 2016.

The format of the Financial Statements complies with the accounting and reporting requirements of Australian Accounting Standards.

The Financial Statements incorporate 4 "primary" financial statements:

1. A Statement of Comprehensive Income

A summary of Council's financial performance for the year, listing all income & expenses.

2. A Balance Sheet

A 30 June snapshot of Council's financial position including its assets & liabilities.

3. A Statement of Changes in Equity

The overall change for the year (in dollars) of Council's "net wealth".

4. A Statement of Cash Flows

Indicates where Council's cash came from and where it was spent.

About the Notes to the Financial Statements

The Notes to the Financial Statements provide greater detail and additional information on the 4 Primary Financial Statements.

About the Auditor's Reports

Council's Financial Statements are required to be audited by external accountants.

The Auditor provides an audit report, which gives an opinion on whether the Financial Statements present fairly the Council's financial performance and position.

Who uses the Financial Statements?

The Financial Statements are publicly available documents and are used by (but not limited to) Councillors, Residents and Ratepayers, Employees, Suppliers, Contractors, Customers, the Local Government Association of Northern Territory, the NT Local Government Grants Commission, and Financiers including Banks and other Financial Institutions.

More information...

A "Finance Overview" for the financial year ended 30 June 2016 is provided separately within the City of Darwin Annual Report 2015/16.

Chief Executive Officer's Statement for the year ended 30 June 2016

The attached General Purpose Financial Statements have been prepared in accordance with:

- (i) The *Local Government Act*, and
- (ii) The Local Government (Accounting) Regulations, and
- (iii) The Australian Accounting Standards and professional pronouncements.

To the best of my knowledge, information and belief, these Financial Statements

- (i) Are in accord with Council's accounting and other records, and
- (ii) Have been properly drawn up in accordance with the applicable Accounting Standards, the Act and the Regulations so as to present fairly the financial position of the Council and the results for the financial year

Brendan Dowd

**CHIEF EXECUTIVE OFFICER
28-October-2016**

City of Darwin

Statement of Comprehensive Income

for the year ended 30 June 2016

\$ '000	Notes	2016	2015
Income			
Rates Revenues	2a	64,707	62,294
Statutory Charges	2b	4,009	3,784
User Charges	2c	19,715	18,407
Grants, Subsidies and Contributions	2g	5,679	6,225
Investment Income	2d	2,707	2,955
Reimbursements	2e	500	507
Other Income	2f	811	637
Total Income		98,128	94,809
Expenses			
Employee Costs	3a	29,628	27,252
Materials, Contracts & Other Expenses	3b	50,091	48,398
Depreciation, Amortisation & Impairment	3c	21,133	22,646
Finance Costs	3d	242	255
Total Expenses		101,094	98,551
Operating Surplus / (Deficit)		(2,966)	(3,742)
Asset Disposal & Fair Value Adjustments	4	(672)	710
Amounts Received Specifically for New or Upgraded Assets	2g	12,811	4,564
Physical Resources Received Free of Charge	2i	7,568	3,316
Gain on Carbon Tax Liability Repeal	23	-	6,938
Net Surplus / (Deficit)		16,741	11,786
Other Comprehensive Income			
<i>Amounts which will not be reclassified subsequently to operating result</i>			
Changes in Revaluation Reserves - I,PP&E	9a	(52,308)	-
Total Other Comprehensive Income		(52,308)	-
Total Comprehensive Income		(35,567)	11,786

City of Darwin

Statement of Financial Position

as at 30 June 2016

\$ '000	Notes	2016	2015
ASSETS			
Current Assets			
Cash and Cash Equivalents	5a	3,290	3,995
Trade & Other Receivables	5b	7,249	7,110
Other Financial Assets	5c	74,471	70,190
Inventories	5d	131	116
Non-Current Assets Held for Sale	19	211	-
Total Current Assets		85,352	81,411
Non-Current Assets			
Infrastructure, Property, Plant & Equipment	7a	1,106,436	1,146,998
Total Non-Current Assets		1,106,436	1,146,998
TOTAL ASSETS		1,191,788	1,228,409
LIABILITIES			
Current Liabilities			
Trade & Other Payables	8a	11,444	12,514
Borrowings	8b	226	211
Provisions	8c	6,909	6,506
Total Current Liabilities		18,579	19,231
Non-Current Liabilities			
Borrowings	8b	3,287	3,513
Provisions	8c	500	676
Total Non-Current Liabilities		3,787	4,189
TOTAL LIABILITIES		22,366	23,420
Net Assets		1,169,422	1,204,989
EQUITY			
Accumulated Surplus		332,013	320,058
Asset Revaluation Reserves	9a	771,670	823,978
Other Reserves	9b	65,739	60,953
Total Council Equity		1,169,422	1,204,989

City of Darwin

Statement of Changes in Equity
for the year ended 30 June 2016

\$ '000		Notes	Accumulated Surplus	Asset Revaluation Reserve	Other Reserves	Total Equity
2016						
Balance at the end of previous reporting period			320,058	823,978	60,953	1,204,989
a. Net Surplus / (Deficit) for Year			16,741	-	-	16,741
b. Other Comprehensive Income						
- Gain (Loss) on Revaluation of I,PP&E		7a	-	(52,308)	-	(52,308)
Total Comprehensive Income			16,741	(52,308)	-	(35,567)
c. Transfers between Reserves			(4,786)	-	4,786	-
Balance at the end of period			332,013	771,670	65,739	1,169,422
2015						
Balance at the end of previous reporting period			320,045	823,978	49,180	1,193,203
a. Net Surplus / (Deficit) for Year			11,786	-	-	11,786
b. Other Comprehensive Income						
- Gain (Loss) on Revaluation of I,PP&E		7a	-	-	-	-
Other Comprehensive Income			-	-	-	-
Total Comprehensive Income			11,786	-	-	11,786
c. Transfers between Reserves			(11,773)	-	11,773	-
Balance at the end of period			320,058	823,978	60,953	1,204,989

City of Darwin

Statement of Cash Flows

for the year ended 30 June 2016

\$ '000	Notes	2016	2015
Cash Flows from Operating Activities			
<u>Receipts</u>			
Operating Receipts		103,241	97,013
Investment Receipts		2,527	4,216
<u>Payments</u>			
Operating Payments to Suppliers and Employees		(88,354)	(79,750)
Finance Payments		(244)	(256)
Net Cash provided by (or used in) Operating Activities	11b	17,170	21,223
Cash Flows from Investing Activities			
<u>Receipts</u>			
Amounts Received Specifically for New/Upgraded Assets		12,811	4,564
Sale of Replaced Assets		510	1,609
<u>Payments</u>			
Expenditure on Renewal/Replacement of Assets		(16,391)	(7,036)
Expenditure on New/Upgraded Assets		(10,313)	(15,620)
Net Purchase of Investment Securities		(4,281)	(2,912)
Net Cash provided by (or used in) Investing Activities		(17,664)	(19,395)
Cash Flows from Financing Activities			
<u>Receipts</u>			
Nil			
<u>Payments</u>			
Repayments of Borrowings		(211)	(199)
Net Cash provided by (or used in) Financing Activities		(211)	(199)
Net Increase (Decrease) in Cash Held		(705)	1,629
plus: Cash & Cash Equivalents at beginning of period	11a	3,995	2,366
Cash & Cash Equivalents at end of period	11a	3,290	3,995
Additional Information:			
plus: Investments on hand - end of year	5c	74,471	70,190
Total Cash, Cash Equivalents & Investments		77,761	74,185

City of Darwin

Notes to and forming part of the Financial Statements

for the year ended 30 June 2016

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n/a - not applicable

Notes to and forming part of the Financial Statements for the year ended 30 June 2016

Note 1. Summary of Significant Accounting Policies

The principal accounting policies adopted by Council in the preparation of these consolidated financial statements 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, Interpretations and relevant Northern Territory legislation.

The financial report was authorised for issue on 15 November 2016.

1.2 Historical Cost Convention

Except as 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 these Notes.

1.4 Rounding

All amounts in the financial statements have been rounded to the nearest thousand dollars (\$'000).

2 The Local Government Reporting Entity

The City of Darwin is incorporated under the NT Local Government Act and has its principal place of

business at Harry Chan Avenue, Darwin. 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.

Other entities in which Council has an interest but does not control are reported in Note 18.

Trust monies and property held by Council but subject to the control of other persons have been excluded from these reports.

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.

Rates and levies

Rates are recognised at the commencement of rating period. Rates overpaid at the end of reporting period are classified as current liability.

Grants and subsidies

Grants, subsidies, contributions and donations that are non-reciprocal in nature are recognised as revenue in the year in which Council obtains control over them. An equivalent amount is placed in a reserve until the funds are expended.

Where grants, are received that are reciprocal in nature, revenue is recognised as the various performance obligations under the funding agreement are fulfilled.

Non-cash contributions

Non-cash contributions with a value in excess of the recognition thresholds as stated in Note (6.2) are recognised as revenue and as non-current assets. Non-cash contributions below the thresholds are recorded as revenue and expenses.

Physical assets contributed to Council by developers in the form of road works, stormwater and park equipment are recognised as revenue when the development becomes "on maintenance" (i.e. the

Notes to and forming part of the Financial Statements for the year ended 30 June 2016

Note 1. Summary of Significant Accounting Policies (continued)

Council obtains control of the assets and becomes liable for any ongoing maintenance) and there is sufficient data in the form of drawings and plans to determine the approximate specifications and values of such assets. All non-cash contributions are recognised at the fair value of the contribution received on the date of acquisition.

Cash contributions

Developers also pay infrastructure charges for the construction of assets, such as roads and stormwater drainage. These infrastructure charges are not within the scope of AASB Interpretation 18 because there is no performance obligation associated with them. Consequently, the infrastructure charges are recognised as income when received.

Rental income

Rental revenue from investment and other property is recognised as income on a periodic straight line basis over the lease term.

Interest and dividends

Interest received from term deposits is accrued over the term of the investment. No dividends were received during the reporting period.

Sales revenue

Sale of goods is recognised when the significant risks and rewards of ownership are transferred to the buyer, generally when the customer has taken undisputed delivery of the goods.

Fees and Charges

Fees and charges are recognised upon unconditional entitlement to the funds. Generally this is upon lodgement of the relevant applications or documents, issuing of the infringement notice or when the service is provided.

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. 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 Inventories

Inventories held in respect of stores have been valued by using the weighted average cost on a continual basis, after adjustment for loss of service potential.

5.1 Real Estate Assets Developments

Land acquired by Council with the intention of reselling it (with or without further development) is classified as inventory. This land is valued at the lower of cost and net realisable value. As an inventory item, this land held for resale is treated as a current asset. Proceeds from the sale of this land will be recognised as sales revenue on the signing of a valid unconditional contract of sale. There is no such land held by Council at balance date.

5.2 Other Real Estate Held for Resale

Properties not acquired for development, but which Council has decided to sell as surplus to requirements, are recognised at the carrying value at the time of that decision.

Certain properties, auctioned for non-payment of rates in accordance with the Local Government Act but which failed to meet the reserve set by Council and are available for sale by private treaty, are recorded at the lower of the unpaid rates and charges at the time of auction or the reserve set by Council. Holding costs in relation to these properties are recognised as an expense when incurred. There is no such land held by Council at balance date.

Notes to and forming part of the Financial Statements for the year ended 30 June 2016

Note 1. Summary of Significant Accounting Policies (continued)

6 Infrastructure, Property, Plant & Equipment

6.1 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.

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".

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 and direct labour on the project.

6.2 Materiality

Assets with an economic life in excess of one year are only capitalised where the cost of acquisition exceeds materiality thresholds established by Council for each type of asset. In determining (and in annually reviewing) such thresholds, regard is had to the nature of the asset and its estimated service life.

Capitalisation thresholds applied during the year are: Items of infrastructure, property plant and equipment with a total value of less than \$5,000, are treated as an expense in the year of acquisition. All other items of infrastructure, property, plant and equipment are capitalised.

Where homogenous items are purchased with each individual item less than the threshold (\$5,000) consideration is given to capitalisation based on materiality and practicality.

6.3 Subsequent Recognition

Land and improvements, land under roads, buildings, major plant and all infrastructure assets are measured on the revaluation basis, at fair value, in accordance with AASB 116 Property, Plant & Equipment. Other assets, plant and equipment and work in progress are measured at cost.

Non-current physical assets measured at fair value are revalued, where required, so that the carrying amount of each class of asset does not materially differ from its fair value at the reporting date. This is achieved by engaging independent, professionally qualified valuers to determine the fair value for each class of property, plant and equipment assets at least once every 3 years. An exception is the valuation of land under roads which is carried out internally every 3 years.

Any revaluation increment arising on the revaluation of an asset is credited to the appropriate class of the asset revaluation reserve, except to the extent it reverses a revaluation decrement for the class previously recognised as an expense. A decrease in the carrying amount on revaluation is charged as an expense to the extent it exceeds the balance, if any, in the revaluation reserve of that asset class.

On revaluation, accumulated depreciation is restated proportionately with the change in the carrying amount of the asset and any change in the estimate of remaining useful life.

Separately identified components of assets are measured on the same basis as the assets to which they relate.

Significant uncertainties exist in the estimation of fair value of a number of asset classes including land, buildings and associated structures and infrastructure. Further detail of these uncertainties, and of existing valuations, methods and valuers are provided at Note 7.

6.4 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.

Depreciation methods, useful lives and residual values of classes of assets are reviewed annually.

Land is not depreciated as it has an unlimited useful life.

Where assets have separately identifiable components that are subject to regular replacement, these components are assigned useful lives distinct

Notes to and forming part of the Financial Statements for the year ended 30 June 2016

Note 1. Summary of Significant Accounting Policies (continued)

from the asset to which they relate. Any expenditure that increases the originally assessed capacity or service potential of an asset is capitalised and the new depreciable amount is depreciated over the remaining useful life of the asset to the Council.

Major depreciation periods for each class of asset are listed below. Depreciation periods for infrastructure assets have been estimated based on the best information available to Council, care should be used in interpreting financial information based on these estimates.

The classes and useful lives of property, plant and equipment recognised by the Council are:

Plant & Equipment

- Plant & Machinery	2 to 20 years
- Other Equipment	5 to 50 years
- Computer Equipment	2 to 5 years

Other Assets

- Street & Park Furniture/Equipment	5 to 50 years
- Other Structures	3 to 100 years
- Office Furniture	5 to 20 years

Buildings

- Buildings : Car Park Facilities	50 years
- Buildings : Other	15 to 60 years
- Other Structures : Swimming Pools	50 to 75 years

Stormwater Drainage

- Pipes & Pits	80 years
- Open Lined Drains	60 years
- Subsoil Drainage	80 years

Roads & Pathways

- Sealed Roads - Formation	Infinite
- Sealed Roads - Pavement	86 years
- Sealed Roads - Surface	15 to 25 years
- Kerb & Channels	80 years
- Roundabouts	50 years
- Driveways	15 to 50 years
- Pathways	20 to 50 years

Other Infrastructure Assets

- Traffic Signals	35 years
- Car Parks - Formation	Infinite
- Car Parks - Pavement	86 years
- Car Parks - Surface	18 to 50 years

6.5 Impairment

Each non-current physical and intangible asset and group of assets is assessed for indicators of impairment annually. If an indicator of possible impairment exists, the Council determines the asset's recoverable amount. Any amount by which the asset's carrying amount exceeds the recoverable amount is recorded as an impairment loss. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use.

An impairment loss is recognised as an expense in the Statement of Comprehensive Income, unless the asset is carried at a revalued amount. When the asset is measured at a revalued amount, the impairment loss is offset against the asset revaluation surplus of the relevant class to the extent available.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation surplus increase.

6.6 Borrowing Costs

Borrowing costs in relation to qualifying assets (net of offsetting investment revenue) have been capitalised in accordance with AASB 123 "Borrowing Costs". The amounts of borrowing costs recognised as an expense or as part of the carrying amount of qualifying assets are disclosed in Note 3, and the amount (if any) of interest revenue offset against borrowing costs in Note 2.

7 Investment property

As at 30 June 2016 Council has not classified any assets as Investment Property.

Notes to and forming part of the Financial Statements for the year ended 30 June 2016

Note 1. Summary of Significant Accounting Policies (continued)

8 Payables

8.1 Goods & Services

Trade creditors are recognised upon receipt of the goods or services ordered and are measured at the agreed purchase/contract price net of applicable discounts other than contingent discounts. Amounts owing are unsecured and are generally settled on 30 day terms.

8.2 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.

9 Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred and are subsequently measured at amortised cost.

Borrowings are carried at their principal amounts which represent the present value of future cash flows associated with servicing the debt. Interest is accrued over the period to which it relates, and is recorded as part of "Payables".

All borrowing costs are expensed in the period in which they are incurred.

No borrowing costs have been capitalised on qualifying assets for the year ended 30 June 2016.

Council has not received any interest free loans.

10 Employee Benefits

10.1 Salaries, Wages & Compensated Absences

Liabilities are recognised for employee benefits such as wages and salaries, annual leave and long service leave in respect of services provided by the employees up to the reporting date. Liabilities for employee benefits are assessed at each reporting date and are 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 to be made in respect of services provided by employees up to the reporting date. Present values are calculated using government guaranteed securities rates with similar maturity terms.

Sick leave

Liabilities for non vesting sick leave are recognised at the time when the leave is taken and measured at the rates paid or payable, and accordingly no liability has been recognised in these reports.

10.2 Superannuation

The Council makes employer superannuation contributions in respect of its employees to the Statewide Superannuation Scheme and other schemes chosen by employees.

The superannuation expense for the reporting period is the amount of the contribution the Council makes to the superannuation plans which provide benefits to its employees.

11 Provisions

11.1 Provisions for Reinstatement, Restoration and Rehabilitation

Where these can be reliably estimated close down and restoration costs are provided for in the accounting period when the obligation arises, and are carried at the net present value of estimated future costs.

In relation to the Shoal Bay Waste Disposal the Council has not to date been able to sufficiently reliably estimate the close down and restoration costs. Recent developments in the Council's Waste Strategy and improving information are expected to enable a reliable estimate of the close down and restoration obligations from and including the year ending 30 June 2017.

11.2 Provision for Carbon Tax

Council considers that it has no current or likely future liability for this tax.

Notes to and forming part of the Financial Statements for the year ended 30 June 2016

Note 1. Summary of Significant Accounting Policies (continued)

12 Leases

Council's arrangements as a lessee are not material. Obligations and payments are expensed as they fall due.

In respect of finance leases, where Council substantially carries all of the risks incident to ownership, the leased items are initially recognised as assets and liabilities equal in amount to the present value of the minimum lease payments. The assets are disclosed within the appropriate asset class, and are amortised to expense over the period during which the Council is expected to benefit from the use of the leased assets. Lease payments are allocated between interest expense and reduction of the lease liability, according to the interest rate implicit in the lease.

In respect of operating leases, where the lessor substantially retains all of the risks and benefits incident to ownership of the leased items, lease payments are charged to expense over the lease term.

13 Construction Contracts

Construction works undertaken by Council for third parties are not material.

14 Equity Accounted Council Businesses

Council does not operate any businesses required to be equity accounted.

15 GST Implications

The net amount of GST recoverable from the ATO or payable to the ATO is shown as an asset or liability respectively.

In accordance with UIG Abstract 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.

16 New accounting standards and UIG interpretations

In the current year, Council adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are relevant to its operations and effective for the current reporting period. The adoption of the new and revised Standards and Interpretations has not resulted in any material changes to Council's accounting policies.

The City of Darwin has not applied any Australian Accounting Standards and Interpretations that have been issued but are not yet effective with the exception of AASB 2015-7 *Amendments to Australian Accounting Standards – Fair Value Disclosures of Not-for-Profit Public Sector Entities*. Generally Council applies standards and interpretations in accordance with their respective commencement dates. The early adoption of AASB 2015-7 has exempted Council from the disclosure of quantitative information and sensitivity analysis for some valuations categorised within Level 3 of the fair value hierarchy.

At the date of authorisation of the financial report, AASB 9 *Financial Instruments* and AASB 2015-6 *Amendments to Australian Accounting Standards – Extending Related Party Disclosures to Not-for-Profit Public Sector Entities* are the only new accounting standards with a future application date that may have a material impact on Council's financial statements.

From 1 July 2016 AASB 124 *Related Party Disclosures* will apply to Council, which means that Council will disclose more information about related parties and transactions with those related parties.

AASB 9, which replaces AASB 139 *Financial Instruments: Recognition and Measurement*, is

Notes to and forming part of the Financial Statements for the year ended 30 June 2016

Note 1. Summary of Significant Accounting Policies (continued)

effective for reporting periods beginning on or after 1 January 2018 and must be applied retrospectively. The main impact of AASB 9 is to change the requirements for the classification, measurement and disclosures associated with financial assets. Under the new requirements the four current categories of financial assets stipulated in AASB 139 will be replaced with two measurement categories: fair value and amortised cost and financial assets will only be able to be measured at amortised cost where very specific conditions are met.

As a result, Council will be required to measure its financial assets at fair value. There will be no financial impact on the financial statements.

Council is still reviewing the way that revenue is measured and recognised to identify whether AASB 15 Revenue from Contracts with Customers will have a material impact. To date no impact has been identified.

AASB 15 is effective from 1 January 2018 and will replace AASB 118 Revenue, AASB 111 Construction Contracts and a number of Interpretations. It contains a comprehensive and robust framework for the recognition, measurement and disclosure of revenue from contracts with customers.

Other amended Australian Accounting Standards and Interpretations which were issued at the date of authorisation of the financial report, but have future commencement dates are not likely to have a material impact on the financial statements.

Effective for periods commencing 1 January 2016:

- AASB 14 *Regulatory Deferral Accounts*
- AASB 1057 *Application of Australian Accounting Standards*
- AASB 2014-3 *Amendments to Australian Accounting Standards-Accounting for Acquisitions of Interests in Joint Operations*
- AASB 2014-4 *Amendments to Australian Accounting Standards-Clarification of Acceptable Methods of Depreciation and Amortisation*

- AASB 2014-6 *Amendments to Australian Accounting Standards-Agriculture: Bearer Plants*
- AASB 2014-9 *Amendments to Australian Accounting Standards – Equity Method in Separate Financial Statements* [AASB 1, 127 & 128]
- AASB 2014-10 *Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* [AASB 10 & AASB 128]
- AASB 2015-1 *Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012–2014 Cycle* [AASB 1, AASB 2, AASB 3, AASB 5, AASB 7, AASB 11, AASB 110, AASB 119, AASB 121, AASB 133, AASB 134, AASB 137 & AASB 140]
- AASB 2015-2 *Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101* [AASB 7, AASB 101, AASB 134 & AASB 1049]
- AASB 2015-5 *Amendments to Australian Accounting Standards – Investment Entities: Applying the Consolidation Exception* [AASB 10, AASB 12 & AASB 128]
- AASB 2014-1 *Amendments to Australian Accounting Standards (Part D)*

Effective for periods commencing 1 July 2016:

- AASB 1056 *Superannuation Entities*
- AASB 2015-6 *Amendments to Australian Accounting Standards – Extending Related Party Disclosures to Not-for-Profit Public Sector Entities* [AASB 10, AASB 124 & AASB 1049]

Effective for periods commencing 1 January 2017:

- AASB 2014-5 *Amendments to Australian Accounting Standards arising from AASB 15*
- AASB 2015-8 *Amendments to Australian Accounting Standards – Effective Date of AASB 15*

Notes to and forming part of the Financial Statements for the year ended 30 June 2016

Note 1. Summary of Significant Accounting Policies (continued)

Effective for periods commencing 1 January 2018:

- AASB *Financial Instruments (December 2009)*
- AASB 15 *Revenue from Contracts with Customers*
- AASB 2010-7 *Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)*
- AASB 2014-1 *Amendments to Australian Accounting Standards (Part E)*
- AASB 2014-7 *Amendments to Australian Accounting Standards arising from AASB 9 (December 2014)*

Effective for periods commencing 1 January 2019:

- AASB 16 *Leases*

17 Comparative Figures

To ensure comparability with the current reporting period's figures, some comparative period line items and amounts may have been reclassified or individually reported for the first time within these financial statements and/or the notes.

18 Disclaimer

Nothing contained within these statements may be taken to be an admission of any liability to any person under any circumstance.

City of Darwin

Notes to and forming part of the Financial Statements
for the year ended 30 June 2016

Note 2. Income

\$ '000	Notes	2016	2015
(a). Rates Revenues			
General Rates			
General Rates		57,336	55,096
Total General Rates		57,336	55,096
Other Rates (Including Service Charges)			
Domestic Waste Management		6,342	6,188
Parking - Special Rates		1,029	1,010
Total Other Rates		7,371	7,198
Total Rates Revenues		64,707	62,294
(b). Statutory Charges			
Planning and Building Regulations		179	169
Animal Registration Fees & Fines		942	650
Parking Fines		2,039	2,090
Licences and Permit Fees		736	723
Fines and Penalties - Other		113	152
Total Statutory Charges		4,009	3,784
(c). User Charges			
Parking Fees		5,015	5,078
Community Centres		126	114
Cemetries		52	53
Property Lease		1,241	1,206
Sundry Sales		121	133
Waste Disposal Tipping Fees		12,433	11,155
Swimming Pool Fees		612	567
Other Fees and Charges		115	101
Total User Charges		19,715	18,407
(d). Investment Income			
Interest on Investments		2,346	2,646
Interest from Overdue Rates and Charges		361	309
Total Investment Income		2,707	2,955

City of Darwin

Notes to and forming part of the Financial Statements
for the year ended 30 June 2016

Note 2. Income (continued)

\$ '000	Notes	2016	2015
(e). Reimbursements			
Private Works		15	64
Insurance & Other Recoupments		116	159
Legal Fees Recovery - Rates and Charges		369	284
Total Reimbursements		500	507
(f). Other Income			
Other		811	637
Total Other Income		811	637
(g). Grants, Subsidies and Contributions			
Revenue Specifically for New or Upgraded Assets			
Developer Contributions - Carparking Shortfall		24	2,741
Developer Contributions - Other		1,737	1,092
Developer Contributions - Stormwater		149	156
Darwin Entertainment Centre		28	-
Heritage & Cultural		-	20
Mosquito Control		81	81
Recreation Facilities & Other Infrastructure		6,635	100
Transport (including Roads & Bridges and Paths Funding)		4,157	374
Total Revenue Specifically for New or Upgraded Assets		12,811	4,564
Operating Grants, Subsidies and Contributions			
Federal Assistance Act - General Component		1,744	1,760
Federal Assistance Act - Road Component		1,778	1,847
Darwin Entertainment Centre		-	580
Environmental Protection		10	12
Heritage & Cultural		45	35
Library		1,479	1,549
Mosquito Control		138	138
NDRRA (National Disaster Recovery)		-	101
Planning		149	40
Other		336	163
Total Revenue for Operating Grants, Subsidies and Contributions		5,679	6,225
Total Grants, Subsidies and Contributions		18,490	10,789
(i) Sources of grants			
Commonwealth Government		3,999	118
State Government		12,481	6,657
Other		2,010	4,014
Total		18,490	10,849

City of Darwin

Notes to and forming part of the Financial Statements
for the year ended 30 June 2016

Note 2. Income (continued)

\$ '000	Notes	2016	2015
(h). Conditions over Grants & Contributions			
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:			
Unexpended at the close of the previous reporting period		13,699	12,103
<i>Less:</i>			
<i>Expended during the current period from revenues recognised in previous reporting periods</i>			
Developer Contributions for Infrastructure		(859)	(1,025)
Specific Purpose Unexpended Grants		(330)	(741)
Subtotal		(1,189)	(1,766)
<i>Plus:</i>			
<i>Amounts recognised as revenues in this reporting period but not yet expended in accordance with the conditions</i>			
Developer Contributions for Infrastructure		2,142	2,898
Specific Purpose Unexpended Grants		7,388	464
Subtotal		9,530	3,362
Unexpended at the close of this reporting period		22,040	13,699
Net increase (decrease) in assets subject to conditions in the current reporting period relating to grants & contributions		8,341	1,596
(i). Physical Resources Received Free of Charge			
Land & Improvements		-	3,015
Infrastructure		7,568	301
Total Physical Resources Received Free of Charge		7,568	3,316

City of Darwin

Notes to and forming part of the Financial Statements
for the year ended 30 June 2016

Note 3. Expenses

\$ '000	Notes	2016	2015
(a). Employee Costs			
Salaries and Wages		26,651	24,411
Superannuation	17	2,545	2,355
Workers' Compensation Insurance		355	516
Fringe Benefit Tax (FBT)		195	177
Other		46	79
Less: Capitalised and Distributed Costs		(164)	(286)
Total Operating Employee Costs		29,628	27,252
Total Number of Employees		316	317
(Full time equivalent at end of reporting period based on Australian Public Service Commission methodology)			
(b). Materials, Contracts and Other Expenses			
(i) Prescribed Expenses			
Auditor's Remuneration			
- Auditing the Financial Reports		53	46
- Other Services		64	56
Bad and Doubtful Debts		761	830
Refunds of Carbon Tax Collected		2,363	-
Elected Members		627	627
Election Expenses		76	46
Operating Leases		96	86
Subtotal - Prescribed Expenses		4,040	1,691
(ii) Other Materials, Contracts and Expenses			
Advertising and Marketing		346	274
Bank Charges		354	295
Contractors and Consultancy Costs		23,015	22,605
Darwin Entertainment Centre		580	1,221
Donations, Contributions and Assistance		672	734
Fuel and Registration		498	608
Insurance (excl. Workers Comp'n)		791	773
Legal		681	513
Postage		112	102
Power		2,721	2,471
Printing and Stationery		409	379
Professional Services		1,466	1,303
Raw Materials & Consumables		9,338	10,436
Subscriptions and Registrations		214	200
Telephone and Communications		572	594
Travel and Training		541	502
Water and Effluent		3,553	3,525
Other Materials and Services		188	172
Subtotal - Other Material, Contracts & Expenses		46,051	46,707
Total Materials, Contracts and Other Expenses		50,091	48,398

City of Darwin

Notes to and forming part of the Financial Statements
for the year ended 30 June 2016

Note 3. Expenses (continued)

\$ '000	Notes	2016	2015
(c). Depreciation, Amortisation and Impairment			
Depreciation and Amortisation			
Buildings		2,306	2,363
Stormwater Drainage		4,069	4,037
Roads & Pathways		10,319	10,122
Other Infrastructure Assets		761	704
Plant & Equipment		1,476	1,792
Other Assets		2,202	3,628
Total Depreciation, Amortisation and Impairment		21,133	22,646
(d). Finance Costs			
Interest on Loans		242	255
Total Finance Costs		242	255

Note 4. Asset Disposal & Fair Value Adjustments

Infrastructure, Property, Plant & Equipment			
Assets Renewed or Directly Replaced			
Proceeds from Disposal		510	1,753
Less: Carrying Amount of Assets Sold		(1,182)	(945)
Gain (Loss) on Disposal		(672)	808
Assets Held for Sale			
Proceeds from Disposal		-	242
Less: Carrying Amount of Assets Sold		-	(340)
Gain (Loss) on Disposal		-	(98)
Net Gain (Loss) on Disposal or Revaluation of Assets		(672)	710

City of Darwin

Notes to and forming part of the Financial Statements
for the year ended 30 June 2016

Note 5. Current Assets

\$ '000	Notes	2016	2015
(a). Cash & Cash Equivalents			
Cash on Hand at Bank		3,290	3,995
Total Cash & Cash Equivalents		3,290	3,995
(b). Trade & Other Receivables			
Rateable Revenue and Charges		1,956	1,650
Interest and Extra Charges		552	401
Debtors - General		4,850	4,616
Govt. Grants, Subsidies, Contributions and Donations		76	74
GST Recoupment		140	813
Prepayments		209	140
Interest on Investments		693	664
Subtotal		8,476	8,358
Less: Allowance for Doubtful Debts		(1,227)	(1,248)
Total Trade & Other Receivables		7,249	7,110
(c). Other Financial Assets (Investments)			
Term Deposits		74,471	70,190
Total Other Financial Assets (Investments)		74,471	70,190
Amounts included in other financial assets that are not expected to be received within 12 months of reporting date are disclosed in Note 13			
(d). Inventories			
Stores & Materials		131	116
Total Inventories		131	116

Note 6. Non-Current Assets

\$ '000	Notes	2016	2015
Nil			

Notes to and forming part of the Financial Statements
for the year ended 30 June 2016

Note 7a (i). Infrastructure, Property, Plant & Equipment

\$ '000	Fair Value Level	as at 30/6/2015				Asset Movements during the Reporting Period						as at 30/6/2016			
		At Fair Value	At Cost	Accumulated Dep'n	Carrying Value	Asset Additions	WDV of Asset Disposals	Depreciation Expense (Note 3c)	Ttrs from/(to) "Held for Sale" category	Revaluation Decrements to Equity (ARR) (Note 9)	Revaluation Increments to Equity (ARR) (Note 9)	At Fair Value	At Cost	Accumulated Dep'n	Carrying Value
Capital Work in Progress		-	15,812	-	15,812	11,216	-	-	-	-	-	-	27,028	-	27,028
Land - Under Roads	3	51,467	-	-	51,467	192	-	-	-	-	-	51,659	-	-	51,659
Land and Improvements	2	394,404	-	-	394,404	-	-	-	-	(58,322)	-	336,082	-	-	336,082
Buildings	3	88,535	-	25,916	62,619	1,772	(137)	(2,306)	-	-	6,014	118,422	-	50,460	67,962
Stormwater Drainage	3	323,264	-	156,033	167,231	1,463	-	(4,069)	-	-	-	324,728	-	160,103	164,625
Roads & Pathways	3	529,696	-	132,028	397,668	4,272	(39)	(10,319)	-	-	-	533,916	-	142,334	391,582
Other Infrastructure	3	31,133	-	10,116	21,017	494	(374)	(761)	-	-	-	31,174	-	10,798	20,376
Plant & Equipment		-	15,920	6,768	9,152	1,989	(528)	(1,476)	(211)	-	-	-	16,278	7,352	8,926
Other Assets		-	43,145	15,517	27,628	12,874	(104)	(2,202)	-	-	-	-	55,915	17,719	38,196
Total Infrastructure, Property, Plant & Equipment		1,418,499	74,877	346,378	1,146,998	34,272	(1,182)	(21,133)	(211)	(58,322)	6,014	1,395,981	99,221	388,766	1,106,436
Comparatives		1,345,123	128,355	329,247	1,144,231	26,358	(944)	(22,646)	-	-	-	1,418,499	74,877	346,378	1,146,998

Notes to and forming part of the Financial Statements for the year ended 30 June 2016

Note 7b. Valuation of Infrastructure, Property, Plant & Equipment & Investment Property

\$ '000

Valuation of Assets

The fair value of assets and liabilities must be estimated in accordance with various Accounting Standards for either recognition and measurement requirements or for disclosure purposes.

AASB 13 Fair Value Measurement requires all assets and liabilities measured at fair value to be assigned to a "level" in the fair value hierarchy as follows:

Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Refer to Note 7a for the disclosure of the Fair Value Levels of Infrastructure, Property, Plant and Equipment Assets.

Information on Valuations

Land is based on fair value hierarchy level 2 valuation inputs.

The values 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.

Valuations of land subject to restrictions (including land under roads) on use or disposal are based on fair value hierarchy level 3 valuation inputs. They 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.

Buildings, Roads & Pathways, Stormwater Drainage and Other Infrastructure Assets are based on fair value hierarchy level 3 valuation inputs - current replacement cost. This method involves:

- 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.

City of Darwin

Notes to and forming part of the Financial Statements for the year ended 30 June 2016

Note 7b. Valuation of Infrastructure, Property, Plant & Equipment & Investment Property (continued)

\$ '000

Valuation of Assets (continued)

Other Information

Upon revaluation, the revalued 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 replacement cost and fair value. In the case of land, current replacement cost is taken to be the fair value.

Highest and best use

All of Council's non financial assets are considered as being utilised for their highest and best use in relation to Local Government.

Transition to AASB 13 - Fair Value Measurement

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.

Capital works in Progress

- **Basis of valuation:** Original cost

Land & Land Improvements

- **Basis of valuation:** Market Value
- **Date of valuation:** 30 June 2016.
- **Valuer:** Certified Practising Valuers (AAPI), representing Assetval Pty Ltd.
- **Critical assumptions:**

The valuation of the land assets was based on the current market value of the land were it to be acquired on the open market for the current use, giving consideration to the existing zoning. This involved the analysis of all known relevant land sales, including englobo land sales, and extrapolating those derived values throughout the City of Darwin, making appropriate adjustments for increased values due to size, zoning, location and amenity. During this process every effort was made to ensure the relativities of the rates per square metre adopted between the different uses and locations were sound.

- **Results:** A decrement in land valuation of \$58.3M

Land Under Roads

- **Basis of valuation:** Market value
- **Date of valuation:** 30 June 2014.
- **Valuer:** Internal assessment
- **Critical assumptions:**

This valuation is based on guidelines published by State Governments within Australia and the average market value of land within the municipality. The average market value is adjusted to recognise the englobo nature of land under roads and allowance for access & carriage way rights. Council considers that a reduction of 95% of the average market value is appropriate to reflect fair value in use. Although the valuation is based on underlying market values the broad range of assumptions used mean that the inputs are considered to be level 3.

- **Results:** The fair value of land under roads initially recognised by City of Darwin at 30 June 2014 was \$51.5M.

The fair value of land under roads at 30 June 2016 is not deemed to be significantly different to the fair value currently recognised in the Statement of Financial Position as at 30 June 2016.

City of Darwin

Notes to and forming part of the Financial Statements for the year ended 30 June 2016

Note 7b. Valuation of Infrastructure, Property, Plant & Equipment & Investment Property (continued)

\$ '000

Valuation of Assets (continued)

Buildings & Other Structures

- **Basis of valuation:** Written down current replacement cost
- **Date of valuation:** 30 June 2016.
- **Valuer:** Certified Practising Valuers (AAPI), representing Assetval Pty Ltd.
- **Critical assumptions:**

The valuation of the buildings assets was based on the Depreciated Replacement Cost model as the building assets are considered to be assets of a community service nature, for which there is no active liquid market. The depreciation rates adopted have regard to the age of the building, refurbishment history and the general appearance at the date of inspection.

- **Results:** An increment in building valuation of \$6.0M

Infrastructure (Roads & Pathways, Stormwater Drainage and Other Infrastructure)

- **Basis of valuation:** Written down current replacement cost
- **Date of valuation:** 30 June 2014.
- **Valuer:** APV Valuers
- **Critical assumptions:**

The approach estimated the replacement costs for each asset by componentising the assets into significant parts with different useful lives and taking into account a range of factors. While the unit rates based on the square metres or similar capacity could be supported from market evidence (level 2) other inputs (such as estimates of residual value, pattern of consumption and asset condition) required extensive professional judgement and impacted significantly on the final determination of fair value. Therefore these assets were classified as having been valued using level 3 valuation inputs.

The observable market evidence used to support the unit rates included evidence from actual construction contracts, comparison to rates adopted by reference councils and against industry construction cost guides.

During the year there were a number of new projects completed where the actual cost was recorded and the impact of depreciation at year end was negligible. While these could be classified as valued at level 2 given the low proportion of the total portfolio that these represented and the likelihood that in future valuations they would most likely be valued at level 3 the policy adopted is that all road network infrastructure assets are deemed to be valued at level 3.

The main level 3 inputs used are derived and evaluated as follows:

Asset Condition – The nature of road network infrastructure is that there are a very large number of assets which comprise the network and as a result it is not physically possible to inspect every asset for the purposes of completing a valuation. As a consequence reliance is placed on the accuracy of data held in the asset management system and its associated internal controls. This includes regular planned inspections and updates to the system following maintenance activities and renewal treatments. Likewise, especially for storm water network infrastructure, a large portion of the portfolio is located underground and may only be inspected on an irregular basis.

Notes to and forming part of the Financial Statements for the year ended 30 June 2016

Note 7b. Valuation of Infrastructure, Property, Plant & Equipment & Investment Property (continued)

\$ '000

Valuation of Assets (continued)

Infrastructure (Roads & Pathways, Stormwater Drainage and Other Infrastructure) (continued)

To provide assurance over the accuracy of this information and taking into account the cost-benefit of undertaking physical inspections the valuation relies upon a sampling approach (APV conducted a 10% sample of each asset type) where the data held in the system is verified by a physical inspection. While the sampling approach, combined with internal controls associated with the asset management system, provides a high level of comfort over the condition data held in the asset management system it does not provide a guarantee that all the data is correct and the condition as recorded is valid as at the date of valuation.

Relationship between asset consumption rating scale and the level of consumed service potential – Under the cost approach the estimated cost to replace the asset is calculated and then adjusted to take account of accumulated depreciation. In order to achieve this, the Valuer determines an asset consumption rating scale for each asset type based on the inter-relationship between a range of factors. These factors and their relationship to the fair value require professional judgment and include asset condition, legal and commercial obsolescence and the determination of key depreciation related assumptions such as residual value, useful life and pattern of consumption of the future economic benefit. The consumption rating scales were based initially on the past experience of the valuation firm and industry guides and were then updated to take into account the experience and understanding of Council's own engineers, asset management and finance staff. The results of the valuation were further evaluated by confirmation against Council's own understanding of the assets and the level of remaining service potential.

- Results:

The revaluation of Infrastructure assets resulted in an increment in Roads & Pathways of \$175M, Stormwater Drainage of \$8.6M and Other Infrastructure Assets of \$8.6M at 30 June 2014.

The fair value of Infrastructure assets at 30 June 2016 is not deemed to be significantly different to the fair values currently recognised in the Statement of Financial Position as at 30 June 2016

Plant & Equipment

- **Basis of valuation:** Original cost

Other Assets

- **Basis of valuation:** Original cost

City of Darwin

Notes to and forming part of the Financial Statements
for the year ended 30 June 2016

Note 8. Liabilities

\$ '000	Notes	2016 Current	2016 Non Current	2015 Current	2015 Non Current
(a). Trade and Other Payables					
Creditors and Accruals		7,338	-	9,468	-
Payments Received in Advance		980	-	1,129	-
Accrued Expenses - Employee Entitlements		557	-	181	-
Accrued Expenses - Finance Costs		27	-	29	-
Deposits, Retentions & Bonds		167	-	118	-
Rates Over Paid		2,375	-	1,585	-
Other		-	-	4	-
Total Trade and Other Payables		11,444	-	12,514	-

(b). Borrowings

Loans	226	3,287	211	3,513
Total Borrowings	226	3,287	211	3,513

All interest bearing liabilities are secured over the future revenues of the Council

(c). Provisions

Employee Entitlements (including oncosts)	6,909	500	6,506	676
Total Provisions	6,909	500	6,506	676

Note 9. Reserves

\$ '000	1/7/2015	Increments (Decrements)	Transfers	Impairments	30/6/2016
(a). Asset Revaluation Reserve					
Land and Improvements	358,880	(58,322)	-	-	300,558
Buildings	30,065	6,014	-	-	36,079
Stormwater Drainage	102,435	-	-	-	102,435
Roads & Pathways	311,309	-	-	-	311,309
Other Infrastructure	20,852	-	-	-	20,852
Other Assets	437	-	-	-	437
Total Asset Revaluation Reserve	823,978	(52,308)	-	-	771,670
Comparatives 2014/15	823,978	-	-	-	823,978

City of Darwin

Notes to and forming part of the Financial Statements
for the year ended 30 June 2016

Note 9. Reserves (continued)

	1/7/2015	Operational Tfrs to (-from) Reserve	Capital Tfrs to (-from) Reserve	Other Movements	30/6/2016
\$ '000					
(b). Other Reserves					
Externally Restricted					
CBD Carparking Shortfall-Developer Contribution:	11,519	367	-	-	11,886
CBD Carparking Shortfall - Rate Levy	9,070	1,315	-	-	10,385
DEC Air Conditioning Replacement	360	36	-	-	396
Highway/Commercial Carparking Shortfall	65	1	(20)	-	46
Market Site Development	228	54	-	-	282
Other Carparking Shortfall	351	10	-	-	361
Developer Contributions	839	1,925	(1,001)	-	1,763
Waste Management	-	438	(438)	-	-
Specific Purpose Unexpended Grants	922	119	6,941	-	7,982
Total Externally Restricted	23,354	4,265	5,482	-	33,101
Comparatives 2014/15	22,547	6,589	(5,782)	-	23,354
Internally Restricted					
Asset Replacement & Refurbishment	7,968	420	(1,596)	-	6,792
Carbon Tax	6,938	(2,439)	(4,499)	-	-
Carry Forward Works	5,438	50	-	-	5,488
Darwin General Cemetery	33	-	(21)	-	12
DEC Asset Replacement & Refurbishment	633	-	(500)	-	133
Disaster Contingency	1,355	-	(319)	-	1,036
Election Expense	148	131	-	-	279
Environmental	89	(18)	575	-	646
IT Strategy	798	-	(341)	-	457
Nightcliff Community Hall	62	13	(62)	-	13
Off & On Street Parking	9,236	968	(451)	-	9,753
Plant & Vehicle Replacement	2,666	2,269	(932)	-	4,003
Public Art	381	-	104	-	485
Purchase of Land	144	(144)	-	-	-
Sale of Land	338	(250)	(88)	-	-
Street Lighting	757	2,505	-	-	3,262
Tree Risk Management	-	100	-	-	100
Watering	615	(210)	(226)	-	179
Total Internally Restricted	37,599	3,395	(8,356)	-	32,638
Comparatives 2014/15	26,633	13,113	(2,147)	-	37,599
Total Reserves	60,953	7,660	(2,874)	-	65,739

Notes to and forming part of the Financial Statements for the year ended 30 June 2016

Note 9. Reserves (continued)

PURPOSES OF RESERVES

Asset Revaluation Reserves

The asset revaluation reserve is used to record increments and decrements arising from changes in fair value of non current assets (less any subsequent impairment losses, where applicable).

Externally Restricted Reserves

Externally restricted reserves are restricted cash held in accordance with external legal requirements. The use of these reserves must comply with legal requirements.

Carparking Shortfall-Developer Contributions (various reserves)

These reserves hold contributions from property developers to be used to fund future car parking infrastructure in line with the developer contribution plans.

CBD Carparking Shortfall - Rate Levy

This reserve holds income generated from parking special rates to be used for the provision, operation and maintenance of land, facilities and improvements for or in connection with the parking of vehicles in the central business district.

DEC Air Conditioning Replacement

This reserve holds funds to be used for the future replacement or upgrade of the air conditioning system.

Market Site Development

This reserve holds lease income from Mindil, Nightcliff and Parap markets to provide for future upgrades of market sites.

Developer Contributions (other than car parking)

These reserves hold contributions from developers to be used to fund future road and stormwater drainage construction.

Waste Management

This reserve holds funds to be used for the future development and rehabilitation of the Shoal Bay Waste Disposal site or alternative waste disposal methods.

Specific Purpose Unexpended Grants

This reserve holds unspent non recipicol grants and contributions received subject to specific expenditure requirements. The funds are held in reserve until expended in accordance with the grant or contribution conditions.

Notes to and forming part of the Financial Statements for the year ended 30 June 2016

Note 9. Reserves (continued)

Internally Restricted Reserves

All other reserves are generally identified by Council resolution or operational requirements for funds set aside for the future replacement or renewal of major assets or for unanticipated major expenditure such as a natural disaster. These reserves are not subject to external legal restrictions and if required, can be utilised by the Council for other purposes.

Asset Replacement & Refurbishment

This reserve holds funds for the future rehabilitation of major assets and the allocation and utilisation of surplus funds in accordance with Council policy no. 66.

Carbon Tax

This reserve held funds collected prior to the repeal of the carbon tax and are no longer required to meet tax liability. During 2015/16 the reserve was expended and the residual transferred to the Environment Reserve as set out in note 23.

Carry Forward Works

This reserve holds funds relating to projects that have not been completed in the current financial year but have been identified to be completed in a future period.

Darwin General Cemetery

This reserve holds funds to be used for projects relating to the cemetery.

DEC Asset Replacement & Refurbishment

This reserve holds funds to pay for the future replacement or upgrade of assets at the Darwin Entertainment Centre.

Disaster Contingency

This reserve holds funds to provide for possible insurance and other expenses associated with responding to a natural disaster as well as designated disaster response and recovery projects.

Election Expense

This reserve holds funds to provide for the costs associated with holding the next Council election.

Environmental

This reserve holds funds for future environmental projects relating to Council's Environmental Management Plan and other associated plans.

IT Strategy

This reserve has been created for staged computer replacements and upgrades and other associated IT strategic programs.

Nightcliff Community Hall

This reserve holds lease income from Nightcliff Community Hall to provide for future upgrades of the facility.

Off & On Street Parking

Holds funds from on and off street car parking operations to provide for future development of car parking.

Plant & Vehicle Replacement

This reserve holds funds to meet the cost of replacement of plant and vehicles.

Notes to and forming part of the Financial Statements

for the year ended 30 June 2016

Note 9. Reserves (continued)

Public Art

This reserve holds funds to provide for future public art projects.

Purchase of Land

This reserve held funds for a specific land purchase. This reserve is no longer required and has been transferred to the Asset Replacement & Refurbishment Reserve.

Sale of Land

This reserve held funds from the sale of road reserve which have been transferred to the Asset Replacement & Refurbishment Reserve.

Street Lighting

This reserve has been created to transition the expected introduction of a street lighting capital/depreciation charge by NT Government.

Tree Risk Management

Council has transferred funds to this reserve to cover the initial costs of tree risk management following the Coroners report on a fatality on Council leasehold land.

Watering

This reserve holds funds to provide for future costs associated with irrigating Council's parks and gardens and water efficiency projects.

City of Darwin

Notes to and forming part of the Financial Statements
for the year ended 30 June 2016

Note 10. Assets Subject to Restrictions

\$ '000	Notes	2016	2015
<p>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.</p>			
Cash & Financial Assets			
Externally restricted cash		33,101	23,354
Internally restricted cash		32,638	37,599
Total Cash & Financial Assets		65,739	60,953
Total Assets Subject to Restrictions		65,739	60,953

Note 11. Reconciliation to Statement of Cash Flows

(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 Statement of Cash Flows is reconciled to the related items in the Balance Sheet as follows:

Total Cash & Equivalent Assets	5a	3,290	3,995
Balances per Statement of Cash Flows		3,290	3,995

City of Darwin

Notes to and forming part of the Financial Statements
for the year ended 30 June 2016

Note 11. Reconciliation to Statement of Cash Flows (continued)

\$ '000	Notes	2016	2015
(b). Reconciliation of Change in Net Assets to Cash from Operating Activities			
Net Surplus/(Deficit)		16,741	11,786
Non-Cash Items in Income Statements			
Depreciation, Amortisation & Impairment		21,133	22,646
Non-Cash Asset Acquisitions		(7,568)	(3,316)
Grants for Capital Acquisitions (Treated as Investing Activity Receipts)		(12,811)	(4,564)
Net (Gain) Loss on Disposals		672	(710)
		18,167	25,842
Add (Less): Changes in Net Current Assets			
Net (Increase)/Decrease in Receivables		(118)	(258)
Change in Allowances for Under-Recovery of Receivables		21	335
Net (Increase)/Decrease in Inventories		(15)	5
Net (Increase)/Decrease in Other Current Assets		(42)	-
Net Increase/(Decrease) in Trade & Other Payables		(1,070)	1,872
Net Increase/(Decrease) in Unpaid Employee Benefits		227	309
Net Increase/(Decrease) in Other Liabilities		-	(6,882)
Net Cash provided by (or used in) operations		17,170	21,223
(c). Non-Cash Financing and Investing Activities			
Acquisition of assets by means of:			
- Physical Resources Received Free of Charge	2i	7,568	3,316
Amounts recognised in Income Statement		7,568	3,316
Total Non-Cash Financing & Investing Activities		7,568	3,316
(d). Financing Arrangements			
Unrestricted access was available at balance date to the following lines of credit:			
Bank Overdrafts		500	500
Corporate Credit Cards		200	200
Bank Guarantee Facility		55	55

The bank overdraft facilities may be drawn at any time and may be terminated by the bank without notice.

Notes to and forming part of the Financial Statements for the year ended 30 June 2016

Note 12a. Functions

Functions/Activities	Income, Expenses and Assets have been directly attributed to the following Functions / Activities. Details of these Functions/Activities are provided in Note 12(b).												
	INCOME			EXPENSES			OPERATING SURPLUS (DEFICIT)			GRANTS INCLUDED IN INCOME		TOTAL ASSETS HELD (CURRENT & NON-CURRENT)	
	Original Budget	Actual	Actual	Original Budget	Actual	Actual	Original Budget	Actual	Actual	Actual	Actual	Actual	Actual
	2016	2016	2015	2016	2016	2015	2016	2016	2015	2016	2015	2016	2015
\$ '000													
Governance	15	73	20	2,262	2,148	2,194	(2,247)	(2,075)	(2,174)	-	-	-	-
Administration	671	925	1,394	26,056	25,093	11,267	(25,385)	(24,168)	(9,873)	103	33	493,705	543,282
Public Order & Safety	3,229	3,210	3,106	5,196	5,420	4,206	(1,967)	(2,210)	(1,100)	-	101	896	819
Health	83	219	219	135	99	93	(52)	120	126	219	219	-	-
Environment	50	53	62	556	607	542	(506)	(554)	(480)	3	12	-	-
Community Services & Education	182	460	112	2,043	1,963	2,423	(1,861)	(1,503)	(2,311)	173	110	-	-
Housing & Community Amenities	20,949	21,349	25,323	24,326	27,485	24,574	(3,377)	(6,136)	749	1,885	242	172,337	176,183
Recreation & Culture	3,680	9,189	3,254	24,423	24,373	26,306	(20,743)	(15,184)	(23,052)	8,235	2,204	42,911	30,157
Transport & Communication	12,185	20,650	16,522	16,726	14,214	26,385	(4,541)	6,436	(9,863)	13,686	9,424	481,939	477,968
Economic Affairs	1,513	1,559	1,455	350	364	561	1,163	1,195	894	10	-	-	-
General Purpose Income^	61,369	60,820	58,870	-	-	-	61,369	60,820	58,870	1,744	1,760	-	-
Total Functions/Activities	103,926	118,507	110,337	102,073	101,766	98,551	1,853	16,741	11,786	26,058	14,105	1,191,788	1,228,409

[^] Includes: Rates & Annual Charges (incl. Ex-Gratia), united General Purpose Grants, unrestricted interest and investment income

1. Includes: Capital income and contributions

City of Darwin

Notes to and forming part of the Financial Statements for the year ended 30 June 2016

Note 12b. Components of Functions

\$ '000

The activities relating to Council functions are as follows:

GOVERNANCE

Costs relating to the Council's role as a component of democratic government, including elections, members fees and expenses, subscriptions to local authority associations, meetings of Council and policy making committees, area representation and public disclosure and compliance, together with related administration costs.

ADMINISTRATION

Costs not otherwise attributed to other functions or activities.

PUBLIC ORDER AND SAFETY

Animal control, enforcement of local government regulations and emergency services.

HEALTH

Administration and inspection, food control, insect/vermin control, noxious plants, other.

ENVIRONMENT

Programs and activities that promote and advocate for the preservation and best practice management of the natural environment.

COMMUNITY SERVICES AND EDUCATION

Administration, family day care, child care, youth services, other family and children, aged and disabled, migrant services, aboriginal services, other community services, education.

HOUSING AND COMMUNITY AMENITIES

Housing, town planning, domestic waste management services, other waste management services, street cleaning, other sanitation and garbage, urban stormwater drainage, environmental protection, public cemeteries, public conveniences, other community amenities.

RECREATION AND CULTURE

Public libraries, community centres, public halls, other cultural services, swimming pools, sporting grounds, parks and gardens, other sport and recreation.

TRANSPORT AND COMMUNICATION

Urban roads, bridges, footpaths, parking areas, street lighting, other.

ECONOMIC AFFAIRS

Tourism and area promotion, industrial development promotion, other business undertakings.

GENERAL PURPOSE INCOME

Income not otherwise attributed to other functions or activities includes rates and annual charges, untied General Purpose grants and unrestricted interest and investment income.

City of Darwin

Notes to and forming part of the Financial Statements

for the year ended 30 June 2016

Note 12c. Functions - Material Budget Variations

This Note sets out the details of MATERIAL VARIATIONS between Council's Original Budget and its Actual Results for the year as per the Income Statement - even though such variations may have been adjusted for during each Budget Review.

Note that for Variations of Budget to Actual :

Material Variations represent those variances that amount to **10%** or more of the original budgeted figure.

F = Favourable Budget Variation, **U** = Unfavourable Budget Variation

\$ '000	2016 Budget	2016 Actual	2016 ----- Variance* -----
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Budget Variations relating to Council's Operating Result by Functions include:

Income	\$'000's	\$'000's	\$'000's	%	F/U	Ref
Governance	15	73	58	387%	F	1
Administration	671	925	254	38%	F	2
Public Order & Safety	3,229	3,210	(19)	-1%	U	
Health	83	219	136	164%	F	3
Environment	50	53	3	6%	F	
Community Services & Education	182	460	278	153%	F	4
Housing & Community Amenities	20,949	21,349	400	2%	F	
Recreation & Culture	3,680	9,189	5,509	150%	F	5
Transport & Communication	12,185	20,650	8,465	69%	F	6
Economic Affairs	1,513	1,559	46	3%	F	
General Purpose Income^	61,369	60,820	(549)	-1%	U	
Total Functions/Activities	103,926	118,507	14,581			

Ref Reasons for Variations Include

- 1 Additional income received for By Election electoral voter infringements and Chief Officers Group registrations
- 2 Additional income includes maternity leave income received from Federal Government, legal fees recovery and increased Fuel Tax credits
- 3 Mosquito Control grant received (not budgeted)
- 4 Faces in Spaces grant \$150k, banner and street food permit income
- 5 Material variations relate to grant funding received during the year which includes Parap Pool, Velodrome, Garanmanuk Park, offset by change in grant funding arrangement for Darwin Entertainment Centre
- 6 Material variations relate to contributed assets for Muirhead Stage1, grant funding received during the year: which includes R2R, intersection upgrades, Bike Path, Traffic Signal studies and upgrades and contributed infrastructure assets. Offset by unrealised Black Spot grant funding and On & Off Street Parking income.

Note 12c. Functions - Material Budget Variations (cont.)

Notes to and forming part of the Financial Statements

for the year ended 30 June 2016

This Note sets out the details of MATERIAL VARIATIONS between Council's Original Budget and its Actual Results for the year as per the Income Statement - even though such variations may have been adjusted for during each Budget Review.

Note that for Variations of Budget to Actual :

Material Variations represent those variances that amount to **10%** or more of the original budgeted figure.

F = Favourable Budget Variation, **U** = Unfavourable Budget Variation

	2016	2016	2016
\$ '000	Budget	Actual	----- Variance* -----

Note 12c. Functions - Material Budget Variations

Expenses	\$'000's	\$'000's	\$'000's	%	F/U	Ref
Governance	2,262	2,148	114	5%	F	
Administration	26,056	25,093	963	4%	F	
Public Order & Safety	5,196	5,420	(224)	-4%	U	
Health	135	99	36	27%	F	1
Environment	556	607	(51)	-9%	U	
Community Services & Education	2,043	1,963	80	4%	F	
Housing & Community Amenities	24,326	27,485	(3,159)	-13%	U	2
Recreation & Culture	24,423	24,373	50	0%	F	
Transport & Communication	16,726	14,214	2,512	15%	F	3
Economic Affairs	350	364	(14)	-4%	U	
Total Functions/Activities	102,073	101,766	307			

Ref Reasons for Variations Include

- 1 Mosquito Control budget not spent
- 2 Prior years carbon tax collected reimbursed and Shoal Bay Waste Facility operational costs below anticipated budget
- 3 Majority relates to street lighting repairs & maintenance charge being deferred until 1/1/2018 by NTG.

Notes to and forming part of the Financial Statements for the year ended 30 June 2016

Note 13. Financial Instruments

\$ '000

Recognised Financial Instruments

Bank, Deposits at Call, Short Term Deposits **Accounting Policy:**

Carried at lower of cost and net realisable value; Interest is recognised when earned.

Terms & Conditions:

Deposits are returning fixed interest rates between 2.82% and 3.32% (2015: 2.6% and 3.63%). Short term deposits have an average maturity of 119 days and a weighted average interest rate of 3.04% (2015: 100 days and 3.2%).

The Council may be exposed to credit risk through its investments held with financial institutions.

Council's investment policy complies with NTG requirements and outlines limits that assist to mitigate the risk.

Carrying Amount:

Approximates fair value due to the short term to maturity.

Receivables

Rates & Associated Charges

(including legals & penalties for late payment)

Note: These receivables do not meet the definition of "financial instruments" and have been excluded from the following disclosures.

Accounting Policy:

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.

Terms & Conditions:

Secured over the subject land, arrears attract interest of 18% (2015: 18%). Council is not materially exposed to any individual debtor, credit risk exposure is concentrated within the Council's boundaries in the Northern Territory.

Carrying Amount:

Approximates fair value (after deduction of any allowance).

Receivables

Fees & Other Charges

Accounting Policy:

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.

Terms & Conditions:

Unsecured, and do not bear interest. Council is not materially exposed to any individual debtor, credit risk exposure is concentrated within the Council's boundaries.

Carrying Amount:

Approximates fair value (after deduction of any allowance).

City of Darwin

Notes to and forming part of the Financial Statements
for the year ended 30 June 2016

Note 13. Financial Instruments (continued)

\$ '000

Recognised Financial Instruments**Receivables****Other Levels of Government****Accounting Policy:**

Carried at nominal value.

Terms & Conditions:

Amounts due are 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 State and Federal Governments.

Carrying Amount:

Approximates fair value.

Liabilities**Creditors and Accruals****Accounting Policy:**

Liabilities are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the Council.

Terms & Conditions:

Liabilities are normally settled on 30 day terms.

Carrying Amount:

Approximates fair value.

Liabilities**Interest Bearing Borrowings****Accounting Policy:**

Carried at the principal amounts. Interest is charged as an expense as it accrues.

Terms & Conditions:

Secured over future revenues, borrowings are repayable; interest is charged at fixed rates of 6.62% (Council has only 1 loan).

Carrying Amount:

Approximates fair value.

Liabilities**Finance Leases****Accounting Policy:**

Accounted for in accordance with AASB 117.

City of Darwin

Notes to and forming part of the Financial Statements
for the year ended 30 June 2016

Note 13. Financial Instruments (continued)

\$ '000	Due < 1 year	Due > 1 year & ≤ 5 years	Due > 5 years	Total Contractual Cash Flows	Carrying Values
2016					
Financial Assets					
Cash & Equivalents	3,290	-	-	3,290	3,290
Receivables	6,171	-	-	6,171	5,186
Other Financial Assets	74,471	-	-	74,471	74,471
Total Financial Assets	83,932	-	-	83,932	82,947

Financial Liabilities

Payables	10,464	-	-	10,464	10,464
Current Borrowings	455	-	-	455	226
Non-Current Borrowings	-	2,274	2,274	4,548	3,287
Total Financial Liabilities	10,919	2,274	2,274	15,467	13,977

\$ '000	Due < 1 year	Due > 1 year & ≤ 5 years	Due > 5 years	Total Contractual Cash Flows	Carrying Values
2015					
Financial Assets					
Cash & Equivalents	3,995	-	-	3,995	3,995
Receivables	5,755	-	-	5,755	4,738
Other Financial Assets	70,190	-	-	70,190	70,190
Total Financial Assets	79,940	-	-	79,940	78,923

Financial Liabilities

Payables	11,385	-	-	11,385	11,385
Current Borrowings	455	-	-	455	211
Non-Current Borrowings	-	2,274	2,729	5,003	3,513
Total Financial Liabilities	11,840	2,274	2,729	16,843	15,109

The following interest rates were applicable
to Council's Borrowings at balance date:

	30 June 2016		30 June 2015	
	Weighted Avg Interest Rate	Carrying Value	Weighted Avg Interest Rate	Carrying Value
Fixed Interest Rates	6.62%	3,513	6.62%	3,724
		3,513		3,724

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.

Notes to and forming part of the Financial Statements

for the year ended 30 June 2016

Note 13. Financial Instruments (continued)

\$ '000

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 allowance for doubtful debts. All Council investments are made in accordance with Council's investing policy and Ministerial guidelines. Other than investments or any other exceptions 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. In accordance with the model Treasury Management Policy (LGA Information Paper 15), liabilities have a range of maturity dates. Council also has available a range of bank overdraft and standby borrowing facilities that it can access.

Interest Rate Risk is the risk that future cash flows will fluctuate because of changes in market interest rates. Council is exposed to interest rate risk through investments and borrowings with financial institutions. Council does not undertake any hedging of interest rate risk.

City of Darwin

Notes to and forming part of the Financial Statements
for the year ended 30 June 2016

Note 14. Commitments for Expenditure

\$ '000	Notes	2016	2015
(a). Capital Commitments			
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:			
Buildings		177	1,500
Infrastructure		7,215	2,383
Plant & Equipment		-	8
		7,392	3,891
These expenditures are payable:			
Not later than one year		6,884	3,891
Later than one year and not later than 5 years		508	-
		7,392	3,891
(b). Other Expenditure Commitments			
Other expenditure committed for (excluding inventories) at the reporting date but not recognised in the financial statements as liabilities:			
Audit Services		-	46
Waste Management Services		43,299	39,869
Other Maintenance Contracts		3,374	8,808
Recreation		660	582
Electricity		339	592
Security Services		491	403
Other		-	3,073
		48,163	53,373
These expenditures are payable:			
Not later than one year		18,422	18,380
Later than one year and not later than 5 years		29,741	34,993
		48,163	53,373

(c). Finance Lease Commitments

Council has no Finance Leases.

City of Darwin

Notes to and forming part of the Financial Statements
for the year ended 30 June 2016

Note 15. Financial Indicators

	Amounts	Indicator	Prior Periods	
\$ '000	2016	2016	2015	2014

Refer to "Finance Overview" in Annual Report.

City of Darwin

Notes to and forming part of the Financial Statements
for the year ended 30 June 2016

Note 16. Operating Leases

\$ '000	2016	2015
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Leases Providing Revenue to the Council

Council owns various buildings, plant and other facilities that are available for hire or lease (on a non-cancellable basis wherever practicable) in accordance with the published revenue policy. Rentals received from such leases are disclosed as property lease in Note 2.

Investment Property

Council has not classified any Land or Buildings as "Investment Property".

Lessees commitments under all non-cancellable lease agreements, including those relating to Investment Property, are as follows:

Not later than one year	850	1,005
Later than one year and not later than 5 years	2,213	1,660
Later than 5 years	1,260	163
	4,323	2,828

Lease Payment Commitments of Council

Council has entered into non-cancellable operating leases for various items of property, plant and equipment.

Commitments under non-cancellable operating leases that have not been recognised in the financial statements are as follows:

Not later than one year	377	361
Later than one year and not later than 5 years	585	861
Later than 5 years	44	13
	1,006	1,235

City of Darwin

Notes to and forming part of the Financial Statements
for the year ended 30 June 2016

Note 17. Superannuation

\$ '000

Council makes contributions to 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.

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 2015/16; 9.50% in 2014/15). 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.

Note 18. Interests in Other Entities

Council has no interest in any Equity Accounted Businesses such as Joint Ventures, Associates & Joint Operations.

Note 19. Non-Current Assets Held for Sale & Discontinued Operations

\$ '000

2016

2015

Non Current Assets & Disposal Group Assets

- Plant & Equipment (Fleet)

211

-

Total Non Current Assets & Disposal Group Assets**211****-****Details of Assets & Disposal Groups**

Plant & Equipment (Fleet) assets held for sale were either under a conditional agreement expected to be unconditional during the first half of 2016/17 or held by Auctioneers for imminent sale.

Notes to and forming part of the Financial Statements for the year ended 30 June 2016

Note 20. Contingencies & Assets/Liabilities Not Recognised in the Balance Sheet

The following assets and liabilities do not qualify for recognition in the Balance Sheet, but are considered relevant to the users of the financial report.

1. BANK GUARANTEES

Council has provided no guarantees that may result in a liability.

2. LEGAL PROCEEDINGS AND DISPUTES

Council is involved in an ongoing contractual dispute regarding a requirement for a tenant to carry out works. The matter is now going to appeal. Based on legal advice the, Council does not expect the outcome of this dispute to have a material effect on the Council's financial position. In Council's opinion disclosure of further information would be prejudicial to the interests of the Council.

Council is taking legal action to recover a bank guarantee providing security over contractual performance. If the guarantee is not recovered the loss to Council is estimated at \$251,000.

3. OTHER CONTINGENT LIABILITIES

Council is involved from time to time in various claims incidental to the ordinary course of business including claims for damages relating to its services. It is not practical to estimate the potential liability at this stage.

Council believes that it is appropriately covered for claims through its insurance coverage and does not expect any material liabilities to eventuate.

Notes to and forming part of the Financial Statements for the year ended 30 June 2016

Note 21. Events after the Balance Sheet Date

Council is unaware of any material or significant "non adjusting events" that should be disclosed.

Note 22. Equity - Retained Earnings and Revaluation Reserves Adjustments

(a). Correction of Error/s relating to a Previous Reporting Period

Council made no correction of errors during the current reporting period.

(b). Voluntary Changes in Accounting Policies

Council has voluntarily prepared these financial statements based on the South Australian model financial statements. This is supported by Local Government NT and the Department of Local Government and Community Services (in 2014/15 Council prepared its statements based on the Queensland model). Where the model conflicts with NT legislation the approach required by NT legislation is adopted. Where necessary previous year comparatives are restated. The changes in presentation are not considered material.

(c). Changes in Accounting Standards

There were no changes in accounting standards that affected prior year balances during the year.

City of Darwin

Notes to and forming part of the Financial Statements
for the year ended 30 June 2016

Note 23. Gain on Carbon Tax Liability Repeal - year ended 30 June 2015

\$ '000

As at the 30 June 2014 Council had recognised a provision of \$7.13M for the obligation to settle to the Commonwealth Government carbon tax collected on emissions during prior financial years. The Commonwealth Government repealed the carbon tax legislation on the 17 July 2014 with effect from 1 July 2014. As a result no new carbon tax liability was incurred from 1 July 2014 and Council derecognised the provision in the Statement of Financial Position. The gain from the derecognition is itemised in the Statement of Comprehensive Income as a Gain on Tax Liability Repeal during 30 June 2015.

The carrying amount of the provision relating to the liability incurred up to the date of the repeal was transferred to a specific purpose Carbon Tax Reserve at the Ordinary Council Meeting held on the 2nd June 2015 pending Council's legal consideration and decisions on application of the balance.

Council resolved at the Ordinary Council meeting held on 28 July 2015 to utilise funds as follows:

- credit \$29.67 per domestic waste service per year on which carbon tax was levied in 2012/13 and 2013/14 estimated to be \$1.6M.
- allocate \$4 million to improvements at Shoal Bay Waste Management Facility; and
- allocate the balance to specific green house gas minimising projects.

During 2015/16 the above matters were actioned, refunds were made to City of Palmerston and Litchfield Shire Councils and remaining funds for the specific green house gas minimising projects were transferred to the Environmental Reserve.

	2016	2015
Gain Carbon Tax Repeal		
Revenues - Carbon Tax Provision	-	7,137
Expenses - Carbon Units	-	(199)
GAIN CARBON TAX LIABILITY REPEAL	-	6,938

Note 24. Trust Funds

\$ '000

2016

2015

Trust Funds Held for Outside Parties

Security Deposits and Other	615	616
Darwin Waterfront Corporation	2	2
TOTAL TRUST FUNDS	617	618

**ENCL: RISK MANAGEMENT & AUDIT
YES COMMITTEE/OPEN**

AGENDA ITEM: 10.3

DRAFT CITY OF DARWIN ANNUAL REPORT 2015/16

REPORT No.: 16TC0066 VG:ph COMMON No.: 3141841

DATE: 28/10/2016

Presenter: Manager Strategy and Outcomes, Vanessa Green

Approved: Executive Manager, Mark Blackburn

PURPOSE

The purpose of this report is to present the Draft City of Darwin Annual Report 2015/16 (excluding Financial Statements).

LINK TO STRATEGIC PLAN

The issues addressed in this Report are in accordance with the following Goals/Strategies of the City of Darwin 2012 – 2016 as outlined in the 'Evolving Darwin Towards 2020 Strategic Plan':-

Goal

5 Effective and Responsible Governance

Outcome

5.3 Good governance

Key Strategies

5.3.5 Increase community awareness of the role and achievements of Council

KEY ISSUES

- In accordance with the Local Government Act, Council must, on or before 15 November each year, report to the Minister on its work during the financial year ending on the preceding 30 June.
- The report must include a copy of the Council's audited financial statement for the relevant financial year. The 2015/16 financial statements will be included in the Annual Report following consideration by the Risk Management and Audit Committee at this same meeting.
- The Annual Report must also contain an assessment of the Council's performance against the objectives stated in the relevant municipal or shire plan (applying indicators of performance set in the plan).
- The Annual Report will be presented to the Council meeting on the 15 November 2016.

PAGE: 2
 REPORT NUMBER: 16TC0066 VG:ph
 SUBJECT: DRAFT CITY OF DARWIN ANNUAL REPORT 2015/16

RECOMMENDATIONS

THAT the Committee resolve under delegated authority:-

THAT Report Number 16TC0066 VG:ph entitled Draft City of Darwin Annual Report 2015/16, be received and noted.

BACKGROUND

Section 199 of the Local Government Act contains the following provisions:

Part 14.1 Annual reports

199 Annual reports

- (1) A Council must, on or before 15 November in each year, report to the Minister on its work during the financial year ending on the preceding 30 June.
- (2) The report must include a copy of the Council's audited financial statement for the relevant financial year.
- (3) The report must also contain an assessment of the Council's performance against the objectives stated in the relevant municipal or shire plan (applying indicators of performance set in the plan).
- (4) As soon as practicable after the report has been delivered to the Minister, the council must:
 - (a) publish the report on the Council's website; and
 - (b) publish a notice in a newspaper circulating generally in the area informing the public that copies of the report may be downloaded from the Council's website or obtained from the Council's public office.

DISCUSSION

A responsibility of the Risk Management and Audit Committee is to ensure that the City of Darwin Annual Report 2015/16 contains an accurate assessment of performance against the goals, outcomes and strategies outlined in the Evolving Darwin Towards 2020 Strategic Plan and 2015/16 Municipal Plan.

The Strategic Plan provides a key set of 25 indicators that Council utilises each year to assess and monitor progress in implementing the plan. Results against the 25 indicators are provided at the commencement of reporting on each Strategic Plan Goal in the Draft Annual Report.

The 2015/16 Municipal Plan outlines Key Performance Indicators for each Program Profile to measure success of the yearly program. Each Program Profile supports Council delivering on its defined outcomes. The Key Performance Indicator results for program profiles are provided at the introduction to each outcome in the Draft Annual Report.

PAGE: 3
 REPORT NUMBER: 16TC0066 VG:ph
 SUBJECT: DRAFT CITY OF DARWIN ANNUAL REPORT 2015/16

The Draft Annual Report utilises a 'traffic light' colour coding system for delivery of actions and the Key Performance Indicator results.

Green represents being on track or better (i.e. >90%), orange represents a marginal variance of between 70% - 90% of the target or action being achieved and a red icon highlights that actual performance or delivery of the action was less than 70%.

An explanation is provided for each action or Key Performance Indicator which did not achieve an on track result (i.e. less than 90% - orange and red traffic lights).

At the Risk Management and Audit Committee held on 22 August 2014 the committee requested consideration of the accuracy of the performance measures in the Annual Report. It was decided this was to be further clarified through the 2015/16 Annual Report process.

Through the development of the 2015/16 Annual Report it has been identified that the source data is available for all of the results of the 25 strategic plan indicators and the majority of Municipal Plan Key Performance Indicators.

These and previous findings have been used to continually improve the development of Council's annual Municipal Plan by removing KPIs which are no longer relevant or have source data available and ensuring all remaining or new KPIs have source data and a defined methodology for reporting.

As such, Council is now in a position to confirm that source data is available for all KPIs in the 2016/17 Municipal Plan.

The complete Annual Report 2015/16 (including Audited Financial Statements) will be presented to Council at the 1st Ordinary Meeting scheduled to be held on Tuesday 15 November 2016 for adoption.

CONSULTATION PROCESS

Nil

POLICY IMPLICATIONS

Nil

BUDGET AND RESOURCE IMPLICATIONS

Funding was budgeted for within the approved 2015/16 Municipal Plan for the cost of an external provider to design, format and produce the 2015/16 Annual Report.

PAGE: 4
 REPORT NUMBER: 16TC0066 VG:ph
 SUBJECT: DRAFT CITY OF DARWIN ANNUAL REPORT 2015/16

RISK/LEGAL/LEGISLATIVE IMPLICATIONS

The Council must prepare the Annual Report by 15 November 2016 and as soon as practicable after delivery to the Minister, publish the report on the Council's website and publish a notice in a newspaper circulating generally within the area informing the public that the report is available.

ENVIRONMENTAL IMPLICATIONS

In order to reduce Council's footprint, only a limited number of hard copy reports will be produced (50). Customers will be referred to Council's website if they wish to read the report. The (50) hard copy reports have been printed on 100% recycled paper.

COUNCIL OFFICER CONFLICT OF INTEREST DECLARATION

We the Author and Approving Officers declare that we do not have a Conflict of Interest in relation to this matter.

VANESSA GREEN
MANAGER STRATEGY AND
OUTCOMES

MARK BLACKBURN
EXECUTIVE MANAGER

For enquiries, please contact Mark Blackburn on 8930 0516 or email:
 m.blackburn@darwin.nt.gov.au.

Attachments:

Attachment A: Draft City of Darwin Annual Report 2015/16
Submitted under separate cover.

**ENCL: RISK MANAGEMENT & AUDIT
NO COMMITTEE/OPEN**

AGENDA ITEM: 10.4

**OUTSTANDING AUDIT ISSUE NO. 140 - STRATEGIC PERFORMANCE FRAMEWORK -
FINAL REPORT**

REPORT No.: 16TC0067 VG:ph COMMON No.: 1230662

DATE: 28/10/2016

Presenter: Manager Strategy & Outcomes, Vanessa Green

Approved: Executive Manager, Mark Blackburn

PURPOSE

The purpose of this report is to finalise Outstanding Audit Issue No. 140 - Strategic Performance Framework.

LINK TO STRATEGIC PLAN

The issues addressed in this Report are in accordance with the following Goals/Strategies of the City of Darwin 2012 – 2016 as outlined in the 'Evolving Darwin Towards 2020 Strategic Plan':-

Goal

5 Effective and Responsible Governance

Outcome

5.3 Good governance

Key Strategies

5.3.3 Understand and manage Council's risk exposure

KEY ISSUES

- Audit Issue No. 140 is now complete.
- In September 2015 KPMG was engaged to review the Strategic Performance Framework and the implementation of Outstanding Audit Issue 140 items.
- A key recommendation was that Council consider replacing the Quarterly Team Update Reports with quarterly Municipal Plan reporting. This is now being implemented with the first revised quarterly reports to be presented to Council Committees in November 2016.

PAGE: 2
 REPORT NUMBER: 16TC0067 VG:ph
 SUBJECT: OUTSTANDING AUDIT ISSUE NO. 140 - STRATEGIC PERFORMANCE
 FRAMEWORK - FINAL REPORT

RECOMMENDATIONS

THAT the Committee resolve under delegated authority:-

- A. THAT Report Number 16TC0067 VG:ph entitled Outstanding Audit Issue No. 140 - Strategic Performance Framework - Final Report, be received and noted.
- B. THAT Outstanding Audit Issue No. 140 - Strategic Performance Framework Item 4.1 be moved to the Completed Audit Issues Register.

BACKGROUND

PREVIOUS DECISIONS

DECISION NO.21\4457 (27/05/16)

Outstanding Audit Issue No. 140 - Strategic Performance Framework - Progress Report 4

Report No. 16TC0033 SJ:mb (27/05/16) Common No. 1230662

- A. *THAT Report Number 16TC0033 SJ:mb entitled Outstanding Audit Issue No. 140 - Strategic Performance Framework - Progress Report 4, be received and noted.*
- B. *THAT the Outstanding Audit Issue Register be updated as detailed in **Attachment A** of Report Number 16TC0033 SJ:mb entitled Outstanding Audit Issue No. 140 – Strategic Performance Framework Audit – Progress Report 4.*
- C. *THAT Outstanding Audit Issue 140 be moved to the Completed Audit Issues Register with the exception of item 4.1.*

At the Corporate & Economic Development Committee Meeting on 19 September 2016 it was resolved:

DECISION NO.21\4820 (19/09/16)

Strategic Reporting

Report No. 16TC0057 VG:ph (19/09/16) Common No. 1230662

THAT the Committee resolve under delegated authority:-

- A. *THAT Report Number 16TC0057 VG:ph entitled Strategic Reporting, be received and noted.*
- B. *THAT the Committee note the revised quarterly report format is effective for the 2016/17 Municipal Plan reporting.*

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 REPORT NUMBER: 16TC0067 VG:ph
 SUBJECT: OUTSTANDING AUDIT ISSUE NO. 140 - STRATEGIC PERFORMANCE
 FRAMEWORK - FINAL REPORT

At the Community & Cultural Services Committee Meeting on 20 September 2016 it was resolved:

DECISION NO.21\4832 (20/09/19)

Strategic Reporting

Report No. 16TC0058 VG:ph (20/09/19) Common No. 1230662

THAT the Committee resolve under delegated authority:-

- A. THAT Report Number 16TC0057 VG:ph entitled Strategic Reporting, be received and noted.*
- B. THAT the Committee note the revised quarterly report format is effective for the 2016/17 Municipal Plan reporting*

At the Environment & Infrastructure Committee Meeting on 20 September 2016 it was resolved:

DECISION NO.21\4848 (20/09/16)

Strategic Reporting

Report No. 16TC0059 VG:ph (20/09/16) Common No. 1230662

THAT the Committee resolve under delegated authority:-

- A. THAT Report Number 16TC0057 VG:ph entitled Strategic Reporting, be received and noted.*
- B. THAT the Committee note the revised quarterly report format is effective for the 2016/17 Municipal Plan reporting.*

DISCUSSION

The City of Darwin annual internal audit program required Council to undertake an audit of its adopted Strategic Performance Framework during 2013. The final audit report was presented to the RMAC in November 2013. Moderate risk audit findings 1.0 – 4.0 were placed on the Outstanding Audit Issues Register.

Council worked with KPMG to ensure Outstanding Audit Issue 140 was addressed and current status of the Strategic Performance Framework reviewed.

Item 4.1 - Based on area needs, CoD should develop a standard suite of reporting to be produced from Interplan

Outstanding Action Item 4.1 was recommended based on duplication of reporting which existed across Council. Staff were producing Quarterly Team Update Reports in addition to reporting on a regular basis against the Municipal Plan. Council has for

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 REPORT NUMBER: 16TC0067 VG:ph
 SUBJECT: OUTSTANDING AUDIT ISSUE NO. 140 - STRATEGIC PERFORMANCE
 FRAMEWORK - FINAL REPORT

a number of years been utilising Interplan as its tool for reporting strategic performance. Item 4.1 recommended producing reports from Interplan on a quarterly basis, removing the need for current quarterly team update reports.

In May 2016, the Risk Management and Audit Committee supported the implementation of Item 4.1. Council committees considered the matter in September and endorsed the move to a more strategically focussed quarterly report against the Annual Municipal Plan (produced from Interplan).

The revised process will be implemented from the 2016/17 financial year with the first quarterly reports scheduled to be presented to Council Committees in November 2016.

This matter is now complete.

CONSULTATION PROCESS

A report was presented to each Council Committee in September 2016 recommending that the current quarterly reporting cease and that quarterly reporting against the Municipal Plan be put in place commencing the 2016/17 financial year. Council Committees have supported the recommendation which was subsequently endorsed by Council.

POLICY IMPLICATIONS

Whilst there are not direct policy implications, implementation of the recommendations will contribute to continuous review and improvement of the City of Darwin Strategic Performance Framework.

BUDGET AND RESOURCE IMPLICATIONS

The change from Quarterly Team Update Reports to quarterly reporting against Municipal Plan will have a positive effect on resources by reducing the duplication of reporting requirements by staff.

RISK/LEGAL/LEGISLATIVE IMPLICATIONS

Legislative Implications

The functions (s12) and objectives (s13) of the *Local Government Act* provide for Council to develop and implement a Strategic Planning / Performance Framework that suits its needs.

(s22) requires Council to have a plan for its area which is to include the indicators for judging the standard of its performance. The City of Darwin is known as a municipal council and the plan is therefore referred to as the 'Municipal Plan'.

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 REPORT NUMBER: 16TC0067 VG:ph
 SUBJECT: OUTSTANDING AUDIT ISSUE NO. 140 - STRATEGIC PERFORMANCE
 FRAMEWORK - FINAL REPORT

Risk Implications

The risks associated with not responding to the recommendations in the Audit Report and staff discussions include:

- Inability to develop robust and accountable planning and performance documents;
- Legislative non-compliance; and
- Organisational culture not aligned with strategic direction and performance reporting.

ENVIRONMENTAL IMPLICATIONS

Nil

COUNCIL OFFICER CONFLICT OF INTEREST DECLARATION

We the Author and Approving Officers declare that we do not have a Conflict of Interest in relation to this matter.

VANESSA GREEN
MANAGER STRATEGY &
OUTCOMES

MARK BLACKBURN
EXECUTIVE MANAGER

For enquiries, please contact Vanessa Green on 89300531 or email:
v.green@darwin.nt.gov.au.

**ENCL: RISK MANAGEMENT & AUDIT
YES COMMITTEE/OPEN**

AGENDA ITEM: 10.5

FINES & INFRINGEMENTS PROCESSING SYSTEMS - INTERNAL AUDIT REPORT

REPORT No.: 16A0105 SG:je

COMMON No.: 3304380

DATE: 28/10/2016

Approved: General Manager Corporate Services, Diana Leeder

PURPOSE

The purpose of this report is to advise the outcomes and actions of Fines & Infringements Processing Systems Internal Audit Report. This report outlines findings and recommendations in respect of the parking and other infringements process.

LINK TO STRATEGIC PLAN

The issues addressed in this Report are in accordance with the following Goals/Strategies of the City of Darwin 2012 – 2016 as outlined in the 'Evolving Darwin Towards 2020 Strategic Plan':-

Goal

5 Effective and Responsible Governance

Outcome

5.3 Good governance

Key Strategies

5.3.1 Demonstrate good corporate practice and ethical behaviour

KEY ISSUES

- That Management continue to focus on advanced infringement technologies as a key initiative.
- Prioritise the review of the overall current technologies in place and assess the cost benefit analysis of implementing broader technological advances.
- Investigate the cost benefit analysis of implementing system controls to enforce dual authorisation for the removal of infringements.
- Monitor training across all levels of staff to ensure all mandatory training is completed.
- Review and update policy and procedural documents, ensuring they align to current practice annually.

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 REPORT NUMBER: 16A0105 SG:je
 SUBJECT: FINES & INFRINGEMENTS PROCESSING SYSTEMS - INTERNAL AUDIT REPORT

RECOMMENDATIONS

THAT the Committee resolve under delegated authority:-

- A. THAT Report Number 16A0105 SG:je entitled Fines & Infringements Processing Systems - Internal Audit Report, be received and noted.
- B. THAT recommendations ranked as “high priority” (4.1 & 4.2) as identified within Report Number 16A0105 SG:je entitled Fines & Infringements Processing Systems - Internal Audit Report be transferred to the Outstanding Audit Issues Register.
- C. THAT the recommendations ranked as “medium” and “low” priority in **Attachments A** to Report Number 16A0105 SG:je entitled Fines & Infringements Processing Systems - Internal Audit Report be addressed by management.

BACKGROUND

The City of Darwin Council has engaged KPMG to conduct an internal audit project – Infringements review in May 2016. The audit was to undertake an examination and assessment of the process efficiency, completeness and compliance with legislation in relation to the issuing, processing, managing objections to infringements and rescinding or waiving of infringements.

DISCUSSION

The overall objective of the audit was to review the system of internal controls and management processes providing reasonable assurance that adequate management controls exist to mitigate risk and maximise opportunity.

The specific objectives of the audit were to:

- Review and assess the controls over existing processes for the issuing, reviewing, monitoring and waiving of parking and other infringements.
- Perform testing on a sample basis to ensure adequacy and effectiveness of key controls.
- Assess whether policies, procedures and relevant legislation have been complied with and adhered to.

Governance objectives, where relevant, were considered and included an assessment of whether governance processes were in place, including:

- Defined roles and responsibilities.
- Segregation of duties.
- Appropriate levels of delegated authority.
- Monitoring and reporting of abnormal activity.
- Records management and documented audit trails.

PAGE: 3
 REPORT NUMBER: 16A0105 SG:je
 SUBJECT: FINES & INFRINGEMENTS PROCESSING SYSTEMS - INTERNAL AUDIT REPORT

Audit Scope and Approach

The scope included expiation activities between June 2016 and July 2016. In performing this project, we undertook the following:

- Interviews with staff managing parking, dog, and other infringements to gain an understanding of the end to end processes.
- Analysis of documents including strategies, plans, policies, guidelines and reports.
- Data analytics on selected data sets.
- Review expiation notices to ensure it is issued within the relevant guidelines.
- Review register of outstanding fines.
- Review and agree with City of Darwin management any potential deliverables based on the identified improvement opportunities.
- Prepare the assurance report summarising the results of work done and the agreed actions to address any control/process improvement areas identified.

Summary of Opportunities to Improve

The City of Darwin has a robust control environment over the governance of the infringement processes. This includes controls in Expiation Issuance and Evidence Collection, Expiation Review and Withdraw (Waive) all which mitigate risk.

Section 4 of the report details the audit findings with the following agreed management actions to focus improvement activities.

4.1 IT Systems

In response to the key issues noted in this report for transitioning to advanced infringement technologies management responses are;

Regulatory Services is currently investigating the broader technological advances from PinForceMobile to replace existing handhelds to assist Rangers in collecting greater amounts of digital evidence.

The expected new CiAnywhere enterprise developments which embrace mobile devices and workflows as a key part of its solution will allow greater flexibility.

Agreed Management Actions	Responsibility	Timing
Prioritise the purchase of new hand-held devices.	Manager Regulatory services Manager IT Supervisor Administration	September - November 2016
Investigate and incorporate broader technological benefits for the recording of data when updating the hand-held units currently being considered.	Manager Regulatory services Manager IT	September - November 2016
Re-enforce the requirements for officers to maintain a notebook to a legal standard.	Manager Regulatory services Regulatory Supervisors	September - November 2016

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 SUBJECT: FINES & INFRINGEMENTS PROCESSING SYSTEMS - INTERNAL AUDIT REPORT

4.2 Infringement Adjustments

In response to the key issues noted in this report for the process of withdrawing and waiving infringements management responses are;

Only Regulatory Services Administration staff have access in Authority to make withdrawals of infringements within this system. It is agreed that a full system process would ensure greater transparency and improved efficiency removing a manual process from the activity.

A review of system capabilities is scheduled for early in the new year.

Agreed Management Actions	Responsibility	Timing
Reinforce the requirement to have a signed movement slip prior to any withdrawal of infringements.	Manager Regulatory Services Supervisor Administration	September - November 2016
Investigate the opportunities for systems to include a dual authorisation process which would eliminate the movement slip process.	Supervisor Administration Manager IT	January 2017

4.3 Learning and Development

In response to the key issues noted in this report for the learning and development framework for staff.

Supervisors have been working on improving the framework for training of officers with focus on the implementation of a 30:60:90 day training checklist for Rangers. While it is agreed that a consistent trainer is useful, obtaining working perspectives for engagement and safety are key to help officers develop their skills in the regulatory field.

It is standard practice that a final sign-off procedure is undertaken before a trainee Ranger goes alone in the field. This is conducted by one of two nominated Senior Rangers who can provide this. Should a trainee not be considered skilled he is placed back in the field under the buddy system for a further period.

Agreed Management Actions	Responsibility	Timing
Develop a new induction training plan for all officers entering Regulatory Services.	Regulatory Operations Supervisors Manager Regulatory Services	November 2016 - ongoing
Develop a skill spreadsheet incorporating sign off completion by supervisors on core training competencies.	Regulatory Operations Supervisors Manager Regulatory Services	November 2016 - ongoing

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 REPORT NUMBER: 16A0105 SG:je
 SUBJECT: FINES & INFRINGEMENTS PROCESSING SYSTEMS - INTERNAL AUDIT REPORT

4.4 Policy and Procedure Framework

In response to the key issues noted in this report for the review and update policy and procedural documents.

Documents and procedures will be reviewed highlighting review dates and responsible officers to ensure the documents are updated in a timely manner.

Agreed Management Actions	Responsibility	Timing
Review and document infringement issuing process to utilise as a reference and training tool.	Regulatory Operations Supervisor Manager Regulatory Services	March 2017
Identify a review date and responsible person for process reviews.	Regulatory Operations Supervisor Manager Regulatory Services	

CONSULTATION PROCESS

This report was considered by the Executive Leadership Team on **5 September 2016** and now referred to **Risk Management & Audit Committee** for consideration.

In preparing this report, the following City of Darwin officers were consulted:

- Manager Regulatory Services
- Team Coordinator – Risk, Audit & Safety
- Supervisor – Regulatory Services Supervisor
- Supervisor – Regulatory Operations CBD Parking

POLICY IMPLICATIONS

The actions are in line with Council's By-laws and general policies.

BUDGET AND RESOURCE IMPLICATIONS

There will be costs involved with the replacement of the current handheld. This remains under investigation utilising phone apps for PinForceMobile.

RISK/LEGAL/LEGISLATIVE IMPLICATIONS

The recommended management responses address the identified risks.

ENVIRONMENTAL IMPLICATIONS

Nil

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REPORT NUMBER: 16A0105 SG:je
SUBJECT: FINES & INFRINGEMENTS PROCESSING SYSTEMS - INTERNAL AUDIT
REPORT

COUNCIL OFFICER CONFLICT OF INTEREST DECLARATION

We the Author and Approving Officers declare that we do not have a Conflict of Interest in relation to this matter.

DIANA LEEDER
GENERAL MANAGER
CORPORATE SERVICES

For enquiries, please contact Diana Leeder on 8930 0539 or email:
d.leeder@darwin.nt.gov.au.

Attachments:

Attachment A: Draft Fines & Infringements Processing Systems Internal Audit
Report



Fines & Infringements Processing Systems Internal Audit Report

City of Darwin

July 2016

Disclaimers

Executive Summary	Background	The Audit Approach	Internal Audit Findings	A1: Scope	A2: Classification of Findings	A3: Classification of Overall Rating	A4: Consultations
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Inherent Limitations

This report has been prepared as outlined in the Scope Section. The services provided in connection with this engagement comprise an advisory engagement, which is not subject to assurance or other standards issued by the Australian Auditing and Assurance Standards Board and, consequently no opinions or conclusions intended to convey assurance have been expressed.

Due to the inherent limitations of any internal control structure, it is possible that fraud, error or non-compliance with laws and regulations may occur and not be detected. Further, the internal control structure, within which the control procedures that have been subject to the procedures we performed operate, has not been reviewed in its entirety and, therefore, no opinion or view is expressed as to its effectiveness of the greater internal control structure. The procedures performed were not designed to detect all weaknesses in control procedures as they are not performed continuously throughout the period and the tests performed on the control procedures are on sample basis. Any projection of the evaluation of control procedures to future periods is subject to the risk that the procedures may become inadequate because of changes in conditions, or that the degree of compliance with them may deteriorate.

No warranty of completeness, accuracy or reliability is given in relation to the statements and representations made by, and the information and documentation provided by, City of Darwin management and personnel consulted as part of the process.

KPMG have indicated within this report the sources of the information provided. We have not sought to independently verify those sources unless otherwise noted within the report.

KPMG is under no obligation in any circumstance to update this report, in either oral or written form, for events occurring after the report has been issued in final form.

The findings in this report have been formed on the above basis.

Third Party Reliance

This report is solely for the purpose set out in the Scope Section and for City of Darwin's information, and is not to be used for any other purpose or distributed to any other party without KPMG's prior written consent.

This report has been prepared at the request of City of Darwin in accordance with the terms of KPMG's engagement letter/contract dated 10 August 2015. Other than our responsibility to City of Darwin, neither KPMG nor any member or employee of KPMG undertakes responsibility arising in any way from reliance placed by a third party on this report. Any reliance placed is that party's sole responsibility.

Electronic Distribution of Report

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OBJECTIVE

The overall objective of this internal audit was to undertake an examination and assessment of the process efficiency, completeness and compliance with legislation in relation to the issuing, processing, managing objections to infringements and rescinding or waiving of infringements. In doing this, internal audit considered the design, implementation and 'limited' operating effectiveness of key controls within these processes in order to identify any improvement opportunities.

SCOPE

The scope of this internal audit will cover the following key areas of the fines and infringements process specific to process efficiency, completeness and compliance with legislation:

- Issuing
- Processing
- Managing objections
- Rescinding or waiving infringements

The audit scope did not include the receipting of fines and infringements. Further details of the scope are outlined in **Appendix 1**.

APPROACH

The internal audit was performed using the following approach:

- Workshop with all key stakeholders in the process
- Individual consultations
- Design, implementation and limited compliance testing over key controls as identified during the internal audit.

Further details of the approach are outlined in **Section 3: The Audit Approach**.

A summary of findings and recommendations identified through this project has been included in this Executive Summary.

REPORT RATINGS

Ratings are provided at three levels which are explained in **Appendix 2 and 3**. The ratings for this engagement are as follows:



Impact on process objectives of findings



Enterprise wide impact of findings



Note that these ratings relate specifically to the report findings. These ratings are not intended to represent any conclusion on the adequacy and effectiveness of the design or operation of the overall internal controls at the City of Darwin (CoD).

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SUMMARY OF KEY FINDINGS

Fines and infringements enforcement is an important part of maintaining public confidence. The associated revenue for the City of Darwin is not insignificant and with current IT systems and technology being dated, there is a compelling case for ongoing investment in this area. Until a decision is made regarding future IT strategy, there are opportunities to strengthen current controls around access to process variations to fines, training of Rangers, and updating policies and procedures to reflect current practice.

Control Assessment

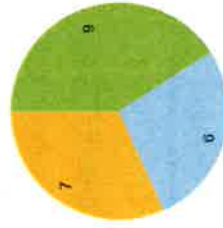
A control environment can be assessed from two perspectives as follows:

- *Design & Implementation (D&I)*: Assessment of whether the way the controls are designed to operate, will appropriately mitigate the key process risks identified.
- *Operating Effectiveness*: Assessment of whether the controls are actually operating consistently over time, as designed.

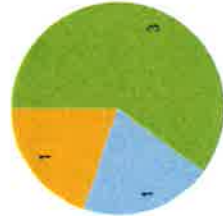
This engagement assessed both of these.

Each control identified was rated using a five tier assessment. Refer to **Appendix 2** for description of control ratings. The charts below summarise the assessment of CoD's key controls over the key processes as identified in the scope.

Design & Implementation (D&I)



Operating Effectiveness



Control Assessment

15 out of the 22 documented controls are considered to be effective/reasonably effective in D&I.

2 out of the 5 controls tested for operating effectiveness had non-compliance noted.

Process Strengths

The following identified process strengths were identified as part of this project:

- System enforced controls in the handheld devices used for issuing infringements.
- Segregation of duties between the issuing of infringements and the processing of infringements.
- Regular monitoring of key infringement statistics.
- Focus on continual improvement of current practices.
- Development of succession planning practices, reducing reliance on key personnel.

Further commentary on the controls is outlined in **Section 3: The Audit Approach**.

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SUMMARY OF OPPORTUNITIES TO IMPROVE

Ref	Recommendations	Enterprise	Process
IT Systems			
4.1	KPMG endorse the focus of transitioning to advanced infringement technologies and recommend that Management continue to focus on this as a key initiative going forward. CoD should prioritise the review of the overall current technologies in place and assess the cost benefit analysis of implementing broader technological advances.	Moderate	High
Infringement Adjustments			
4.2	CoD should reinforce the process of withdrawing and waiving infringements to staff and investigate the cost benefit analysis of implementing system controls to enforce dual authorisation for the removal of infringements.	Moderate	High
Learning and Development			
4.3	CoD should consider updating the new Ranger induction and training process, including the processes the new Ranger's "buddy" should undertake to ensure consistency and completeness. The monitoring of training across all levels of staff requires improvement to ensure all mandatory training is completed.	Moderate	Medium
Policy and Procedure Framework			
4.4	CoD should review and update policy and procedural documents, ensuring they align to current practice.	Minor	Medium

Further commentary on these are outlined in **Section 4: Internal Audit Findings**.

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IMPACT ON THE COUNCILS NET RISK RATING

Description	Gross Risk Rating		Net Risk Rating	
	Likelihood	Consequence	Likelihood	Consequence
<p>Council does not adequately inform ratepayers and the community of Council's roles and responsibilities for provision of community programs, services and facilities</p> <ul style="list-style-type: none"> Misconception in relation to Council's core role in the delivery of community programs and funding support Reputation risk – Council positions itself as a model for multicultural functionality 	2	3	1	3
			No change recommended	
<p>Council does develop and manage a comprehensive parking management strategy</p> <ul style="list-style-type: none"> Lack of opportunity for ratepayers and stakeholders to have input into parking management initiatives Failure to understand and manage community expectations Ratepayers and the community develop unrealistic expectations for provision of services Increasing and ongoing parking management issues Non-functioning CBD and wider Darwin City Ratepayer and business group dissatisfaction Migration of business away from the CBD Reduced productivity 	2	4	1	3
			It is recommended that the CoD consider the impacts, if any, of the IT opportunities reported that can improve productivity.	

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IMPACT ON THE COUNCILS NET RISK RATING

Description	Gross Risk Rating		Net Risk Rating		Change
	Likelihood	Consequence	Likelihood	Consequence	
Failure to manage public perception and media reporting <ul style="list-style-type: none"> Failure to develop a positive relationship with media representatives Continued negative and inaccurate reporting Targeted reporting methods Undermining of public confidence 	4	4	3	3	No change recommended
Council fails to ensure that ratepayers and other stakeholders are consulted with and engaged in the development of services and service delivery standards <ul style="list-style-type: none"> Services provided by Council are not aligned to ratepayer and community expectations Service delivery standards are not aligned to ratepayer and community expectations Ratepayer and community dissatisfaction Inaccurate/negative media reporting Negative reputation impact 	3	3	1	3	No change recommended

2. Background

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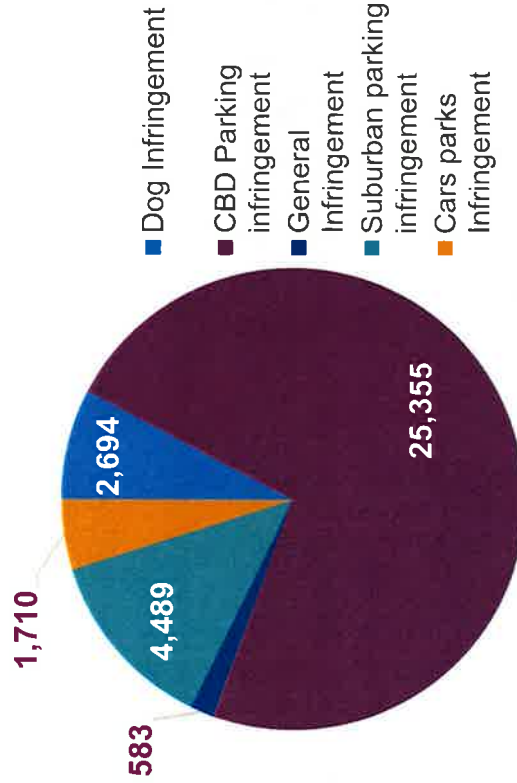
A4: Consultations

Regulatory Services

CoD's Regulatory Services Teams are responsible for policing Council By-Laws and other relevant legislation by issuing infringement notices for acts that contravene these By-Laws or legislation. These include, but are not limited to: Parking infringements (CBD, suburban and off-street); Animal registrations; Animals at large/dangerous animals; Illegal camping; Illegal consumption of alcohol; Littering; and Abandoned vehicles.

Infringement enforcement key to maintaining public confidence

Whilst compliance by the public is the optimal outcome, appropriate enforcement is also key to maintaining public confidence in supporting the right compliant behaviour. Infringement revenue is not inconsiderable in amount to the CoD and accordingly continued enforcement activity is important, however conducting this in the most cost effective and efficient way is also critical. As at 31 May 2015, CoD had issued 34,831 infringements for the 2015/16 financial year, broken down as follows:



Quantum Overview

The most frequent form of infringement issued by the CoD is for CBD parking, 25,355 CBD parking infringements were issued for the 11 months to 31 May 2016 which was down from 36,198 and 30,507 for the 2014 and 2015 full financial years respectively. The FY'16 result is however representative of a cumulative average across a longer period of time.

Suburban parking infringements represent the second largest infringement type, with 4,489 infringements, up from 3,119 and 2,999 for the 2014 and 2015 full financial years respectively.

Dog infringements rose considerably during the 2016 financial year, from 591 and 835 for the 2014 and 2015 full financial years respectively to 2,694 as at 31 May 2016. This was due to a clamp down on those persons whom did not re-register their animals on a timely basis in 2016 and as such were issued with infringements to enforce the importance of compliance with this aspect of the By-Laws. Refer to **report point 4.2** for further details of the impact on withdrawals of such infringements.

Car parking infringements dropped from 3,371 and 2,647 for the 2014 and 2015 full financial years respectively to 1,710 as at 31 May 2016.

General infringements dropped from 1,091 and 865 for the 2014 and 2015 full financial years respectively to 583 as at 31 May 2016.

Continuous improvement of effectiveness and efficiency...IT is key

Whilst the CoD have embraced some forms of technology in the delivery of its fines and infringement monitoring and processing, technology developments continue to provide opportunities for organisations to streamline its processes. Current systems at CoD are generally considered outdated or fast approaching this state.

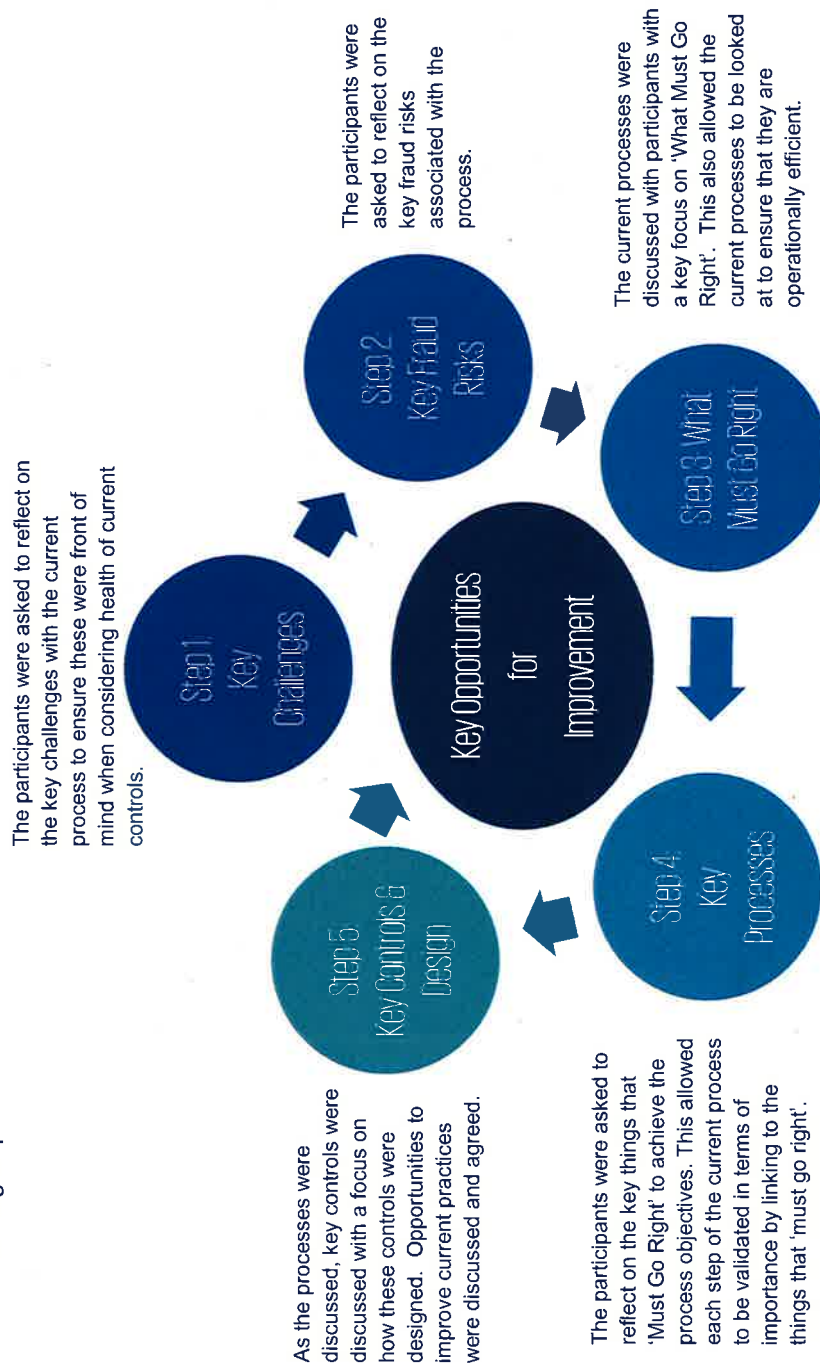
The Darwin environment provides its challenges from a workplace health and safety (WHS) perspective and future investment in IT should therefore factor in these tangible benefits to staff safety as well as cost efficiencies.

Information technology enhancements more broadly represent a considerable opportunity for CoD and this is discussed in more detail within **report point 4.1**.

3. The Audit Approach

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Our approach involved consultations with key stakeholders to the process to explore the how fines and infringements are currently issued, processed, how objections are currently managed and the process for rescinding or waiving infringements. A workshop was then undertaken which gathered all the relevant Regulatory Services managers and supervisors who are involved in the process under consideration to discuss in more depth current practice and ideas to refine the current processes. This workshop approach is designed to assist in cross-skilling staff in terms of learning the roles of others within CoD and gaining a clear understanding of where their role 'fits-in' the bigger picture and why & what they do, is important. The workshop was facilitated by KPMG and promoted discussion around the current processes. To ensure the workshop delivered focussed outcomes, KPMG followed the following steps:



3. The Audit Approach

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LINKING CONTROLS TO THOSE THINGS THAT 'MUST GO RIGHT'

The following table maps the key controls identified to the key factors that 'must go right' in the process.

Risk & Control Matrix																							
Key	1.1	1.2	1.3	1.4	1.5	1.6	2.1	2.2	2.3	2.4	2.5	3.1	3.2	3.3	4.1	4.2	4.3	5.1	6.1	6.2	6.3	6.4	
Effective	Learning and Development Framework	Training for new starters (Rangers) - induction and on-the-job	30-60-90 Training Assessment (Regulatory Administration staff)	Training - ongoing	Clear position (role) descriptions	Succession planning in place	Identification and communication of legislative changes	Documented policies and procedures for all key processes	Locked parameters within handheld devices	Photographic evidence of vehicle infringements	Recording of any issues in a notebook	Signing out a bicycle for use	Signed Statements from Animal Complainers	CEO approval of all new Rangers as Authorised Officers	Interface between PinForce and Authority	Check of PinForce Data	Check of data imported into Authority	Dual authorisation for withdrawal of infringements	Manual complaints procedure	Monitoring and reporting of KPIs	System access restrictions	Segregation of duties between issuing, processing and adjusting	
Reasonably /Mostly Effective		✓	✓	✓	✓	✓		✓	✓	✓	✓		✓			✓	✓						
Partially Effective				✓			✓																
Defective/ Negligible			✓																				
Ineffective or Non-Existent																							
Control doesn't currently manage any 'what must go right' or fraud risks																							
What 'Must Go Right'																							
Clearly documented and up-to-date policies and procedures	✓	✓	✓	✓	✓	✓		✓															
Appropriately trained staff	✓	✓		✓	✓	✓	✓																
Ongoing training to ensure up to date knowledge	✓			✓			✓																
Well defined roles and responsibilities				✓																			
Infringements issued in accordance with legislation and By-Laws	✓	✓	✓	✓			✓	✓	✓	✓	✓			✓		✓	✓						
Appropriate supporting evidence for infringements	✓	✓		✓				✓			✓		✓		✓	✓							
Accurate data transfer between systems	✓		✓	✓				✓						✓	✓	✓	✓						
Timely processing of infringements	✓				✓			✓							✓	✓							
Only those bona fide withdrawals must be made	✓		✓	✓			✓	✓		✓	✓				✓	✓		✓					
Protection of data on hand held devices							✓	✓	✓						✓	✓	✓						
Privacy of customer data maintained							✓	✓	✓														
Complaints must be followed up in a timely manner	✓	✓		✓			✓												✓				
OHS appropriately managed		✓	✓	✓				✓				✓							✓				

Observations

- All 'what must go right's' have at least one control in place that in part helps to mitigate the risk.

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LINKING CONTROLS TO IDENTIFIED FRAUD RISKS

The following table maps the key controls identified to the key fraud risks.

Risk & Control Matrix																						
	1.1	1.2	1.3	1.4	1.5	1.6	2.1	2.2	2.3	2.4	2.5	3.1	3.2	3.3	4.1	4.2	4.3	5.1	6.1	6.2	6.3	6.4
Key	Learning and Development Framework	Training for new starters (Rangers) - induction and on-the-job	30-60-90 Training Assessment (Regulatory Administration staff)	Training - ongoing	Clear position (role) descriptions	Succession planning in place	Identification and communication of legislative changes	Documented policies and procedures for all key processes	Locked parameters within handheld devices	Photographic evidence of vehicle infringements	Recording of any issues in a notebook	Signing out a bicycle for use	Signed Statements from Animal Complaintants	CEO approval of all new Rangers as Authorised Officers	Interface between PinForce and Authority	Check of PinForce Data	Check of data imported into Authority	Dual authorisation for withdrawal of infringements	Manual complaints procedure	Monitoring and reporting of KPIs	System access restrictions	Segregation of duties between issuing, processing and adjusting
	Effective																					
	Reasonably /Mostly Effective																					
	Partially Effective																					
	Defective/ Negligible																					
Ineffective or Non-Existent																						
Control doesn't currently manage any 'what must go right' or fraud risks																						
Fraud Risks																						
Fines and infringements are fraudulently removed/written-off or altered in the system																						
Kick-backs against Rangers issuing infringements	✓	✓	✓	✓	✓	✓		✓						✓	✓	✓	✓	✓	✓	✓	✓	✓

Observations

- Each fraud risk has multiple controls in place to mitigate the risk.

4. Internal audit findings

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4.1 IT Systems

Findings

In the fines and infringements process there are three key IT systems being:

- PinForce;
- Authority; and
- Ci Anywhere.

PinForce is the industry leading software in parking enforcements, vehicle detection and infringement management. The PinForce software is loaded onto handheld devices for the issuing of infringements by Rangers. There is then a daily sync process undertaken for the transfer of the data from the handheld devices to the PinForce program. These devices and software were implemented by CoD in 2012 and there has been no formal review of the software since this implementation.

Authority is the finance system used at the CoD. There is an interface between the PinForce program and Authority, although this is a manual upload process for the infringement data to be interfaced on a daily basis from PinForce to Authority.

Ci Anywhere is mainly used in this process to record and action Customer Action Requests (CAR's). When a CAR is received these are electronically tasked to a Ranger for further investigation. This further investigation process is undertaken manually and then requires the Rangers to manually enter any physical notes made into Ci Anywhere. Ci Anywhere does not interface with PinForce or Authority.

Overall throughout this project the following key issues surrounding IT have come to light:

- The existing systems, described above, require a level of manual intervention throughout the process which increases the risk of error.
- The systems currently in use are aged, outdated and there has been no review of the systems in many years.

Findings (continued)

- The connectivity and integration of the systems is poor which creates challenges for the team and reduces the efficiency and effectiveness of core processes.
- The Ci Anywhere system is currently non-mobile which necessitates a manual process to be undertaken by the Rangers, thus reducing efficiency and increasing the risk of error in the process.
- Sub-processes remain very manual in nature for example the use of a paper-based notebook by the Rangers.
- There is an instance whereby a 'shadow system' is being used. Shadow systems are both inefficient and create an increased risk of error in data. Such systems should be discouraged if the current IT systems can provide the relevant reporting information.

In raising this matter, it is acknowledged that Management are aware of the current issues with the IT systems in place and it is also pleasing to note the intended developments and investment Management are pursuing and continue to desire. KPMG endorses this approach by management to review the current systems.

One of these noted developments is the move towards Ci Anywhere digital, whereby laptops are currently being trialled in four of the key field areas so that Rangers can input data into Ci Anywhere when out in the field. This is currently being trialled with data networks over the next three - four months with the aim to transition to wi-fi and roll out over eight fields in the medium term.

Another key initiative that KPMG endorse is the broader development of key infrastructure which as a result will allow for the implementation of technological advancements for the issuing of fines and infringements. The current development under consideration is the roll out of smart street lights, which will allow CoD to attach integrated digital cameras to the street lights to automatically detect those cars infringing parking laws. As such, this will allow for the complete and accurate issuing of parking infringements.

Enterprise

Moderate

Process

High

4 Internal audit findings

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4.1 IT Systems

Recommendations

As noted above, KPMG endorse the focus of transitioning to advanced technologies and recommend that Management continue to focus on this as a key initiative going forward.

In respect to this current initiative, we recommend that the CoD:

- Prioritise the review of the overall current technologies in place for the fines and infringements process and assess the cost benefit analysis of such development of technologies.
- Investigate the broader technological advances that are continuing from PinForce Mobile to assist Rangers in collecting greater amounts of digital evidence. Such equipment includes: High Res Integrated Digital Cameras, Handheld License Plate Recognition, Barcode Readers, GPS and further mobile phone capabilities.
- Continue to stay abreast of the new Ci Anywhere enterprise software developments which embrace mobile devices as a key part of its solution. This would further streamline the Rangers process when out in the field.

In the shorter term to address some of the key issues noted in this report Management should:

- Review the pre-formatted data saved on the handheld devices to ensure that no redundant data is accidentally used, such as streets and car parks that no longer exist.
- Re-enforce to Rangers their obligation to maintain a notebook, being a form of legal documentation and ensure that Supervisors monitor the use of notebooks on a periodic basis.

Recommendations (continued)

- Consider alternative methods for recording notebook information on the field, such as the ability to record this information digitally, on their handheld device, mobile phone, tablet or laptop.
- Provide further education on the functionality of the current IT systems to promote practices whereby 'shadow systems' are discouraged.

Agreed Management Action

TBA

Responsibility

TBA [Position title]

Timing

TBA [date month year]

Enterprise Process

Moderate High

4. Internal audit findings

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4.2 Infringement Adjustments

Findings

The withdrawing or waiving of infringements represents lost revenue to the CoD and within the scope of the audit, represents a key fraud risk area. Between the period 1 July 2015 to 21 June 2016 there were 5,458 infringement withdrawals made, of which 1,783 were related to animal infringements. This was a significant increase in animal infringement withdrawals in comparison with the prior year due to it being identified in the year that there was a reduced number of animal registrations. To enforce the requirement of animal re-registrations, infringements were issued to a large number of persons who had not re-registered their animals. This being the first year that this was enforced there was a policy decision made to withdraw infringements were the person subsequently paid for the animal registration, noted that such withdrawals would not be made in subsequent years.

Furthermore, during our review of the withdrawal / waiving process we were informed that all withdrawals of infringements require a dually authorised movement slip to be processed or, in the absence of a movement slip, a signed statutory declaration completed by the customer. Instances noted were this is not the requirement where the offender is from overseas, the vehicle is from interstate or no date of birth is recorded/obtainable. Samples were selected for testing across the following infringement report types:

- Accept email letter
- Ticket fault
- Interstate at Fines Recovery Unit can reinstate
- Accept statutory declaration;
- Animal audit; and

Of the 25 samples selected, six infringement withdrawals were noted as not having a movement slip or a signed statutory declaration from the customer. Three of the six were from the animal audit category. It was noted that due to the high volume of withdrawals during the animal audit, withdrawals were permitted without a signed movement slip or statutory declaration. One of the six infringement withdrawals was noted as having been withdrawn in error and then re-instated.

Findings (continued)

Withdrawals of infringements are made in Authority with only the Regulatory Services Administration Staff having access to make withdrawals in this system. Although there are system access restrictions in place, there are no system controls that require dual authorisation of a withdrawal.

Potential Impact

There is a risk that infringements could be withdrawn from the system without appropriate authorisation and/or in a fraudulent manner, as such causing revenue leakage for the CoD.

Recommendations

It is recommended that Management:

- Reinforce the process of withdrawing and waiving infringements to staff, highlighting the key requirement of the movement slip or signed statutory declaration in all instances.
- Investigate the cost benefit analysis of implementation of system controls to enforce the dual authorisation of the removal of infringements.

Agreed Management Action

TBA

Responsibility

TBA [Position title]

Timing

TBA [date month year]

Enterprise

Moderate

Process

High

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4.3 Learning and Development

Findings

A well structured learning and development framework supports core training at the commencement of employment and on an on-going basis to ensure staff are aware of their roles, responsibilities and have the appropriate knowledge to perform these roles to the expectations of the organisation. Throughout our consultations with various CoD staff and testing procedures performed over the fines and infringements process, it came to light that there are inconsistencies with the learning and development framework. The framework for Regulatory Administration Staff is generally considered to be well designed and implemented, whereas the framework in place for Regulatory Services Rangers was found to lack the same level of structure and precision. Given this, we note the following with regards to the learning and development framework:

- There is a lack of consistency with who trains Rangers during their first week. It has been noted that there are instances when a Ranger is being trained by a different ranger daily which creates confusion in terms of delivery methods and also there is no clear daily handover process to ensure that the key training is being completed and/or parts are not being missed.
- There is no formal sign-off procedure before a trainee Ranger goes alone in the field.
- No data is maintained on completion rates for mandatory/ optional/ update training courses across the CoD.
- Roles and responsibilities of Rangers are generally well defined and understood whereas roles and responsibilities for Ranger Supervisors are generally poorly documented and as such there is a reliance on a verbal transfer of knowledge which can result in knowledge gaps when Rangers are acting as Supervisors/ Supervisors leave CoD.

Findings (continued)

- Although we acknowledge and support the implementation of the 30:60:90 days training checklist for Rangers, it is questionable whether this will be timely enough to effectively support new Rangers during their first week of employment.
- Key person reliance is a risk to CoD, however we acknowledge that succession planning is in process to help mitigate knowledge loss should a key person leave the Regulatory fines and infringement team. Having formalised succession planning in place is not only good business practice, but also gives employees more defined development pathways. Given this, we endorse Management to continue with such planning, implementation and execution of strategies for succession planning.

Potential Impact

As a result of the above, due to the inconsistencies in learning and development practices, there is a risk that Rangers are not being appropriately trained in their role and as such are not issuing fines and infringements in compliance with relevant By-Laws and regulations.

Given that there is notably high staff turnover with Rangers at CoD, a consistently applied and robust learning and development framework is critical to reduce the impact of corporate knowledge loss upon resignation of staff.

Enterprise Process

Moderate

Medium

4. Internal audit findings

Executive Summary Background The Audit Approach Internal Audit Findings

4.3 Learning and Development (continued)

Recommendations

We recommend that Management:

- Consider allocating a key Ranger or "buddy" to a new Ranger for the duration of their initial on-the-job training.
- Consider having formal training for key Ranger or "buddy" to ensure their skills and accountability.
- Consider the implementation of a checklist to be completed and signed by both the trainer and the new Ranger prior to the new Ranger being sent off on their own (First week checklist). This will ensure key competencies for the role are met.
- Monitor the completion and timeliness of completion of mandatory training. This should also incorporate follow up when mandatory training has not been completed.
- Where changes to legislation and By-Laws are issued, consider having the Rangers sign off that they understand all of the changes.
- Consider an annual review of the Regulatory Services role descriptions to ensure they align with the duties being performed.
- Document the roles and responsibilities of Ranger Supervisors

Agreed Management Actions

TBA

A1: Scope A2: Classification of Findings A3: Classification of Overall Rating A4: Consultations

Enterprise Process

Moderate

Medium

Responsibility

TBA [Position title]

Timing

TBA [date month year]

4 Internal audit findings

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				Enterprise		Process	
				Minor		Medium	
				Recommendations			
				We recommend that Management:			
				Review and update the procedural guidance around the issuing of infringements with a view to incorporating:			
				<ul style="list-style-type: none"> Updated procedures to better reflect the current infringement issuing process. Links to relevant tools and templates relevant to the issuing of infringements. 			
				Review all policy and procedural documents and ensure they include the following:			
				<ul style="list-style-type: none"> Who the accountable officer for the document is; Date last updated; and Date of next review. 			
				Consider implementing a bicycle checklist that Rangers must sign upon their first use of a bicycle, stating that they understand the terms and conditions of use and the safety requirements.			
				Review procedural guidance every three years unless procedures change otherwise.			
				Refer to report point 4.1 for IT recommendations in relation to this process.			
				Agreed Management Actions			
				TBA			
				Responsibility			
				TBA [Position title]			
				Timing			
				TBA [date month year]			

Findings

Documented policies and procedures are essential within any organisation. They ensure the consistent application of a process and reduce the risk of information loss through staff movement. In addition to this, maintained policies and procedures must remain up to date with current practices and regulations and be assigned to a stakeholder to increase accountability for such processes. During our review of the relevant policies and procedural guidance we noted the following:

- Some of the policies and procedural documents do not include an accountable officer or a next review date.
- As a result of our consultations, aspects of the procedures appear to be outdated.
- There is a lack of referencing and linkage to tools and templates to support the operational issuing of infringements, particularly relevant to investigation work.
- There are conflicting steps within the Nuisance Barking Procedure that could result in perceived confidentially breaches of customers. Prior to a formal investigation, the complainant is encouraged to make "personal contact with the dog owner". However, if a formal investigation does commence the Ranger is to ensure that the complainants remain confidential.
- There is no WHS checklist in place for Rangers who use council provided bicycles when completing their duties.

Potential Impact

As a result of the above, there is an increased risk of inconsistencies in process/lack of appropriate supporting documentation for the issuing of infringements. Outdated procedural guidance could lead to it being redundant/ not fit for purpose. Overall this increases the risk of loss of corporate knowledge through staff movements.



Appendix 1: Scope

Executive Summary	Background	The Audit Approach	Internal Audit Findings	A1: Scope	A2: Classification of Findings	A3: Classification of Overall Rating	A4: Consultations
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Objective

The objective of this internal audit of CoD covered an examination and assessment of the process efficiency, completeness and compliance with legislation in relation to the issuing, processing, managing objections to infringements and rescinding or waiving of infringements.

Scope

The scope of the IA will cover the following key areas of fines and infringements specific to process efficiency, completeness and compliance with legislation:

- Issuing;
- Processing;
- Managing objections; and
- Rescinding or waiving infringements.

Scope Exclusions

The audit scope will not include the receipting of fines and infringements

Internal control structure

Due to the inherent limitations of any internal control structure, it is possible that fraud, error or non-compliance with laws and regulations may occur and not be detected. Further, the greater internal control structure, has not been reviewed in its entirety and, therefore, no opinion or view is expressed as to the effectiveness of the greater internal control structure.

The procedures performed were not designed to detect all weaknesses in the control structure as they are not performed continuously throughout the period and the tests performed on the control structure are on sample basis.

Appendix 2: Classification of Findings

Executive Summary	Background	The Audit Approach	Internal Audit Findings	A1: Scope	A2: Classification of Findings	A3: Classification of Overall Rating	A4: Consultations
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Four rating frameworks are applied during the Internal Audit: Control Effectiveness; Impact of Issue on Process Objectives; Impact of Issue on Strategic Risks; and Classification of Overall Report. These frameworks are set out on the following slides.

Control Effectiveness

When the process is considered, the Internal Audit identifies which controls are in place to manage 'what must go right'. For each control a rating is applied having regard to how well the control is 'designed and implemented' or 'operating effectively' to actually manage the area that 'must go right'. The following framework is used to assess control design and implementation:

Rating	Definition
Effective	<p>Fully effective at all times (will significantly reduce the likelihood and/or consequence of the risk at all times) as:</p> <ul style="list-style-type: none"> Control is well designed to treat the root cause, is preventative and operates reliably at all times; and No further actions are required except periodic review and monitoring of the existing control; and Reactive controls support this preventative control.
Reasonably / Mostly Effective	<p>Effective in most circumstances (will have a reasonably significant effect in terms of reducing the likelihood and/or consequence of the risk) as:</p> <ul style="list-style-type: none"> Control is largely of a preventative nature and designed to treat the root cause and mitigates likelihood and/or consequence to a major extent; and Some more work can be done to improve the operating effectiveness and reliability.
Partially Effective	<p>Partial control most of the time (will have some effect in terms of reducing the likelihood and/or consequence of the risk) either because:</p> <ul style="list-style-type: none"> Control is not designed to treat root cause, however indirectly mitigates likelihood or consequence; or Control is reactive/detective, however mitigates consequence to a major extent; or There is an over reliance on the reactive / detective controls.
Defective / Negligible	<p>Partial control in some circumstances (will have very little effect in terms of reducing the likelihood and/or consequence of the risk) either because:</p> <ul style="list-style-type: none"> Control does not treat root cause; or Control is only reactive/detective and only mitigates consequence to a minimal extent.
Ineffective or Non-Existent	<p>Not effective at all in mitigating the risk (will not have any effect in terms of reducing the likelihood and/or consequence of the risk) either because:</p> <ul style="list-style-type: none"> Control does not exist; or Control is designed very poorly and has no operational effectiveness.

Appendix 2: Classification of Findings

Executive Summary	Background	The Audit Approach	Internal Audit Findings	A1: Scope	A2: Classification of Findings	A3: Classification of Overall Rating	A4: Consultations
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Enterprise wide impact on City of Darwin's Risk Management consequence matrix

The following framework for internal audit ratings has been developed for prioritising internal audit findings according to their relative significance depending on their impact of the identified issue at enterprise level.

Rating	Definition	Examples of Business Impact				
Catastrophic	Issue represents control weaknesses, which could cause or is causing severe disruption of the process or severe adverse effect on the ability to achieve the Council's strategic objectives.	<ul style="list-style-type: none"> Royal commission > \$5M Death of staff/contractor 	<ul style="list-style-type: none"> Outage weeks Damage to multiple ecosystems Sustained media coverage 			
Major	Issue represents a control weakness, which could have or is having major adverse effect on the ability on the to achieve the Council's strategic objectives.	<ul style="list-style-type: none"> Local Govt Ministerial inquiry \$500K to \$5M Multiple major 	<ul style="list-style-type: none"> Outage days Damage impact < 20,000 m2 Headlines and follow up reports 			
Moderate	Issue represents a control weakness, which could have or is having significant adverse effect on the ability to achieve the Council's strategic objectives.	<ul style="list-style-type: none"> Formal Council inquiry and report \$50K to \$500K Major injury 	<ul style="list-style-type: none"> Outage day Damage impact < 5,000 m2 Mentioned in the media 			
Minor	Issue represents a minor control weakness, with minimal but reportable impact on the ability to achieve the Council's strategic objectives.	<ul style="list-style-type: none"> Council mentioned \$5K to \$50K Minor injury 	<ul style="list-style-type: none"> Outage hours Damage limited to a small isolated area Mentioned in the media 			
Insignificant	Issue represents an insignificant control weakness, with little or no impact on the ability to achieve the Council's strategic objectives.	<ul style="list-style-type: none"> No impact < \$5K No injury 	<ul style="list-style-type: none"> No outage No damage No impact 			

Appendix 2: Classification of Findings

Executive Summary	Background	The Audit Approach	Internal Audit Findings	A1: Scope	A2: Classification of Findings	A3: Classification of Overall Rating	A4: Consultations
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Impact on Process Objectives

The following is used to rate the impact of the identified issue on the achievement of the objectives of the process being considered as part of the internal audit project.

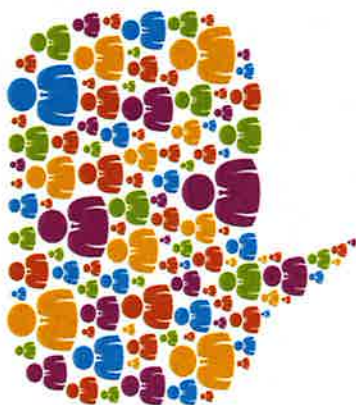
Rating	Definition
High	<ul style="list-style-type: none"> Issue represents a control weakness, which could or is causing severe disruption to the process or severe adverse effect on the ability to achieve process objectives. Issues is generally considered systemic and/or critical deficiency in the control environment/policy framework for a key system/area.
Medium	<ul style="list-style-type: none"> Issue represents a control weakness, which could have or is having a major adverse effect on the ability to achieve process objectives. Issue is generally not considered systemic and/or is a less critical deficiency in the control environment/policy framework for a key system/area.
Low	<ul style="list-style-type: none"> Issue represents a minor control weakness, with minimal but reportable impact on the ability to achieve process objectives. Issue is generally not considered systemic, and/or a critical deficiency in the control environment/policy framework for a key system/area.

Appendix 3: Classification of Overall Rating

Executive Summary	Background	The Audit Approach	Internal Audit Findings	A1: Scope	A2: Classification of Findings	A3: Classification of Overall Rating	A4: Consultations
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Overall rating	Description of rating	Enterprise Wide Internal audit findings					
		Insignificant	Minor	Moderate	Major	Catastrophic	
Optimal	No control weaknesses, or only minor control weaknesses or opportunities for improvement have been identified within the scope of this internal audit.	-	-	-	-	-	
Good	A minimal number of control weaknesses have been identified, which do not have a significant effect on the ability to achieve the objectives of the processes considered within the scope of this internal audit.	1 or more	-	-	-	-	
Average	Control weaknesses have been identified which could cause significant disruption to the processes, or have a significant effect on the ability to achieve the objectives of the processes considered within the scope of this internal audit. Control weaknesses outlined within this report require prompt attention from the Executive.	-	1 to 6	1 to 6	1 or more	-	
Needs improvement	Control weaknesses have been identified which are causing severe disruption to the processes, or have a severe effect on the ability to achieve the objectives of the processes considered within the scope of this internal audit. Control weaknesses outlined within this report require immediate attention from the Executive.	-	-	6 or more	3 or more	1 or more	

Executive Summary	Background	The Audit Approach	Internal Audit Findings	A1: Scope	A2: Classification of Findings	A3: Classification of Overall Rating	A4: Consultations
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The table below outlines all personnel who were involved in discussions and contributed to the findings detailed in this Internal Audit Report.

Name	Title
Steven Gatt	Manager – Regulatory Services
Tony Simons	Team Coordinator – Risk, Audit & Safety
Sally Grahame	Supervisor – Regulatory Services Administration
Rachel Macrae	Supervisor – Regulatory Operations – CBD Parking and Abandoned Vehicles
Conneil Brown	Supervisor – Regulatory Operations
Caitlyn Moulds	Administration Officer – Regulatory Services
Luke Hammond	Ranger
Nicholas Johnston	Ranger

Fines and Infringements Processing Systems Internal Audit Report:

Distribution for Action	Distribution for Information
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ENCL: YES	RISK MANAGEMENT & AUDIT COMMITTEE/OPEN	AGENDA ITEM: 10.6
IT SECURITY INTERNAL AUDIT		
REPORT No.: 16A0123 RI:je	COMMON No.: 1437519	DATE: 28/10/2016

Presenter: Manager IT, Richard Iap

Approved: General Manager Corporate Services, Diana Leeder

PURPOSE

The purpose of this report is to present the findings of Council's Information Technology Internal Security Audit.

LINK TO STRATEGIC PLAN

The issues addressed in this Report are in accordance with the following Goals/Strategies of the City of Darwin 2012 – 2016 as outlined in the 'Evolving Darwin Towards 2020 Strategic Plan':-

Goal

5 Effective and Responsible Governance

Outcome

5.3 Good governance

Key Strategies

5.3.3 Understand and manage Council's risk exposure

KEY ISSUES

- Council is increasingly dependent on Information Technology to deliver services to the community.
- The internal audit was particularly focused on assessing specific internal controls relating to information technology, security and access management, as identified by management within the Council's operational risk register.
- There were thirteen key findings including twelve that require improvement to current practices.
- Council will need to invest in new security based systems and improve overall staff IT security awareness.

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 REPORT NUMBER: 16A0123 RI:je
 SUBJECT: IT SECURITY INTERNAL AUDIT

RECOMMENDATIONS

THAT the Committee resolve under delegated authority:-

- A. THAT Report Number 16A0123 RI:je entitled IT Security Internal Audit, be received and noted.
- B. THAT recommendations ranked as “high priority” (items 1 to 7) outlined within the executive summary in **Attachment A** to Report Number 16A0123 RI:je entitled IT Security Internal Audit be transferred to the Outstanding Audit Issues Register.
- C. THAT the recommendations ranked as “medium” and “low” priority (items 8 to 13) outlined within the executive summary in **Attachment A** to Report Number 16A0123 RI:je entitled IT Security Internal Audit be addressed by management.

BACKGROUND

Deloitte has undertaken an internal audit over selected IT security controls within the City of Darwin. Council is increasingly depending on information technology to deliver services to its community and effective information technology security is essential in protecting the Council and the public. This includes protecting the integrity of systems, confidentiality of information and resilience of services.

DISCUSSION

The internal audit was conducted by Deloitte and was particularly focused on assessing specific internal controls relating to information technology, security and access management, as identified by management within the Council's operational risk register.

This internal audit has addressed the following areas of controls:

- Examination of physical and logical controls over access to City of Darwin IT systems, including network drives, internet, intranet, remote access, back up procedures, and continuity/recovery planning.
- Review and comment on the strength of the Council's computer usage, e-mail, and internet access policies.
- Interviews with a small number of Council staff members to gauge the level of understanding and awareness around information, including general IT security principles, responsibilities, password controls, and data sharing.

The audit acknowledged that Council, through its Information Technology section, has key security controls and systems in place including but not limited to:

- Implementation of antivirus and internet filtering technology.
- Network segregation from the public library network.
- Preventative security controls at the network perimeter.
- Local redundancy of IT infrastructure and virtualisation to increase systems resiliency.

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 SUBJECT: IT SECURITY INTERNAL AUDIT

Improvements to identified gaps and areas of key risks include:

- The approach to governing information security and technology risk is at times informal. There is also limited planning in place for the technology initiatives and related information security requirements that will be needed to deliver on the Digital Strategy.
- Council's staff information security education and awareness activities are limited and ad-hoc in nature. Education and awareness is regarded as one of the most important and cost effective control strategies to reduce the possibility of security incidents within an organisation.
- A range of key priority security controls for mitigating is a large proportion of cyber security threats are not in place, or are only implemented on an ad-hoc basis. This includes controls such as restriction of administrative privileges, formalisation of processes for conducting regular operating systems and application security patching, vulnerability management and whitelisting.
- The current approach to network security is traditional and places significant reliance on network perimeter security.
- Limited planning and capabilities exist to respond to security incidents, including a lack of formal business continuity and disaster recovery planning for key systems and infrastructure.

Council agrees that an improvement to IT security awareness through training and knowledge sessions will provide the most comprehensive improvement to Council's technology systems and information. During the past month two IT security incidents have occurred at Council, directly related to a lack of understanding of basic IT security practices. These incidents were identified early and the threat was halted with little impact on Council and IT systems. The IT section will work with People Culture and Capability, and the IT Strategic Leadership Team on appropriate information security training programs to be implemented through Council.

There were thirteen key findings from the IT Security Audit. One has been completed and the remaining twelve have all been accepted by management. Several planned upgrades and new projects were in progress during this audit and have since been implemented. These include a new firewall (SonicWall), core network hardware upgrades and new threat detection and monitoring systems. New load balancing devices have also been upgraded providing enhanced security controls while providing better ROI for council.

CONSULTATION PROCESS

This report was considered by the Executive Leadership Team on **17 October 2016** and now referred to **Risk Management and Audit Committee** for consideration.

In preparing this report, the following City of Darwin officers were consulted:

- General Manager Corporate Services
- Manager Information Technology
- System Administrator
- Business System Administrator

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In preparing this report, the following External Parties were consulted:

- Deloitte

POLICY IMPLICATIONS

Council policies in regards to areas of IT Security and Information Management will be reviewed as part of the implementation of the audit's recommendations.

BUDGET AND RESOURCE IMPLICATIONS

Council budgets and resource needs will be reviewed as part of the implementation of the IT Security Audit's recommendations.

RISK/LEGAL/LEGISLATIVE IMPLICATIONS

Relevant risk levels for each finding are detailed within the audit report. High-risk items will be referred to the Outstanding Audit Issues Register.

ENVIRONMENTAL IMPLICATIONS

Nil

COUNCIL OFFICER CONFLICT OF INTEREST DECLARATION

We the Author and Approving Officers declare that we do not have a Conflict of Interest in relation to this matter.

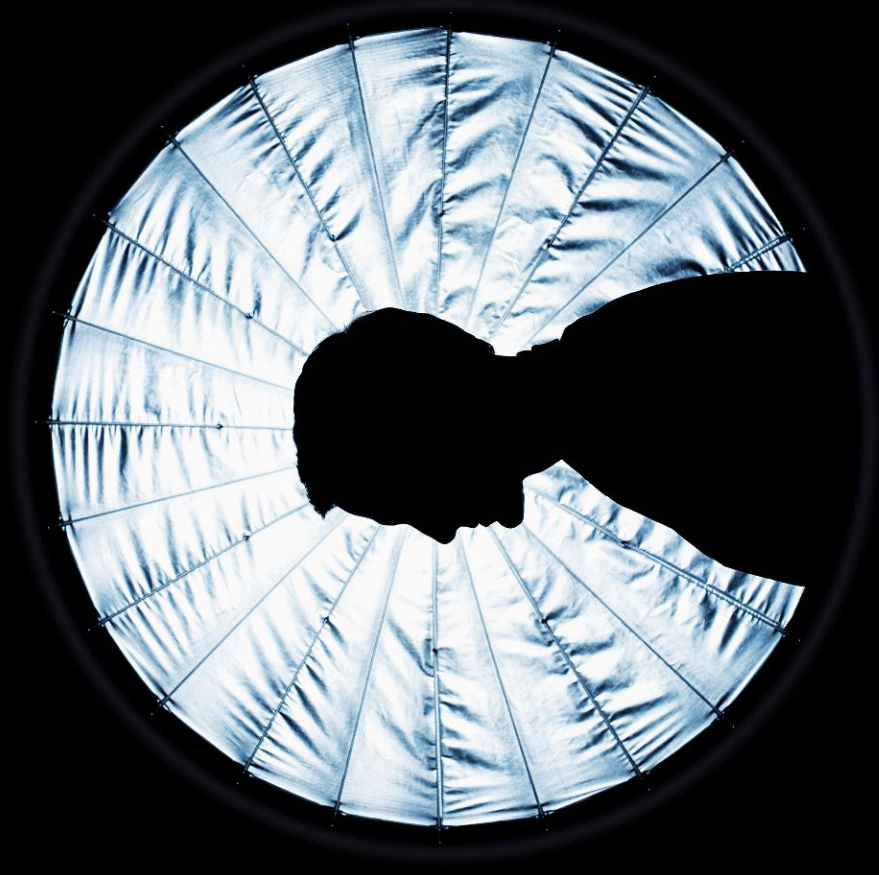
RICHARD IAP
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Attachments:

Attachment A: Information Technology Security Internal Audit



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Inherent Limitations

The Services provided are advisory in nature and have not been conducted in accordance with the standards issued by the Australian Auditing and Assurance Standards Board and consequently no opinions or conclusions under these standards are expressed.

Because of the inherent limitations of any internal control structure, it is possible that errors or irregularities may occur and not be detected. The matters raised in this report are only those which came to our attention during the course of performing our procedures and are not necessarily a comprehensive statement of all the weaknesses that exist or improvements that might be made.

Our work is performed on a sample basis; we cannot, in practice, examine every activity and procedure, nor can we be a substitute for management's responsibility to maintain adequate controls over all levels of operations and their responsibility to prevent and detect irregularities, including fraud.

Any projection of the evaluation of the control procedures to future periods is subject to the risk that the systems may become inadequate because of changes in conditions, or that the degree of compliance with them may deteriorate.

Recommendations and suggestions for improvement should be assessed by management for their full commercial impact before they are implemented.

We believe that the statements made in this report are accurate, but no warranty of completeness, accuracy, or reliability is given in relation to the statements and representations made by, and the information and documentation provided by City of Darwin. We have not attempted to verify these sources independently unless otherwise noted within the report.

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Executive Summary



Executive Summary

High Level Snapshot

Objective

Deloitte has undertaken an internal audit over selected IT security controls within the City of Darwin ("the Council") in order to assist the Council with understanding its current residual risk profile and to identify opportunities for improvement.

Background

The Council is increasingly depending on information technology to deliver services to its citizens and constituents. This is highlighted by the Council's new Digital Strategy, which outlines the vision for how technology will make an impact across Council services over the next 5 years. Effective information security is essential to protecting the Council, its constituents and the public. This includes protecting the integrity of systems, confidentiality of information and resilience of services. The profile of information security risks continue to change with changes in technology, service delivery and partnering models.

Security incidents can arise from a range of sources and can be accidental (e.g. loss of a USB storage device) or be intentional (e.g. unauthorised modification of financial records). Motives for a security attack can also vary such as financial fraud, data theft, destruction or causing disruption through system corruption.

As part of its risk management processes, the Council has identified that information security is an area of high inherent risk and needs to be well controlled in order to protect citizens, Council services and its reputation. This requires a comprehensive and holistic approach to be adopted for information security across the Council's systems.

Work Performed

This internal audit has addressed the following areas of controls:

- Examination of physical and logical controls over access to City of Darwin IT systems, including network drives, internet, intranet, and remote access, back up procedures, and continuity/recovery planning
- Review and comment on the strength of the Council's Computer Usage, E-mail, and Internet Access policies
- Interviews with a small number of Council staff members to gauge the level of understanding and awareness around information, including general IT security principles, responsibilities, password controls, and data sharing.

The internal audit was particularly focused on assessing specific internal controls relating to information technology, security and access management, as identified by management within the Council's operational risk register. This list of controls is provided in Appendix C.

Acknowledgement

We wish to place on record our appreciation of the assistance and cooperation received from the management and staff of the City of Darwin.

For Deloitte Risk Advisory Pty Ltd



David Hobbs
Partner
Deloitte Risk Advisory Pty Ltd
October 2016

Executive Summary

High Level Snapshot

Summary of Outcomes

Information security is currently managed by the IT Manager, with the support of key personnel from within the IT department. IT security within Council is heavily based on professional judgement and experience by individuals within the IT function. It was observed that a wide range of technical IT security controls have been implemented across the Council, such as:

- Implementation of antivirus and internet filtering technology
- Network segregation from public Library network
- Preventative security controls at the network perimeter
- Local redundancy of IT infrastructure and virtualisation to increase systems resiliency

The following key areas of risk were identified, which limit the effectiveness of the information security posture and technology resilience:

- The approach to governing information security and technology risk is at times informal and not supported by clearly defined policies, procedures, risk assessments and security performance reporting. There is also limited planning in place for the technology initiatives and related information security requirements that will be needed to deliver on the Digital Strategy.
- Information security education and awareness activities are limited and ad hoc in nature. Education and awareness is regarded as one of the most important and cost effective control strategies to reduce the possibility of security incidents within an organisation. An effective education and awareness program should take a personalised approach to security education, providing security advice that users can adopt for their personal lives. This type of approach helps security to become second nature to staff, which results in the application of secure practices in the workplace.
- A range of key security controls for mitigating a large proportion of cyber security threats are not in place, or are only implemented on an ad-hoc basis. This includes controls such as restriction of administrative privileges, formalisation of processes for conducting regular operating systems and application security patching, vulnerability management and whitelisting. This also includes timely upgrade and lifecycle management of legacy systems.
- The current approach to network security is traditional and places significant reliance on network perimeter security. This does not adequately address more common security threats which require increased focus on internal system security, such as internal network and application threat monitoring and detection, network access control and further internal network segmentation.
- Limited planning and capabilities exist to respond to security incidents, including a lack of formal business continuity and disaster recovery planning for key systems and infrastructure.

Details on key findings and recommendations are provided on the following sections of this report. It should be noted that additional resources and capital funding may be required for Council to implement recommendations and opportunities for improvement.

Additional information about key principles to consider in relation to the information security strategy are provided in Appendix A.

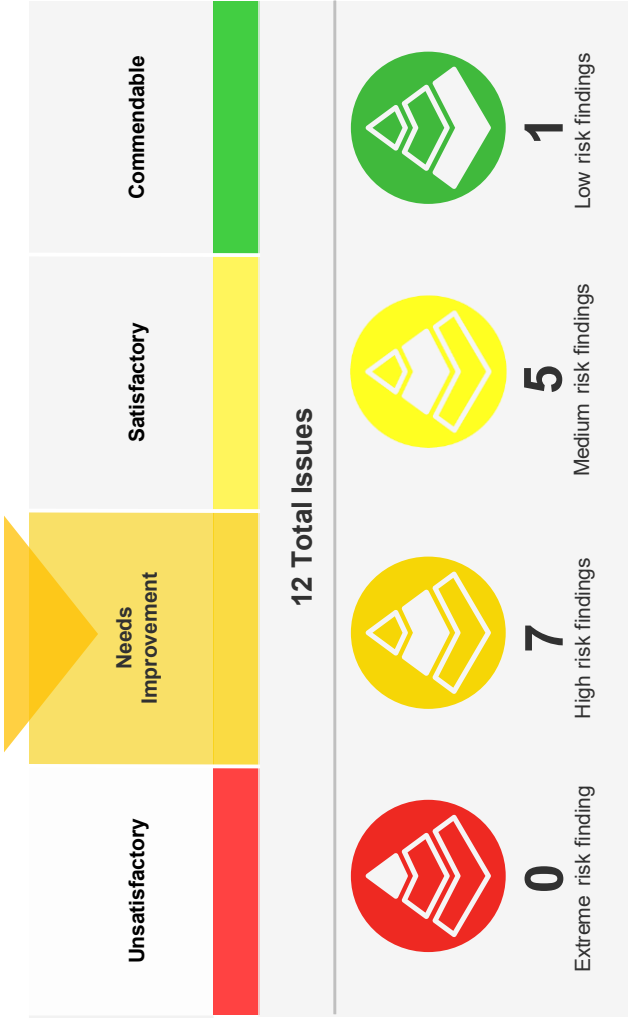


Executive Summary

Key objectives and residual risks

Overall Assessment Summary

The overall rating for this assessment is **Needs improvement**. The rationale for this rating is whilst we note that Council has defined selected policies to guide user behaviour and has implemented some basic security controls (such as antivirus, and internet filtering), the overall residual risk remains High. A number of key mitigation strategies to prevent cyber threats have not been addressed, in addition to establishing plans for cyber security incident response, IT disaster recovery, and user awareness.



Executive Summary

Summary of findings

The key findings detailed in the report highlight the need for greater governance and a defined approach to IT security. A brief summary of the key findings are below, with further details in Section 2 of this report, including recommendations.

1. Endpoint Protection	High	2. User Security Awareness and Training	High
<p>The following key endpoint protection strategies have not been implemented across Council:</p> <ul style="list-style-type: none">• Application whitelisting• Restricting administrative privileges• Monitoring usage of unauthorised software• Data loss prevention technical controls. <p>Why this is important</p> <p>The lack of key endpoint protection strategies increases the risk of security incidents affecting Council's information assets.</p> <p>Refer to Finding 1</p>		<p>There are limited information security awareness activities currently undertaken by Council. From our discussions with staff, we have observed that the level of awareness over information security best practices seems to be low.</p> <p>Why this is important</p> <p>Lack of a defined training and awareness program for information security could result in users not being aware of their responsibilities or the types of security threats to be mindful of, increasing the risk of security incidents affecting Council.</p> <p>Refer to Finding 2</p>	



Executive Summary

Summary of findings

3. Security Governance and Oversight	4. IT Disaster Recovery and Resilience
<div>High</div> <p>A number of opportunities for improvement were identified to enhance information security governance and leadership across Council, including:</p> <ul style="list-style-type: none">• Definition of an organisational information security policy,• Definition of information security responsibilities and oversight of the Information Technology Strategic Leadership Committee• Definition of periodic reporting of strategic and operational metrics associated with information security <p>Why this is important</p> <p>Without a well-defined approach to information security, there is a high likelihood of misalignment and management of security risks and controls within Council.</p> <p>Refer to Finding 3</p>	<div>High</div> <p>Council has not established a formal IT Disaster Recovery (IT DR) program to ensure that critical IT services are resilient, or can be recovered within an acceptable timeframe for the business. In the eventuality of a disaster affecting IT infrastructure, Council would be highly dependant on key IT staff to restore critical business systems.</p> <p>Why this is important</p> <p>Without appropriate IT DR arrangements in place, and built-in resilience into the IT infrastructure, there is an increased likelihood that a disaster affecting IT services, could affect the Council's ability to deliver services to the community, and could cause negative impact on the Council's image.</p> <p>Refer to Finding 4</p>
5. Remote Access Management	6. Vulnerability Management
<div>High</div> <p>The Council provides staff and third parties (e.g. CIVICA) remote access to the internal network. As part of our audit, we have observed that:</p> <ul style="list-style-type: none">• Two-factor authentication is not being used for remote access• Third party CIVICA uses a generic account to access the network• Remote access from third parties is not being monitored. <p>Why this is important</p> <p>Remote access could allow a malicious attacker to obtain access to the Council's network. Numerous industry studies and incident data point that third party remote access is one of the main vectors exploited by attackers to compromise a network.</p> <p>Refer to Finding 5</p>	<div>High</div> <p>Technical security assessments of business critical systems and infrastructure are not being conducted across the environment. This is an important control to periodically detect whether security vulnerabilities exist within external and internal facing systems.</p> <p>Why this is important</p> <p>Lack of regular security testing of systems increases the likelihood of technical vulnerabilities being present in the network, which could be leveraged by an attacker to compromise the Council's network and sensitive information.</p> <p>Refer to Finding 6</p>

Executive Summary

Summary of findings

7. Security Incident Response	High
<p>The Council has not defined policies and procedures to establish a governance structure and define roles and responsibilities to respond to information security incidents.</p> <p>Why this is important</p> <p>Without a clearly defined governance structure, roles and responsibilities for handling security incidents and proper technical response procedures, the Council's ability to respond to information security incidents in a timely and effective manner will be severely diminished.</p> <p>Refer to Finding 7</p>	
8. Digital Strategy	Medium
<p>From the review of the City of Darwin Digital Strategy, the following opportunities for improvement have been identified:</p> <ul style="list-style-type: none">• A detailed roadmap of information technology initiatives have not been defined as part of the Digital Strategy• The City of Darwin Digital Strategy does not define how security, privacy and compliance requirements are going to be addressed in information technology initiatives. <p>Why this is important</p> <p>Lack of a detailed roadmap of initiatives could result in misalignment between what is accomplished with the strategy and stakeholder expectations. In addition, without a well-defined approach to information security as part of the Council's IT strategy, there is a high likelihood of an inconsistent approach to security risks management and compliance.</p> <p>Refer to Finding 8</p>	

Executive Summary

Summary of findings

9. User Access Management	Medium
<p>Opportunities for improvement have been identified to strengthen how access to systems and sensitive information is being managed across Council, including:</p> <ul style="list-style-type: none">• IT is not always notified when staff leave, or when users change their roles in the organisation• Periodical user access reviews or audits are not being performed• Segregation of duties conflicts between roles in Authority have not been identified. <p>Why this is important</p> <p>Without appropriate access management procedures, there is an increased risk of inappropriate access being assigned to users, including users that are no longer in the organisation.</p> <p>Refer to Finding 9</p>	
11. Threat Detection and Monitoring	Medium
<p>There is limited security threat detection and monitoring in place over Council systems. While the Council has implemented general endpoint protection, SPAM and internet filtering tools, monitoring of these tools is conducted in an ad-hoc manner. This could result in security events or incidents not being detected in a timely manner.</p> <p>Why this is important</p> <p>Lack of a monitoring strategy diminishes the Council's ability to detect security incidents in time.</p> <p>Refer to Finding 11</p>	

10. Information Security Risk Management	Medium
<p>While a risk management framework has been formally established within Council, an agency-wide information classification and information security risk assessment are yet to be performed to underpin the security control strategy and framework.</p> <p>Why this is important</p> <p>The absence of formally defined information security classifications or a security risk assessment may result in security controls not being aligned to business requirements, potentially resulting in security exposures or misaligned investment in security controls.</p> <p>Refer to Finding 10</p>	
12. Network Segregation	Medium
<p>Opportunities for improvement exist to further strengthen separation between systems on the Council's internal network, including:</p> <ul style="list-style-type: none">• Enforcing segregation between subnets (e.g. between management network and staff network)• Segregation of production systems from testing and development environments. <p>Why this is important</p> <p>Without proper network segregation, cyber security threats affecting a system (e.g. a user's workstation or a testing system), could easily spread to other Council's information assets and systems.</p> <p>Refer to Finding 12</p>	



Executive Summary

Summary of findings

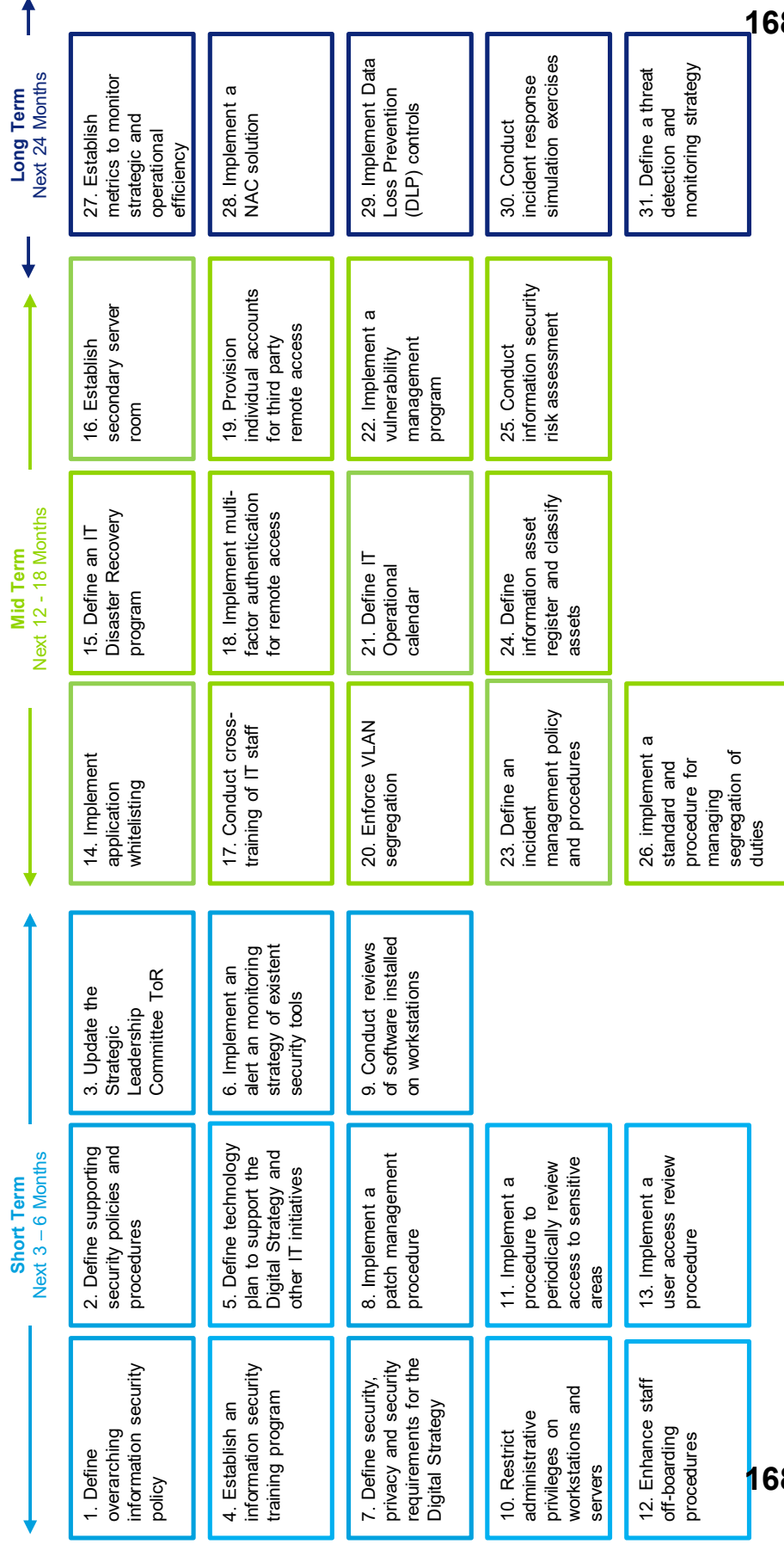
13. Physical Access to Sensitive Areas	Low
<p>Access logs to sensitive areas within Council (such as the server room) are not being reviewed to detect inappropriate access. In addition, reviews of users with access to the server room or other sensitive areas are not being performed periodically, to detect access permissions that are no longer necessary.</p> <p>Why this is important</p> <p>Without periodical reviews of access to sensitive areas, and access permissions granted to staff and contractors, there is an increased likelihood of access to sensitive areas by an unauthorised individual.</p> <p>Refer to Finding 13</p>	



Executive Summary

Suggested Roadmap of Recommendations

To help ensure that information security controls are consistently aligned to business requirements and risk, further work is required to define an approach to information security across council and align security controls with risk appetite. A suggested approach for Management to implement the recommendations detailed in Section 2 is provided below:



Detailed Findings



Finding 1 – Endpoint Protection



High Risk

Observation

Council has implemented antivirus software and prohibits the use of unauthorised software on its IT policies, in order to protect endpoints (i.e. workstations, laptops and mobile devices) from cyber threats, such as malware.

During our assessment, we have observed the following regarding the implementation of key endpoint protection strategies across Council:

- **Application whitelisting:** Council has not implemented application whitelisting (technology based solution to prevent execution of application and software that has not been approved by Council)
- **Restricting administrative privileges:** Users have administrative privileges on their workstations, which would allow users the installation of unauthorised applications. In addition, having administrative privileges increases the potential impact of any malicious software that would affect the user
- **Monitoring the usage of unauthorised software:** Periodical reviews of the software installed on endpoints is not being conducted, which hinders Council's ability to detect unauthorised software that is installed on Endpoints
- **Data loss prevention:** Data loss prevention technical controls, such as restricting the use of USB ports or using DLP solutions to detect and prevent data leakages, have not been implemented in the environment.

Why is this important?

Endpoints (e.g. workstations) are a common target of cyber attacks, which are not protected by perimeter controls such as firewall. The lack of key endpoint protection controls and monitoring to detect the use of unauthorised software, increases the risk of security incidents affecting Council.

Recommendations

We recommend that Management implement the following key cyber security prevention strategies in order to reduce the risk of being affected by common security threats (e.g. malware):

- Application whitelisting
- Restriction of administrative privileges on workstations and servers
- Procedures to monitor the usage of unauthorised software on endpoints
- Data loss prevention controls.

Finding 1 – Endpoint Protection



High Risk

Action plan

Management Agreed Actions

Council will implement systems and controls that will include:

- AppLocker, which will whitelist programs and will block users from installing and running non approved applications and programs
- New Standard Operating Environment to be installed on Council's new workstations due in 2017-2018, which will include tighter controls on administrative privileges and will stop users running/installing programs/applications using the Windows admin role.
- Council will investigate systems that will restrict the use of USB ports and drives, and improved monitoring of user data movements including data loss.

Responsibility Target Date

Manager Information Technology June 2018



Finding 2 – User Security Awareness and Training



High Risk

Observation

There are limited information security awareness activities currently undertaken by Council. Users are made aware of their responsibilities when they read and sign the IT policies as part of their on-boarding process however, there are no ongoing security awareness or training activities after staff join the organisation.

During our assessment it was observed that an information security training and awareness plan has not been defined. In addition, from our discussions with staff, we have observed that the level of awareness over information security best practices seems to be low. Some examples to be noted are:

- Users sharing access credentials
- Use of non-controlled repositories to store Council data (e.g. cloud storage, unencrypted USB drives)
- Storage of sensitive information on network folders that don't have the appropriate access restrictions in place.

Why is this important?

Lack of a defined training and awareness program for information security could result in users not being aware of their responsibilities or the types of security threats to be mindful of. This

could result in inconsistent security practices and security incidents taking place in Council. Education of staff and contractors is widely considered to be one of the most important elements of an information security control strategy, due to individuals being common targets for commencing a security attack.

Recommendations

Management should establish a formal security training and awareness program that specifically addresses training requirements for the Executive, users and system owners. This training should address a range of elements such as:

- The importance of security to the City of Darwin and the sensitivity of information
- Security policies and procedures
- Security responsibilities
- Security incident reporting and handling protocols
- Security risk awareness.

Finding 2 – User Security Awareness and Training



High Risk

Action plan

Management Agreed Actions

Best security controls and practices start with end user and staff education and awareness. Council will implement improved staff education and awareness programs that will address:

- Sharing of user access credentials
- Storing of Council data on non-secure storage devices and USB drives.
- Correct storage of sensitive information into network drives and record systems.
- Council will also update staff on their IT and Information security responsibilities and improve security handling procedures.

Responsibility	Target Date
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Manager of Information Technology	August 2017
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Finding 3 – Security Governance and Oversight



High Risk

Observation

The Council has defined the “Computer Usage Policy” and the “Internet Access and Email Usage Policy” to establish user responsibilities for staff and contractors when utilising Council IT resources. Users have to sign these policies as part of their induction process.

The Council has also established an Information Technology Strategic Leadership Committee (ITSLC) to identify information technology requirements to progress organisational goals and provide oversight on information technology initiatives.

As part of the audit, we observed the following:

- An organisational information security policy has not been defined, to establish how security will be governed across Council, and the roles and responsibilities of executive, staff and third parties regarding information security and compliance with relevant laws and regulations (e.g. Payment Cards Industry Data Security Standards)
- The terms of reference of the Information Technology Strategic Leadership Committee do not define the Committee’s role and responsibilities regarding information security

- There is no periodic reporting of strategic or operational metrics associated with information security that provide a documented view on the health information security across Council.

Why is this important?

Without a well-defined approach to information security, there is a high likelihood of misalignment of security risks and controls within Council. It can also result in an inconsistent understanding of security responsibilities.

Additionally, absence of a clearly integrated set of information security policies, procedures and guidelines may result in controls not being consistently and effectively maintained in accordance with risk decision making.



Finding 3 – Security Governance and Oversight



High Risk

Recommendations

Management should consider the following:

- Formally document and endorse an information security policy that defines objectives, roles and responsibilities for managing information security across Council. In addition, supporting policies and procedures should be defined to address the following areas, based on industry better practices (e.g. ISO27001) and aligned with Council's risk appetite:
 - Information security organisational structure
 - Training and awareness management
 - Compliance management
 - Information identification and classification
 - Physical security
 - Access control
 - Incident management
 - Antivirus management
 - Technical vulnerability management
 - IT disaster recovery.

- Update the terms of reference of the Information Technology Strategic Leadership Committee to include information security responsibilities of the Committee
- Establish metrics to allow the Information Technology Strategic Leadership Committee to monitor information security effectiveness across Council.

Action plan

Management Agreed Actions

- Council agrees to implement an overall Information Technology Security framework.
- The Information Technology Strategic Leadership Committee will also consider incorporating changes to its Terms of Reference to including security responsibilities and metrics.

Responsibility

Target Date

Manager of Information Technology July 2018



Finding 4 – IT Disaster Recovery and Resilience



High Risk

Observation

The City of Darwin is becoming increasingly dependent on information technology, to manage Council and provide services to the community. This is highlighted in the new Digital Strategy defined by Council to drive information technology initiatives to connect better with the Darwin community and to foster innovation, creativity and commercial growth.

The servers that host the Council's critical systems are hosted in the server room located within the IT Department. IT has made considerable progress in the last few years to provide resiliency and high availability of key systems. Most servers have been virtualised and the Council virtual environment is hosted on 5 redundant nodes to provide resiliency. Backups of systems are taken daily and sent offsite. A review of recovery time objectives was also conducted in 2014, as part of the City of Darwin business continuity planning.

In addition, Council has provisioned a UPS (uninterrupted power supply) unit, as well as two power generators, to ensure power supply to critical IT infrastructure.

During the internal audit we observed the following issues and opportunities for improvement:

- Prioritisation of systems and the activities required to restore key IT infrastructure are known by key IT staff (such as the IT

Manager), however, a formal IT Disaster Recovery (IT DR) program is not in place, and technical recovery procedures have not been documented. In case of a disaster, Council would rely heavily on key IT personnel to restore critical systems

- A secondary server room has not been provisioned. In the eventuality that the server room gets affected, restoring services could take days or weeks, depending on the availability of hardware and a physical location to host the infrastructure
- While Council has the ability to switch calls to the Operations Centre if the switchboard at Council is affected, IT estimates that it would take 4 hours to do so
- Backups are not being periodically tested to ensure backed up data could be used to restore systems.

Why is this important?

Without appropriate IT DR arrangements in place, and built-in resilience into the IT infrastructure, there is an increased likelihood that a disaster affecting IT services could turn into a prolonged outage of these services, affecting the Council's ability to deliver services to the community, and causing a negative impact on the Council's image.

Finding 4 – IT Disaster Recovery and Resilience



High Risk

Recommendations

Management should consider the following recommendations:

- Define and implement a formal IT Disaster Recovery program that includes:
 - Definition of an IT DR framework
 - System criticality analysis
 - Business impact analysis (BIA)
 - Definition of recovery time objectives (RTO) and recovery point objectives (RPO) and alignment with business continuity requirements
 - Single point of failure analysis and remediation
 - Definition of an overarching IT DR plan
 - Definition of application and infrastructure technical recovery procedures
 - IT DR testing and training.
- Evaluate the possibility of provisioning a secondary server room where infrastructure could be restored in case of a disaster

- Establish a procedure to test backups periodically (including full system restore from backups)
- Conduct cross-training across the members of the IT team, in order to reduce dependency on key staff.

Action Plan

Management Agreed Actions

- Council agrees that continuous improvements must be made to IT systems. Works will co-inside with next IT server storage upgrades due in the calendar year of 2017.
- Secondary server room will need to be investigated (on-prem / off-prem)
- Cross training will be improved within the IT team to reduce reliance on key IT staff like System Admins.

Responsibility

Target Date

Manager of Information Technology Jan 2018



Finding 5 – Remote Access Management



High Risk

Observation

Remote access to the network is provided to staff as well as third parties that provide support to key IT systems. We observed that:

- Remote access for users only requires a single factor (username and password) to provide access to the network
- Support staff from third party CIVICA access the Council's network remotely using a generic username and password
- Remote access from third party providers is not being monitored.

Why is this important?

Remote access could allow a malicious attacker to obtain access to the Council's network. Numerous industry studies and incident data point that third party remote access is one of the main vectors exploited by attackers to compromise a network.

Recommendations

Management should consider the following:

- Implement a second factor (e.g. an SMS, a software token, hardware token) to authenticate remote users

- Provision individual accounts for third parties to access the network
- Define a procedure to review and monitor usage of remote access accounts by third parties.

Action Plan

Management Agreed Actions

- Current systems and hardware do not support two factor authentication. New hardware will be investigated to support two authentication
- Council will investigate processes that will remote users security including locking down systems from IPs, and monitoring systems.
- Council will also discuss with third party providers changes to access to include individual accounts for their technicians.

Responsibility

Target Date

System and Network Administrators

July 2017



Finding 6 – Vulnerability Management



High Risk

Observation

Council has not defined or implemented a formal procedure to implement security patches on servers, workstations or network devices. From our discussions with Management, we observed that implementing operating systems and application security patches is only performed on an ad-hoc basis.

In addition, technical security assessments of critical systems and infrastructure, such as vulnerability assessments or penetration tests, are not being conducted across internal or external facing systems (applications and infrastructure), on a periodic basis.

Why is this important?

Lack of regular patching and security testing of systems increases the likelihood of technical vulnerabilities being present in the network, which could be leveraged by an attacker to compromise the Council's network and sensitive information.

Global and local research has shown that a high proportion of cyber-attacks are enabled by the existence of technical vulnerabilities within an environment. Regular patching of systems is therefore critical to address publicly-known technical issues, and vulnerability assessments helps to detect any unaddressed security vulnerabilities.

Recommendations

A vulnerability management process should be formally defined and established within Council to ensure that systems are periodically patched and that vulnerability assessments are conducted on a regular basis.

This should include periodical assessments of all core external and internal infrastructure (e.g. workstations, servers and communication devices) and applications.

Action Plan

Management Agreed Actions

- Council agrees that improvements should be made to patch management
- IT will implement better controls to ensure patching of systems are done on a more regular basis. This may include changes to IT roles and require more resources to implement.

Responsibility

Manager of Information Technology

Target Date

September 2017



Finding 7 – Security Incident Response



High Risk

Observation

Council has defined a management plan to respond to emergencies, such as cyclones, earthquakes, and other natural disasters. However, policies and procedures to establish a governance structure and define roles and responsibilities to respond to information security incidents have not been defined. A well defined and tested incident response process is required for an organisation's operations to rapidly adapt and respond to cyber incidents and continue operations with limited impact to the business.

Why is this important?

Without a clearly defined governance structure and roles and responsibilities for handling security incidents and proper technical response procedures, the Council's ability to respond to information security incidents in a timely and effective manner will be severely diminished.

Recommendations

The following improvements should be considered to strengthen the Council's ability to respond to a security incident:

- Define an incident management policy to establish a governance structure for incident management across Council

- Define an overarching incident management procedure which clearly establishes roles, responsibilities and key communication processes when responding to an incident
- Define technical incident management procedures to address different security incidents (such as: denial of service, malware infections, data leakage, etc.)
- Incident response policies and procedures should be aligned with crisis management planning within the organisation which incorporates planning for executive crisis response to significant cyber security incidents (such as a significant data leakage or extended systems outage). This should include clear assignment of roles and responsibilities, decision making protocols, communication management approach (internal and external)
- Scenario based exercises should be undertaken to assess and strengthen the understanding of incident response and crisis management protocols associated with security or data leakage incidents. This should include consideration of technical and crisis management responses.

Finding 7 – Security Incident Response



High Risk

Action plan

Management Agreed Actions

Council will work on implementation of a IT Security Incident Response procedure which will include incident roles, responsibilities and communication methods.

Responsibility

Target Date

General Manager of Corporate Services August 2017



Finding 8 – Digital Strategy



Medium Risk

Observation

The City of Darwin has defined a Digital Strategy to outline the key priorities for digital initiatives for Council over the next five years.

As part of the internal audit, we have observed the following:

- A detailed roadmap of information technology initiatives (Technology Plan) has not been defined as part of the Digital Strategy
- The City of Darwin Digital Strategy does not define how security, privacy and compliance requirements are going to be addressed in information technology initiatives.

Why is this important?

Lack of a formal technology plan and roadmap of projects and initiatives may result in priorities within the Digital Strategy not being achieved and may not allow for forward planning of resources and change management.

In addition, without a well-defined approach to defining and establishing information security requirements that will be required to support the technology plan / roadmap, there is a high likelihood that security requirements may not be adequately addressed or result in unnecessary rework.

Recommendations

Management should consider the following:

- Define a Technology Plan and roadmap of initiatives that are going to be conducted as part of the Digital Strategy, including desired outcomes, expected timeframes and costs. This should include any required supporting (enablement) initiatives that will be required to support key technology changes being undertaken.
- Define how security, privacy and compliance requirements will be addressed as part of the Digital Strategy.

Action Plan

Management Agreed Actions

- Council's IT Leadership Group is currently reviewing projects as part of Council's Digital Strategy. This will be part of future budget reviews and new initiative process
- Security, privacy and compliance requirements will be addressed as part of each project.

Responsibility

Target Date

IT Leadership Group

September 2017



Finding 9 – User Access Management



Medium Risk

Observation

User access to Council networks and systems is centrally managed by IT.

We have observed the following in relation to access management practices:

- Users are required to fill a formal exit checklist before they leave the organisation. As part of this checklist, they need to return all IT assets, at which point IT removes all access to the network and Council systems. However, it was identified that IT doesn't always get notified when temporal employees leave, or when users change their roles in the organisation
- Periodical user access reviews or audits are not performed to identify and remediate obsolete or inappropriate access within applications or infrastructure (e.g. operating systems, databases, etc.)
- User access to the Authority system is assigned based on roles defined in the system. However, reviews of roles and users assigned to each role is being performed on an ad-hoc basis by the business
- Segregation of duty (SoD) risks and standards between roles in authority have not been defined.

Why is this important?

Without appropriate access management procedures, there is an increased risk of inappropriate access being assigned to users, including users that are no longer in the organisation.

Recommendations

Management should consider the following:

- Define a process to notify IT when temporary staff leave the organisation or when staff moves to a different role within Council
- Periodical user access reviews should be conducted to identify obsolete or inappropriate access. This process should cover applications, databases and infrastructure. It should also include general user accounts, privileged user accounts and service accounts
- Define and implement a process to conduct periodical reviews of access to Authority
- Identify and document key segregation of duties rules that must be maintained within Authority (e.g. in a SoD matrix). Once these rules are defined, periodic reviews should be undertaken to identify and remediate potential conflicts.

Finding 9 – User Access Management



Medium Risk

Action Plan

Management Agreed Actions

- Council agrees that improvements must be made to on and off boarding of Council IT users, including temp, casual staff and contractors.
- Council will implement better set controls and set standards of IT accounts when staff leave Council and access to systems are disabled. Improvements to Council's current set standards and guidelines will be made to temporary IT access.
- Periodical reviews currently do happen for system like Authority and ECM, but processes will be extend to other systems to be less ad-hoc.

Responsibility Target Date

Manager of Information Technology July 2017



Finding 10 – Information Security Risk Management



Medium Risk

Observation

Council has defined a Risk Management framework and conducts operational risk assessments for the different Council Departments based on organisational structure and business unit process and responsibilities.

We observed that information security risk assessments are not being undertaken by Council, and that an information asset register has not been defined. In order to ensure that information security control strategies are aligned to risk and focused on the information assets that are most sensitive within the organisation, it is important that information assets are classified and risk assessed for security threats.

In addition, as part of this engagement we conducted a review of the information technology risks and internal controls that have been identified on the corporate risk register. Detailed observations and opportunities for improvement on the corporate risk register were provided during our discussions with Management.

Why is this important?

The absence of formally defined information security classifications or a security risk assessment may result in security controls not being aligned to business requirements, potentially resulting in security exposures or misaligned investment in security controls.

Recommendations

An information asset register that identifies assets and their classification based on confidentiality, integrity and availability, should be defined and maintained.

In addition an information security risk assessment should be undertaken to determine the adequacy and alignment of key security controls with the risk and threat profile of the organisation. Processes should also be established to ensure that new systems or major changes to the information technology environment are subject to risk assessments.

Finding 10 – Information Security Risk Management



Medium Risk

Action Plan

Management Agreed Actions

- Council has developed a security framework for information based assets, including the Document Management System CI Anywhere
- Improvements will be made to IT based projects to identify the security implications to IT projects, relating to information assets.

Responsibility

Target Date

Manager of Information Technology; Manager of Records October 2017



Finding 11 – Threat Detection and Monitoring



Medium Risk

Observation

The Council has implemented the following technology to detect cyber security threats:

- Microsoft Forefront Endpoint protection (Antivirus)
- Barracuda proxy (web filtering and SPAM protection)
- Sonicwall (gateway and botnet protection).

In addition, CoD utilises the tools Nagios and Zabbix to perform health monitoring of servers and network devices.

We have observed that a threat monitoring strategy has not been defined. In addition, while e-mail alerts have been configured for the anti-SPAM tool (Barracuda) and reviewed daily by the IT team, no alerts have been defined for the Antivirus, web filtering or botnet protection solutions. In addition, reviews of dashboards and logs from these devices, or logs from applications and infrastructure are only conducted on an ad-hoc basis or when a security incident is reported by users.

Why is this important?

Lack of a monitoring strategy diminishes the Council's ability to detect security incidents in time. This will be particularly important to support the resilience of the capabilities being implemented as part of the Digital Strategy.

Recommendations

Management should consider the following:

- Implement a procedure to periodically review alerts and dashboards from the available security solutions. This procedure should also include criteria to escalate and conduct further analysis on higher alerts
- Configure the existing security solutions to provide automatic alerts to relevant staff in the IT team
- Consider defining a security threat detection and monitoring strategy, in order to ensure that key security event information is being appropriately logged and monitored. Where required, security logging should be enabled on critical servers and network devices, which are subject to periodic monitoring processes.

Finding 11 – Threat Detection and Monitoring



Medium Risk

Action Plan

Management Agreed Actions

Improvements to threat systems have been completed while/after the initial audit. These include:

- Implementation of Graylog and Zabbix which send alerts to a monitored email mailbox.
- New firewall (SonicWall) has been implemented which include sending of alerts.
- Snort and Snorby has also been implemented.
- New network systems has improved abilities to isolate securities incidents.

Responsibility	Target Date
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Manager of Information Technology; Manager of Records	October 2017
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Finding 12 – Network Segregation



Medium Risk

Observation

The Councils network is segregated in three security zones:

- Internal Network
- DMZ
- Public Network (Libraries).

These zones are segregated from each other via firewall rules, and only limited traffic is allowed between them. IT uses a dedicated system (jump box) in the public network to manage systems within this zone.

We observed that the internal network has been further divided using subnets, however, segregation between subnets is not being enforced (e.g. via using ACLs), and production systems are not being segregated from testing and development environments. In addition, Network Access Control (NAC) technology is not being used to restrict the use of unauthorised devices on the Council network.

Why is this important?

Without proper network segregation, cyber security threats affecting a system (e.g. a user's workstation or a testing system), could easily widespread to all of Council's information assets.

Recommendations

Management should consider the following:

- Enforcing VLAN segregation, and separation of production system from testing and development environments.
- Implementing NAC solutions.

Action Plan

Management Agreed Actions

VLAN segregation, and separation of production system from testing and development environments is ongoing. In addition, Snort and Snorby have been implemented since the audit, and both system will be considered for packet fencing.

Responsibility	Target Date
System and Network Administrators	March 2017

Finding 13 – Physical Access to Sensitive Areas



Low Risk

Observation

Access to Council offices is physically restricted by locked doors that open using magnetic cards. In addition, access is further restricted to sensitive areas, such as the server room, where the infrastructure that support key systems is being stored.

We observed that, while access logs to the server area are available from the system used to manage access cards, these logs are not being reviewed on a periodic basis. In addition, reviews of users with access to the server room or other sensitive areas are not being performed to detect access permissions that are no longer necessary.

Why is this important?

Without periodical reviews of access to sensitive areas, and access permissions granted to staff and contractors, there is an increased likelihood of an unauthorised individual to access sensitive areas.

Recommendations

Management should implement a procedure to periodically review access logs to sensitive areas, as well as access permissions granted to staff and contractors to these areas, in order to detect and address inappropriate access or unnecessary access permissions.

Action Plan

Management Agreed Actions

Review of current access systems like physical locks will be conducted. Door logs for main IT data centre will be reviewed, and new door access lock currently being implemented which will include regular reports to a monitored email address. Overall review of all communication rooms in council will be reviewed and this may form part of Council's Building Management System Review.

Responsibility

Manager of Information Technology

Target Date

March 2017



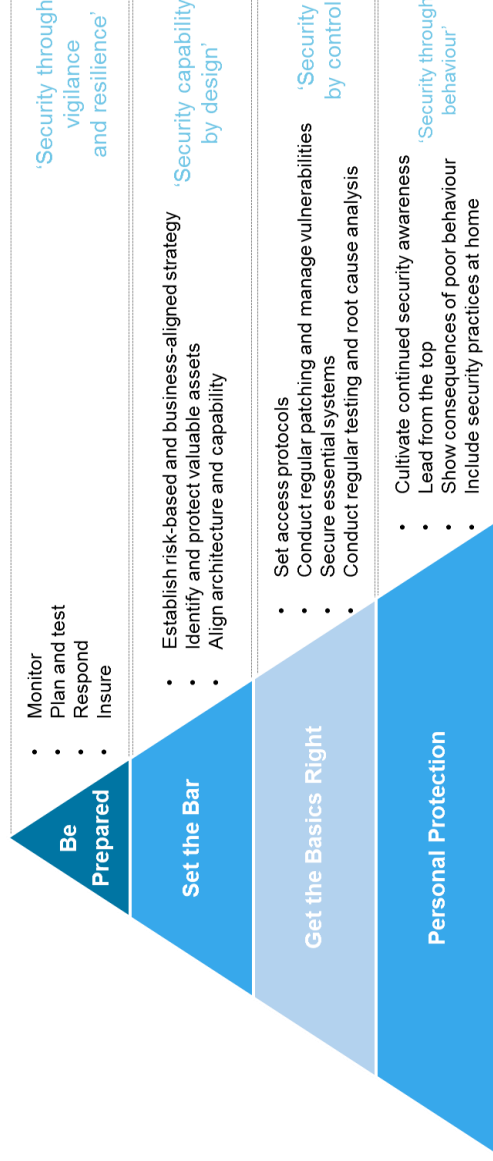
Appendices



Appendix A: Security Principles

A practical approach to information security

The four steps outlined in the figure below is a practical approach for facilitating ongoing discussions within Council about information security and measuring the effectiveness of security initiatives to strengthen the risk posture. Although some control strategies have been established across each of these steps within Council, opportunities exist to improve all areas, particularly achieving security basics across the environment and conducting user awareness and training – this being the highest priority.



The sophistication of security attacks continues to increase, with a growing number of attacks involving multiple dimension vectors of attack. Attacks are increasingly targeting individuals and service providers in order to gain access inside an organisation's network. These factors require careful consideration when planning the forward approach, capabilities and priorities for information security, particularly focusing on:

- Staff, contractor and user awareness and training
- Ensuring that the basic operational security fundamental controls are robust and consistent
- Enhanced ability to detect and monitor security threats
- Enhanced preparedness to respond to advanced multi-dimensional security incidents
- Shifting the reliance from perimeter based security towards protecting data assets.

Appendix B: Rating Definitions

Based on the City of Darwin risk management framework

Findings noted in internal audit reports are rated based on the significance of the risk posed to the City of Darwin. Significance of a finding is a function of likelihood of a risk event occurring and the consequential damage of that loss e.g. financial, reputational. Finding significance is rated on four-tier scale, extreme, high, medium or low.

	Significance				Impact			
	INSIGNIFICANT	MINOR	MODERATE	MAJOR	CATASTROPHIC			
ALMOST CERTAIN	M	H	E	E	E			
LIKELY	L	M	H	E	E			
POSSIBLE	L	M	M	H	E			
RARE	L	L	L	M	H			



Appendix C: Staff Interviewed

Council personnel that was interviewed as part of the internal audit

During the internal audit, we held conversations with the following Council staff:

Name	Role
Richard Iap	Manager, Information Technology
Nikitas Vrodos	System Administrator
Mark Bradbury	System Administrator
Leah Avard	Systems Officer
Diana Leeder	General Manager, Corporate Services
Jim Hatzivalamis	Carpark Coordinator
Bernadett Howison	Operational Coordinator & Principal Archivist
Shalom Kaa	Acting Team Leader, Customer Services
Scott Jennings	Financial Accountant
Hasan Karatas	Coordinator, Civil Infrastructure
Meredith Newall	Team Leader, Waste Management & Recycling
Miles Craighead	Manager, Finance
Karen Conway	Manager, Library Services
Aaron Trenfield	Team Coordinator, Parks and Reserves
Amber Garden	Senior Advisor, People, Culture & Capability



Appendix D: Operational Risk Register Controls

Controls from the operational risk register that were reviewed as part of the internal audit

During the internal audit, we assessed the following specific internal controls relating to information technology, security and access, as identified through the Council's operational risk assessment:

- Council's IT Digital Strategy
- Specified roles of the IT Strategic Leadership Group as set out in the Terms of Reference
- Restricted and secure physical access to key technology resources, including spaces housing server equipment
- Available reporting for access attempts to secure area
- Off-site storage of back-up tapes
- Back-up generator and UPS (IT specific and Civic Centre)
- Internet filter software and Internet usage monitoring, in accordance with City of Darwin policies
- Controls prohibiting loading of unauthorised software
- Staff acknowledgement of reading/signing IT policy
- Random audits by IT Services being carried out on software installed on PCs
- Anti-virus software is installed and updated daily
- System backups (incremental daily and full weekly on all business drives, full monthly back-ups, daily back-ups held in offsite storage)
- Separation of network servers (Virtual barriers in place)
- Localised redundancy of server infrastructure for resilience
- Role based access controls to business drives based according to job requirements and approved by managers
- Verification of accesses by IT Services recommended to ensure inappropriate access is not granted to sensitive information
- Separation of duties with access based on need of roles and any variations to be approved by management with IT intervention
- User account termination managed by a formal separation process (checklist)
- HR advises IT Services in relation to employees who are retired or discharged
- Systematic review and clear out of old user accounts by IT Services
- Verification that a Control self-assessment is in place.



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Risk Management & Audit Committee Meeting – Friday, 28 October 2016

11. INFORMATION ITEMS

11.1 Outstanding Audit Issues Register (28/10/16) Common No. 422690

*The Outstanding Audit Issues Register is **Attachment A**.*

CITY OF DARWIN RISK MANAGEMENT & AUDIT COMMITTEE REGISTER OF OUTSTANDING AUDIT ISSUES					EFFECTIVE DATE: 27 MAY 2016	
OAI NO.	AUDIT NAME & AUDITOR	AUDIT ISSUE & REFERENCE	RESPONSIBLE OFFICER	AGREED COMPLETION DATE	IMPLEMENTATION STATUS	
140	STRATEGIC PERFORMANCE FRAMEWORK BDO December 2013	Inefficient Reporting Processes 4.1 Based on business area needs, CoD should develop a standard suite of reporting to be produced from Interplan.	Manager Strategy & Outcomes	December 2013 Amended to 30 September 2014 Amended to June 2016	New revised recommendations as per March 2014 report 4.1 The Strategic Performance Review completed with KPMG has identified Quarterly Report Team Updates are being completed and considered part of the Planning and Performance Framework, however they are not linked to the Planning and Performance Framework and their purpose and relevance should be reviewed. Reporting should align with the Planning Framework. 27 May 2016 The Strategic Performance Review completed with KPMG has identified Quarterly Team Update Reports are being completed and considered part of the Planning and Performance Framework, however they are not linked to the Planning and Performance Framework and their purpose and relevance should be reviewed. Reporting should align with the Planning Framework. The Quarterly Team Update Reports provide a commentary of work being undertaken in each area, there isn't a consistent approach to the format of the reports and the type of information to be included. Generally the information that is included is quite low level operational detail. The Quarterly Team Update Reports should be replaced by quarterly reports against the Municipal Plan.	
145	Asset Management Audit Deloitte March 2015	<p>1 On implementation of Asset Management System, develop and implement new procedures, and update existing draft procedures, where relevant in consultation with Finance.</p> <p>3 Develop, finalise and implement individual asset management plans, taking into account relevant recommendations from the 2012 asset sustainability review report (refer to Section 4 for more information)</p> <p>a) Assign roles and responsibilities resulting from the plans and communicate these to relevant staff members</p> <p>b) Review asset management plans on a regular basis</p> <p>c) Ensure future plans indicate likely service level and risk trends resulting from long term financial plan</p> <p>d) Ensure that strategy plan and management plan performance measures align with AMP service levels</p> <p>e) Continue to develop additional AMP scenarios as required to align with the long term financial plan and show service outcomes and risk consequences of long term financial plan resourcing levels</p> <p>f) Update AMPs with state of the assets service levels for condition, function and capacity as per summary dashboards.</p> <p>g) Continue to develop additional AMP scenarios as required to align with the long term financial plan and show service outcomes and risk consequences of long term financial plan resourcing levels</p> <p>4 <i>Introduce state of the art reporting for assets in the annual report</i></p> <p>6 Asset Finder is not integrated to Civica Authority at this stage.</p> <p>a. Further considerations are necessary for the future regarding detailed procedures and degree of integration between accounting and asset management systems</p> <p>h) Implementation date is notional at this stage as it is entirely dependent on all current asset data being entered into Asset Finda</p>	Manager Technical Services in consultation with Manager Finance	July 2018	Updated list and status provided as per issue item number 2. Updates and new procedures are occurring as required, specifically for issue item #6 Deferred to July 2018 per RMAC 27 May 2016	
			Manager Technical Services	July 2017	Drafts progressing Deferred to July 2017 per RMAC 27 May 2016	
			Manager Technical Services in consultation with Manager Finance	July 2018	Training undertaken April 2016 to improve knowledge and understand practical aspects of implementation. Updated implementation plan being prepared. Deferred to July 2018 per RMAC 27 May 2016	
		1 Ensure the officer executing the transaction is independent of the officer receiving the investment confirmation. The officer receiving the investment confirmation should execute appropriate verification procedures to validate that the transaction was appropriate.	Manager Finance	31 March 2017		
146	Investments Audit KPMG, February 2016	2 Conduct a review of the Investment procedures and include in the document future review dates and last approval date.	Manager Finance	31 March 2017		
198		3 Put in place access controls and spreadsheet protection over the Cash Flow and Investment Workbook.	Manager Finance	31 March 2017		

CITY OF DARWIN RISK MANAGEMENT & AUDIT COMMITTEE REGISTER OF OUTSTANDING AUDIT ISSUES					EFFECTIVE DATE: 27 MAY 2016	
OAI NO.	AUDIT NAME & AUDITOR	AUDIT ISSUE & REFERENCE	RESPONSIBLE OFFICER	AGREED COMPLETION DATE	IMPLEMENTATION STATUS	
147	Financial Statements Audit	4 The review cycle for Policy No. 024 - Investment Policy be updated to correspond with the Local Government Investment Guidelines with an annual period of review.	Manager Finance	31 March 2017		
		5 Remove specific mention of the TIO as an acceptable approved instrument issuer from the investing policy.	Manager Finance	31 March 2017		
		1 That the long-outstanding balances in the trust account be investigated and amounts be refunded to individuals and/or entities where deemed appropriate.	Manager Finance	31 March 2017		
		2 That the internal policies and procedures regarding the trust account are reviewed, amended where appropriate and followed accordingly.	Manager Finance	31 March 2017		
148	Workplace Health & Safety Management	3.4.1.2 Finalise and implement the standard for the Contractor Management, including: • Contractor Induction program • Communication of WHS accountabilities and responsibilities	Coordinator Risk & Safety	September 2016	Contractor Management Standard being developed	
		3.2.6.1 Implement the recommended 'treatment plans' as identified in the Operations Risk Assessment (Revision 4) June 2015 and the 'corrective actions' of the City of Darwin WHS audit report (Marsh) to reduce the overall risk profile for the City of Darwin. In addition to the identified 'treatment and corrective action plans', consider implementing a Safety Leadership Training program and/or a Behavioural Risk Improvement (BRI) program to assist with embedding a positive safety culture within the City of Darwin.	Coordinator Risk & Safety	September 2016	Only outstanding issues are contractor management and defensive verbal training for Regulatory Services staff. Both are being addressed. BRI and safety culture are being addressed. Safety alerts have been introduced and a "safety share" programme has recently been initiated for the outdoor workforce.	
		3.2.6.2 Conduct a review of the JSEA program and format in consultation with the end user group to identify how JSEA's can be best applied. Consider using generic SWMS and not adding an additional JSEA form to the risk management process, rather incorporating a 'Part B' into the SWMS form if it is determined to be required.	Coordinator Risk & Safety	December 2016	Council has held discussions with Clarence Council in relations to JSEA program as they have just completed introduction of SWMS/JSEAs. Program will now focus on developing generic safe work method statements (SWMS) with Part B documents to be completed on-site to address.	
		3.4.6.7 Implement the draft Contractor Management WHS Standard to ensure that contractors engaged to undertake work for the City of Darwin are managed. This should include: • determination of hazards and risks when identifying contractor works • requesting WHS information from contractors at the tender/engagement phase • reviewing contractor WHS information and risk assessments prior to commencement of works • contractor induction, training and supervision • reviewing contractor performance • ongoing consultation with contractors, and • managing contractor poor performance. Consider adopting a software program to support the collection and management of contractor data.	Coordinator Risk & Safety	September 2016		
		3.4.6.9 Ensure that WHS component of the contractor tender process is reviewed by a suitably qualified worker. Consider what information is requested to determine contractor suitability. I.e. Injury and incident statistics, LTIFR etc.	Coordinator Risk & Safety	September 2016	All documents for public tender are reviewed by the TC Risk Audit and Safety. This will be addressed in further detail during implementation of the contractor management standard.	

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12. GENERAL BUSINESS

12.1 Meeting Dates for 2017

Common No. 2659589

THAT the committee resolve under delegated authority:-

THAT the following dates be set for the Risk Management & Audit Committee meeting in 2017:

- Friday, 31 March 2017
- Friday, 26 May 2017
- Friday, 07 July 2017
- Friday, 27 October 2017

13. CLOSURE OF MEETING