

# **Business Papers**

## **Risk Management & Audit Committee Meeting**

Friday, 18 March 2016  
9:00am



# Notice of Meeting

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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, 18 March 2016, commencing at 9.00 am.

A handwritten signature in black ink, appearing to read 'B P Dowd'.

**B P DOWD**  
**CHIEF EXECUTIVE OFFICER**

Office Use Only

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Removed from Public Notice Board: \_\_\_\_\_

# **Risk Management & Audit Committee Meeting**

## **OPEN**

Friday, 18 March 2016

### ***Guests***

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**From 9.15 am.**

Mr David Howie from KPMG will be in attendance from 9.15 am to brief the Committee on the Investments Internal Audit Report.

# OPEN SECTION

RMAC03/1

## CITY OF DARWIN

### RISK MANAGEMENT & AUDIT COMMITTEE

**FRIDAY, 18 MARCH 2016**

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

OFFICERS: Chief Executive Officer, Mr Brendan Dowd; General Manager Corporate Services, Dr Diana Leeder; Team Coordinator Risk Audit & Safety, Mr Tony Simons; Finance Manager, Mr Miles Craighead; Executive Assistant Corporate Services, Ms Misha Peck.

GUESTS: Mr David Howie from KPMG will be in attendance from 9.15 am to brief the Committee on the Investments Internal Audit Report.

**Enquiries and/or Apologies: Penny Hart**  
**E-mail [p.hart@darwin.nt.gov.au](mailto:p.hart@darwin.nt.gov.au) - PH: 89300 670**  
**OR Phone Committee Room 1, for Late Apologies - PH: 89300 519**

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### ***Committee's Responsibilities***

*THAT, pursuant to Local Government Act Part 5.2, and Part 4, section 10(2) (b) of the Local Government (Accounting) Regulations, Council delegate to the Risk Management & Audit Committee the powers to make decisions relating to :*

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

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# OPEN SECTION

RMAC03/2

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# OPEN SECTION

RMAC03/3

## Risk Management & Audit Committee Meeting – Friday, 18 March 2016

### 1. MEETING DECLARED OPEN

### 2. APOLOGIES AND LEAVE OF ABSENCE Common No. 2695036

#### 2.1 Apologies

#### 2.2 Leave of Absence Granted

Nil

### 3. ELECTRONIC MEETING ATTENDANCE Common No. 2221528

Nil

### 4. DECLARATION OF INTEREST OF MEMBERS AND STAFF

#### 4.1 Declaration of Interest by Members

#### 4.2 Declaration of Interest by Staff

# OPEN SECTION

RMAC03/4

## Risk Management & Audit Committee Meeting – Friday, 18 March 2016

### 5. CONFIDENTIAL ITEMS

#### 5.1 Closure to the Public for Confidential Items Common No. 1944604

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

<u>Item</u>	<u>Regulation</u>	<u>Reason</u>
C15.1	8(c)(iv)	information that would, if publicly disclosed, be likely to prejudice the interests of the council or some other person

#### 5.2 Moving Open Items Into Confidential Common No. 1944604

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

<u>Item</u>	<u>Regulation</u>	<u>Reason</u>
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#### 5.3 Moving Confidential Items Into Open Common No. 1944604

THAT pursuant to Section 65(2) of the Local Government Act and Regulation 8 of the Local Government (Administration) Regulations the following Items be moved into Open:-

<u>Item</u>	<u>Regulation</u>	<u>Reason</u>
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## OPEN SECTION

RMAC03/5

### Risk Management & Audit Committee Meeting – Friday, 18 March 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, 18 March 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, 30 October 2015, 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**

ENCL: RISK MANAGEMENT & AUDIT  
YES COMMITTEE/OPEN

AGENDA ITEM: 9.1

### INVESTMENTS INTERNAL AUDIT REPORT

REPORT No.: 16A0032 MC:mp COMMON No.: 3236868

DATE: 18/03/2016

**Presenter:** Manager Finance, Miles Craighead

**Approved:** General Manager Corporate Services, Diana Leeder

### **PURPOSE**

The purpose of this report is to present the internal audit report on investments and associated management responses.

### **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**

- City of Darwin Policy No. 024 - Investment Policy requires a regular independent review of its investing activities.
- This review has focussed on control issues and makes a number of recommendations which Management has agreed to adopt as set out in **Attachment A**.
- The Management actions agreed to are included in the recommendation for adding to the Outstanding Audit Issues register.

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 REPORT NUMBER: 16A0032 MC:mp  
 SUBJECT: INVESTMENTS INTERNAL AUDIT REPORT

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## **RECOMMENDATIONS**

THAT the Committee resolve under delegated authority:-

- 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 the 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.

## **BACKGROUND**

Council's last review of its investment policy adopted for the first time a requirement for regular independent review of its investing.

## **DISCUSSION**

KPMG was contracted to undertake an audit of Policy No. 024. The audit report makes some minor matter recommendations all of which are accepted by management. KPMG noted that whilst within the NT Government approved Local Government Investment Guidelines, the Council's investment policy indicates a relatively low risk appetite. Actual investments are currently limited to term deposits.

In the process commentary on the audit KPMG note: "the ratings provided for this engagement indicate that there are some minor matters that require the City of Darwin's attention. In conducting the project we note the following overview comments:

- The following strengths were identified as part of this project:
  - Staff involved in investment duties are aware of relevant procedures -
  - Procedures are easily accessible for staff within the Finance Department -
  - Segregation of duties in place for verification and approval with only one exception

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- Diversification of term deposits across appropriately rated financial institutions
- Strong appreciation for the importance of control compliance, as reflected in the testing of sampled investment records, in which zero instances of non-compliance were identified
- More generally, processes applied by City of Darwin are aligned with current practices in other local government jurisdictions across Australia

Recommendations which are identified for transfer to the outstanding risk register are:

- 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 the 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.

Progress against these will be reported to the August 2016 Risk Management and Audit Committee together with expected time frames for any not completed at that date.

### **CONSULTATION PROCESS**

This report was considered by the Executive Leadership Team on 14 March 2016 and now referred to the Risk Management & Audit Committee for consideration.

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

- Management Accountant

In preparing this report, the External Parties were consulted:

- KPMG Australia

### **POLICY IMPLICATIONS**

Recommendations contained in **Attachment A** agreed to by Management will be implemented, including, a review of the current policy and procedures.

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### **BUDGET AND RESOURCE IMPLICATIONS**

The implementation of internal control requirements will create some additional work load but this along with the policy and procedure review should be able to be accommodated within existing resources.

### **RISK/LEGAL/LEGISLATIVE IMPLICATIONS**

Risk and legal implications are covered in **Attachment A**.

### **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.

**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:** KPMG Investments Internal Audit Report – February 2016  
 (including agreed management actions).

# ATTACHMENT A



*cutting through complexity*

## Investments Internal Audit Report

City of Darwin

February 2016

OBJECTIVE, SCOPE & APPROACH

The overall objective of this internal audit project was to assess the City of Darwin's Investment Policy (the Policy) from a design perspective and test operating effectiveness of the controls within the policy and identify any opportunities to improve the process. The project also considered the policy's requirement for annual valuation of investments.

Further details of the objective and scope of the internal audit are outlined in **Appendix 1** to this report.

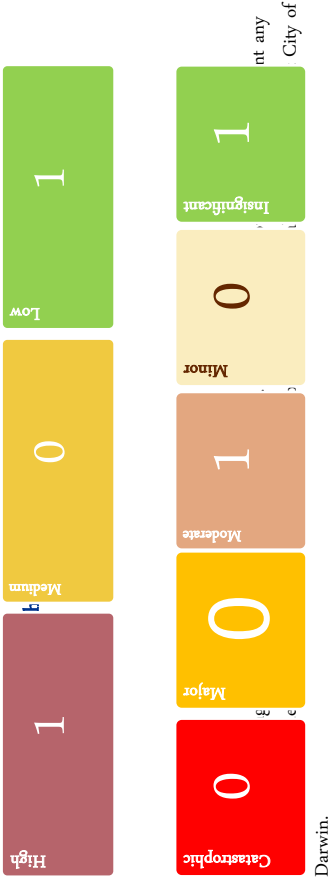
The approach included consultations with key staff to obtain an understanding of the processes and key controls and discuss our ideas for improving the current process. Further details of the approach are outlined in **Appendix 1** to this report.

REPORT RATINGS

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

Overall Internal Audit Rating: Average

Impact on process objectives of each individual finding



PROCESS COMMENTARY

KPMG noted that whilst within the NT Government approved Local Government Investment Guidelines, the Council's Investment Policy indicates a relatively low risk appetite. Actual investments are currently limited to term deposits.

The ratings provided for this engagement indicate that there are some minor matters that require the City of Darwin's attention. In conducting the project, we note the following overview comments:

- The following strengths were identified as part of this project:
  - Staff involved within investment duties are aware of relevant procedures
  - Procedures are easily accessible for staff within the Finance Department
  - Segregation of duties in place for verification and approval with only one exception
  - Diversification of term deposits across appropriately rated financial institutions
  - Strong appreciation for the importance of control compliance, as reflected in the testing of sampled investment records, in which zero instances of non-compliance were identified.
- More generally, processes applied by City of Darwin are aligned with current practices in other local government jurisdictions across Australia.
- Pleasingly, the improvement opportunities identified can be implemented without a significant increase in current resources and effort.

**Attention:** This report was prepared solely for your use per our engagement contract and may not be distributed without our consent.  
KPMG does not accept responsibility for any third party or unintended use.

1. Executive Summary

SUMMARY OF KEY FINDINGS

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

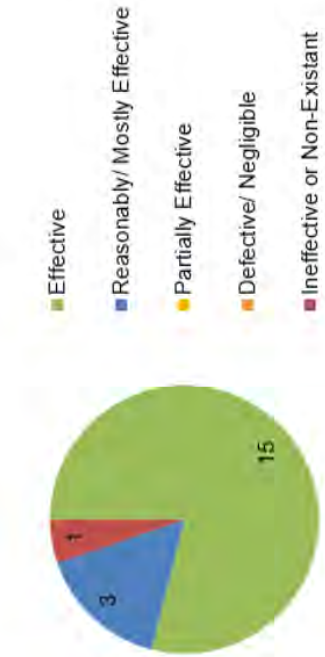
- *Design & Implementation (D&I)*: Assessment of whether the way the controls are designed to operate, will appropriately mitigate the key process risks identified.
- *Operating Effectiveness*: Assessment of whether the controls are actually operating consistently over time, as designed.

This engagement assessed both of these.

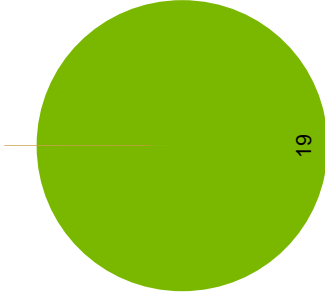
Control Assessment:

Each control identified was rated using a five tier assessment. Refer to **Appendix 2** for description of control ratings. The chart below summarises the assessment of the Department's key controls over the investment processes.

Control Design & Implementation



Control Operating Effectiveness



4 out of the 19 documented controls are considered to be below an 'effective' rating in D&I. No non-compliance was noted during operating effectiveness testing.

Further commentary of these controls are outlined in **Section 3: The Audit Approach**. Actions to address those controls rated as less than effective are noted below.

SUMMARY OF OPPORTUNITIES TO IMPROVE

Ref #	Description	Process	Strategic Risk
4.1	<p><b>Process and Procedures</b></p> <p>We recommend that Management implement: more timely review of Investment procedures; further access controls and spreadsheet protection over term deposit investment worksheets; and investment transaction confirmations being received also by an officer independent of the investment processing.</p>	High	Moderate
4.2	<p><b>Council Investment Policy</b></p> <p>We recommend the following changes in the Investment Policy: Update policy review cycle to annual (currently biennial); Include reference to duties and obligations of responsible staff for approval requirement for investments, delegation of authorized signatories for investment accounts and authorised dealers able to invest council's surplus funds; more formalised reviews of investment strategy (including specialist advice as necessary); and reassess whether TIO is an acceptable investment given its recent sale by NT Government.</p>	Low	Insignificant

1. Executive Summary

IMPACT ON THE COUNCILS NET RISK RATING

The Council have allocated a net risk rating to both their strategic and operational risks based on the health of the controls in place to manage the specific risk. These risks, their current ratings are noted below, together with an assessment from KPMG as to whether the net risk assessment should be changed based on the findings from this report.

Description	Gross Risk Rating		Net Risk Rating		Change
	Likelihood	Consequence	Likelihood	Consequence	
<b>Strategic Risk</b> <ul style="list-style-type: none"><li>City of Darwin does not implement and manage an effective corporate governance framework</li><li>Lack of or ineffective governance policies, standards and procedures specific to investment management</li><li>Inadequate long and short term financial planning and budgetary processes to support the achievement of objectives</li><li>Financial loss and asset degradation</li><li>Potential for intervention by NTG – appointment of administrator</li><li>Failure to understand and comply with the requirements of the Local Government Act</li><li>Media and reputation risk</li></ul>	2	4	1	4	No change recommended
<b>Operational Risk</b> <ul style="list-style-type: none"><li>Failure to develop and implement policy and procedures to manage investments prudently and secure maximised returns<ul style="list-style-type: none"><li>- Lack of separation of duties; Investment in unsuitable investment classes; Potential for large financial losses; Media risk</li></ul></li></ul>	2	5	1	3	No change recommended

## 2. Background

### 2.1 Overview of the current arrangements

#### *The legal framework for investments*

The Council is allowed to invest funds not immediately required for the purposes of the Council under Section 121 of the Local Government Act (the Act). The Act is also supported by Investment Guidelines issued by the Minister in April 2012 which must be complied with. These guidelines provide further detail for Councils when dealing with investments.

Given the status of the Local Government as being publicly funded by the ratepayers, there is an enhanced expectation of exceptional governance and compliance from the key stakeholders (rate payers). In respect to any excess funds, it is critically important that the Council apply an appropriate risk appetite and have robust procedures to help protect the Council from loss of these funds. Pleasingly, the risks associated with investments is linked to several strategic and operational risks as outlined below:

### Operational Risks

- Failure to develop and implement policy and procedures to manage investments prudently and secure maximised returns
- Lack of separation of duties
- Investment in unsuitable investment classes
- Potential for large financial losses
- Media risk
- Failure to ensure investment portfolio complies with applicable legislation and policy directives

On consideration of the processes for investments there were a number of key strengths noted as follows:

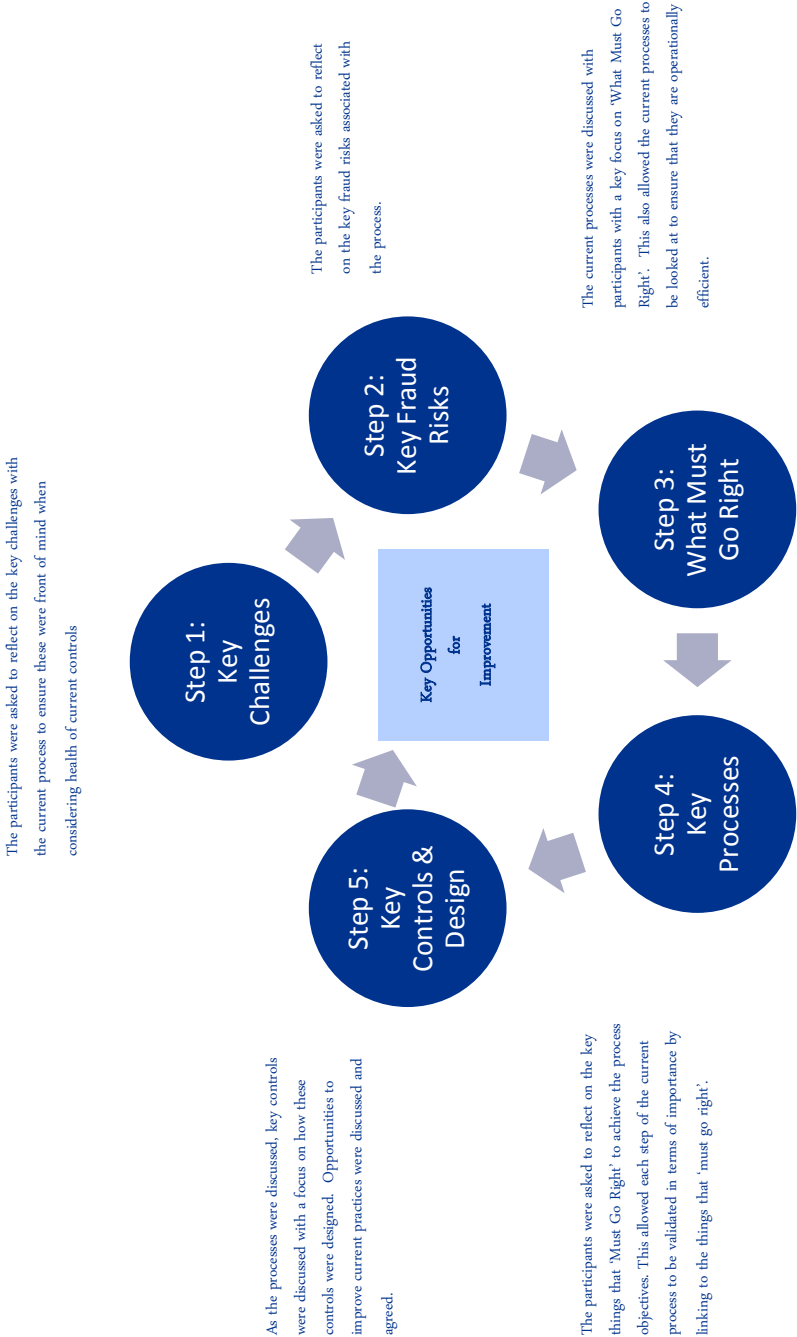
- The Policy Framework relevant to investments (Policy and Procedures were two separate documents) was clear in order to facilitate appropriate understanding by those responsible for applying and following the policy. This was validated by consulting with the Council finance staff.
- The Council apply a risk averse approach to investments which helps to mitigate the risk of losses to the Council.
- There is strong transparency on the level of investments with reporting provided to Council meetings each month.

### Strategic Risks

- City of Darwin does not implement and manage an effective corporate governance framework
- Lack of or ineffective governance policies, standards and procedures specific to investment management
- Inadequate long and short term financial planning and budgetary processes to support the achievement of objectives
- Financial loss and asset degradation
- Potential for intervention by NTG – appointment of administrator
- Failure to comply with the requirements of the Local Government Act
- Media and reputation risk

### 3. The Audit Approach

Our approach involved stakeholder consultations with key staff involved in the investment process, which provided greater detail in understanding the processes and the key controls as part of the investment process. In addition, discussed ideas to refine and improve current processes. To ensure our stakeholder consultations delivered focused outcomes, KPMG followed the following steps:



3. The Audit Approach

CONSULTATION OUTPUTS:

Applying the approach outlined on the previous page, the following outputs were determined.

Key Challenges			
The consultations identified the following challenges with the current arrangements:			
<ul style="list-style-type: none"><li>● Inefficiency and timeliness of obtaining three quotes for each investment decision</li></ul>			
What must go right?			
1. Investments criteria set and clearly understood	3. Investment transactions (purchase and maturity) appropriately authorised and reported	5. Regular monitoring/detection & investigation of investments outside policy.	Investment policies periodically reviewed to align with economic environment and risk appetite of Council
2. Financial systems correctly reflect investments at any point of time	4. Sufficient documentation retained to support investment transactions	6.	
Key fraud risks			
<ul style="list-style-type: none"><li>● Fraudulent authorisation of investment transactions</li><li>● Fraudulent posting of finance system entries (including override of access controls)</li><li>● Misappropriation of council funds (principal investments or interest)</li></ul>			
Key controls			
1. Investment Policy	5. Investments – Report to Council Procedures	11. IT System Access Restrictions – Ledgers	15. Delegations – Internal and with Counterparty
2. NT Government Investment Guidelines for Local Government	6. Bank Reconciliation (Procedure)	12. System Access Restrictions – Bank	16. Independent Valuation of Council's Investment Portfolio
3. Investments – End of Month Procedure	7. Council Investment Procedures	13. Investment Maturity	17. Best Rate/Market Testing
4. New Investments, Rollovers and Redemptions	8. Approval Procedure/Process	14. Bank Communication/Investment Confirmations	18. Investment Reconciliations
	9. Staff Awareness of policies and procedures		19. Investment Records
	10. Reporting on Investments		

3. The Audit Approach

LINKING CONTROLS TO THOSE THINGS THAT ‘MUST GO RIGHT’

The following table maps the key controls to the key processes that ‘must go right’.

Risk & Control Matrix																				
Investment Procedures																				
Key	1.1	1.2	2.1	2.2	2.3	2.4	2.5	2.6	2.7	3.1	3.1	3.2	4.1	4.2	4.3	4.4	4.5	4.6	4.7	
Effective		Investment Policy	NT Government Investment Guidelines for Local Government	Investments - End of Month Procedure	New Investments, Rollovers and Redemptions	Investments - Report to Council Procedures	Bank Reconciliation (Procedure)	Council Investment Procedures	Approval Procedure	Staff Awareness of Policies and Procedures	Reporting on Investments	IT System Access Restrictions - Ledgers	System Access Restrictions - Bank	Investment Maturity	Bank Communication/Investment Confirmations	Delegations - Internal and with Counterparty	Investment Valuation of Council's Portfolio	Best Rate/Market Testing	Investment Reconciliations	Investment Records
Reasonably /Mostly Effective	✓		✓	✓	✓	✓	✓	✓	✓	✓		✓	✓		✓					
Partially Effective																				
Defective/ Negligible																				
Ineffective or Non-Existent																				
Control doesn't currently manage any 'what must go right' or fraud risks																				
Process 'What Must Go Right'																				
	✓																			
Investments criteria set and clearly understood																				
Financial systems correctly reflect investments at any point of time							✓								✓					
Investment transactions (purchase and maturity) appropriately authorised and reported															✓			✓	✓	
Sufficient documentation retained to support investment transactions															✓			✓	✓	
Regular monitoring/detection & investigation of investments outside policy																		✓		
Investment policies periodically reviewed to align with economic environment and risk appetite of Council	✓	✓	✓																	

Observations

- All 'what must go right's' have at least one control in place that in part helps to mitigate the risk.
- There are a four controls that from a design and implementation perspective are rated as less than effective.

3. The Audit Approach

LINKING CONTROLS TO IDENTIFIED FRAUD RISKS

The following table maps the key fraud risks to the key elements of the process that ‘must go right’.

Risk & Control Matrix																					
Investment Procedures																					
Key		1.1	1.2	2.1	2.2	2.3	2.4	2.5	2.6	2.7	3.1	3.1	3.2	4.1	4.2	4.3	4.4	4.5	4.6	4.7	
<div>Effective</div> <div>Reasonably /Mostly Effective</div> <div>Partially Effective</div> <div>Defective/ Negligible</div> <div>Ineffective or Non-Existent</div> <div>Control doesn't currently manage any 'what must go right' or fraud risks</div>		Investment Policy																			
		NT Government Investment Guidelines for Local Government																			
		Investments - End of Month Procedure																			
		New Investments, Rollovers and Redemptions																			
		Investments - Report to Council Procedures																			
		Bank Reconciliation (Procedure)																			
Fraud Risk		Council Investment Procedures																			
		Approval Procedure																			
		Staff Awareness of Policies and Procedures																			
		Reporting on Investments																			
		IT System Access Restrictions - Ledgers																			
		System Access Restrictions - Bank																			
		Investment Maturity																			
		Bank Communication/Investment Confirmations																			
		Delegations - Internal and with Counterparty																			
		Investment Valuation of Council's Investment Portfolio																			
		Best Rate/Market Testing																			
		Investment Reconciliations																			
	Investment Records																				

Observations

- Each fraud risk has at least one control in place to mitigate the risk.

## 4. Detailed Findings

### BENCHMARKING WITH OTHER LOCAL GOVERNMENT JURISDICTIONS IN AUSTRALIA

To satisfy our objective of determining whether current practice at the City of Darwin aligns with better practice, we performed benchmarking of the City of Darwin against other ‘comparable’ councils in different jurisdictions across Australia. The councils we compared, were organisations that were of comparable size and nature of operations to the City of Darwin. While the legislative obligations for different councils differ due to differences in respective local government guidelines/legislation, these provided examples of better practice and risk minimisation in the local government sector.

Overall it was found that City of Darwin’s practices were not significantly dissimilar to those of the other jurisdictions considered. Examples of conformity with best practice included:

- Derivative based instruments, leveraging, stand alone securities and principal only investments were consistently excluded as a form of investment instrument allowed.
  - Market exploration was uniform across jurisdictions, with most councils requiring a minimum of three price quotations to be obtained to verify the fairness of the purchase price.
  - Monthly reporting on investments.
  - While there are variations in the type of investments allowed per institution, these still reflected an adverse risk approach similar to that of the City of Darwin.
- However, we did note the following:
- Several jurisdictions included a delegation of authority or a break down of relevant authority and responsibilities for investment.
  - The use of an annual review of council policy/council strategy & supporting procedures was used by many corresponding jurisdictions to verify the investment objectives and actions.

Refer to **Appendix 5** for the summary of the benchmarking outcomes.

## 4. Detailed Findings

### Investment Valuation

The City of Darwin’s Investment Policy currently requires an independent biennial review of the performance and value of the investment portfolio and conformity with the investment policy. The Policy also clarifies that an ‘annual valuation is not required in the case of a policy predominantly based on traditional bank term deposits unless it is detected that there is an impairment situation’.

KPMG have been requested to provide a valuation of the investment portfolio in accordance with legislation and policy, as part of this engagement. The following is noted in respect to this requirement:

- At the time of our Internal Audit, the City of Darwin’s Investment portfolio was 100% comprised of Term Deposits with well rated financial institutions. Accordingly, in accordance with the Policy a valuation is not required assuming no evidence of any impairment triggers.
- Notwithstanding, it is noted that the City of Darwin’s accounting policy for term deposits (where maturity is greater than 3 months) is to classify these as ‘Held to Maturity’ and therefore value these initially at Fair Value then in future at Amortised Cost using the effective interest method, in accordance with Australian Accounting Standards. The City of Darwin’s financial statements are independently audited each year and accordingly provide the Council with assurance over both the accounting policy and the measurement of the values.

On the basis of the above, there are no matters of non-compliance with the Policy that were identified as part of this Internal Audit.

EXECUTIVE SUMMARY	
BACKGROUND	
THE AUDIT APPROACH	
DETAILED FINDINGS	
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APPENDIX 2: CLASSIFICATION ON OF FINDINGS	
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APPENDIX 4: CONSULTATION S	23

## 4. Detailed Findings

### 4.1 Process and Procedures

#### Findings

Documented processes and procedures are essential within any organisation. They assist in achieving consistency of process and reduce the risk of information loss through staff movement. During consideration of the relevant procedural guidance, we noted the following:

- Inappropriate segregation between the officer executing the investment transaction and receiving the investment confirmation, with the same officer currently performing both functions.
- Procedures do not have a regular review and update cycle.
- Cash flow and Investment worksheet can be accessed and potentially modified by anyone outside the Finance team and inadequate spreadsheet protection.

Strategic Risk  
Moderate

Process  
High

#### Recommendations

We recommend that the City of Darwin implement the following:

- 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 immediately 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.

#### Potential Impact

As a result of the above, there is an increased risk of:

- Misappropriation of Council funds and fraudulent activity.
- Outdated procedural guidance lead to it being redundant or not fit-for- purpose.
- Unauthorised personnel accessing and changing the data within the Cash Flow and Investment Workbook and user error when making entries.

#### Management Action

- 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.

#### Responsibility

Manager Finance

4. Detailed Findings

4.2 Investment Policy

Findings

The NT Government issued the Local Government Investment Guidelines (LGIG) in April 2012. These guidelines are mandatory for Council to comply with and are used to formulate investment policy to ensure investment risks are appropriately mitigated.

An effective investment policy is essential to ensuring that Council investments are appropriately supported and compliant with the LGIG. The current City of Darwin Investment Policy outlines the broader legal framework that applies to the Council for Investments. KPMG considered the Policy against the LGIG, better practice standards and risks and we noted the following:

- Under the LGIG a “Council and/or responsible staff must review the investment strategy at least once a year. An annual review allows council to reassess its position and revise its strategy.”<sup>1</sup> City of Darwin’s current review cycle is biennially.
- Under the LGIG “The Council’s investment policy must articulate the duties and obligations of the responsible staff (usually referred to by the designation of their position) of a council.”<sup>2</sup> There is a limited identification of delegations, authorised employees and approval requirements within the current policy document.
- TIO is listed as an approved investment in both the LGIG and the Council’s Investment Policy.<sup>3</sup> The ownership of TIO has changed since its inclusion as an approved investment.

Potential Impacts

The impact of inconsistency with the LGIG could place the Council in breach of the Local Government Act and their obligations under the legislative framework.

The approval of TIO as an approved issuer of investments was made prior to the change of ownership. The change of ownership may affect its associated risk rating.

Recommendations:

We recommend that the City of Darwin implement the following:

- The review cycle for the Investment Policy be updated to correspond with the LGIG with an annual period of review.
- Review the appropriateness of TIO as an acceptable approved instrument issuer following the change in ownership.

Management Action

- The review cycle for the Investment Policy be updated to correspond with the LGIG with an annual period of review.
- Remove specific mention of the TIO as an acceptable approved instrument issuer from the investing policy.

Responsibility:

Manager Finance

Strategic Risk

Insignificant

Process

Low

1. Local Government Investment Guidelines s (2012) 6.2 (77)  
2. Ibid. s 3.2 (10)  
3. Ibid s 5.1 (31) (a)

## Appendix 1: Objective and Scope

### Objective

The objective of the project was to examine council's investment policy and investment management procedures to ensure the following:

- Compliance with approved investment policy & procedures
- Compliance with applicable legislative frameworks
- Provide a valuation of the investment portfolio in accordance with legislation and policy

Auditors will also be required to offer an opinion as to the strengths of existing policy and procedures and note any omission from policy and procedures that may present a risk to Council

### Scope

This internal audit was limited to considering the following processes:

- Investments

The projects include considering both the:

- Health of the actual design of processes and internal controls; and
- Whether the controls were actually complied with between the period 1 January 2015 until the date of testing.

### 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 1: Objective and Scope

Compliance Testing – Investment Records

As a component of the internal audit, KPMG conducted testing on a sample basis to determine compliance with key requirements of the Policy and Procedural documents. The testing procedure used to review council records are noted in the table below:

Test #	Testing Procedure
C1	Check that there were at least three quotes obtained from market.
C2	Check that the best value rate was selected for the investment.
C3	Check that a record of the investment was recorded in the physical ledger for investments.
C4	Check that a record of investment was included/updated in the cash flow ledger.
C5	Check that a record of investment was included/updated in the investment ledger.
C6	Check that appropriate approval has been obtained and a record was filed.
C7	Check that redemption of investments and new investments have 3 signatures with appropriate delegation of duties.
C8	Check that rollovers of investments have 2 signatures with appropriate delegation of duties.
C9	Check that a copy of bank reconciliation/receipt was filed.
C10	Check that there is a sufficient reason for a redemption of investments recorded in line with policy.
C11	Check that for redemption of investments there is a record of receipt of fund and is included in journals.
C12	Check that correspondence from bank including official confirmation document was recorded.
C13	Check that the period of investment is inline with policy and does not exceed three years without specific Council approval.
C14	Check that remaining cashflow requirement for following week was satisfied.
C15	Check that the investment is not prohibited under the policy.
C16	All investments are in the name of City of Darwin
C17	Are the investments in line with policy

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APPENDIX 2: CLASSIFICATION ON OF FINDINGS	
APPENDIX 3: CLASSIFICATION ON OF OVERALL RATING	
APPENDIX 4: CONSULTATIONS	

Appendix 2: Classification of Findings

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

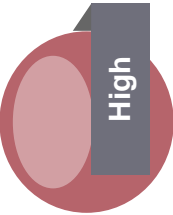
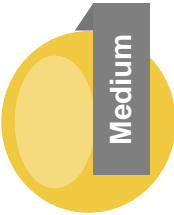
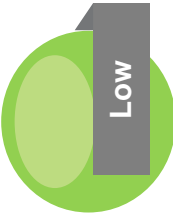
When the process is considered, the Internal Audit identifies which controls are in place to manage ‘what must go right’. For each control a rating is applied having regard to how well the control is ‘designed and implemented’ or ‘operating effectively’ to actually manage the area that ‘must go right’.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

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

## Appendix 2: Classification of Findings

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

Appendix 2: Classification of Findings

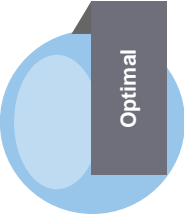
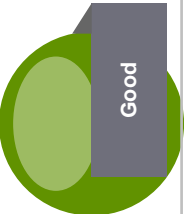


Impact on Strategic Risks on the City of Darwin

The City of Darwin’s Strategic Risk Consequence Matrix below is used to rate the impact of the identified issue at the enterprise level.

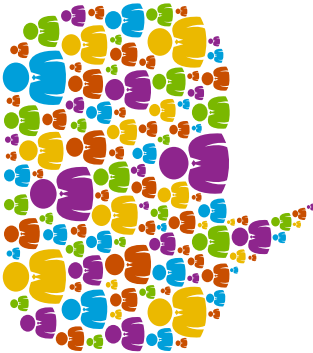
Rating	Definition
Catastrophic	Issue represents a control weakness, which could cause or is causing severe disruption of the process or severe adverse effect on the ability to achieve the City of Darwin’s strategic objectives. Consequences include: Royal commission; > \$5 M; Death of staff/contractor; 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 to achieve the City of Darwin’s strategic objectives. Consequences include: Local Govt Ministerial inquiry; \$500K to \$5M; Multiple major injuries; 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 City of Darwin’s strategic objectives. Consequences include: Formal Council inquiry and report; \$50K to \$500K; Major injury; Outage day; Damage impact < 5000 m2; Front page news.
Minor	Issue represents a minor control weakness, with minimal but reportable impact on the ability to achieve the City of Darwin’s strategic objectives. Consequences include: Council mention; \$5K to \$50K; Minor injuries; 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 City of Darwin’s strategic objectives. Consequences include: No impact; < \$5 K; No injury; No outage; No damage; No impact

## Appendix 3: Classification of Overall Rating

The table below provides some guidance as to the overall report rating. This guidance is applied using professional judgement to reflect the fact that each report and individual findings therein are unique.

Overall rating	Description of rating	Enterprise Wide Internal audit findings			
		Insignificant	Minor	Moderate	Major Catastrophic
	No control weaknesses, or only minor control weaknesses or opportunities for improvement have been identified within the scope of this internal audit.	-	-	-	-
	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	1 to 3	-	-
	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.	-	4 to 6	1 to 2	1 or more
	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

## Appendix 4: Consultations



The table below outlines all personnel who were involved in Consultations and contributed to the findings detailed in this Internal Audit Report.

Name	Title
Miles Craighead	Finance Manager
Irene Frazis	A/Finance Manager
Kristine Cruz	Finance Officer
Margaret Fawcett	Finance Officer

EXECUTIVE SUMMARY

BACKGROUND

THE AUDIT APPROACH

DETAILED FINDINGS

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APPENDIX 2: CLASSIFICATION ON OF FINDINGS

APPENDIX 3: CLASSIFICATION ON OF OVERALL RATING

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### Disclaimer

This report has been prepared by KPMG at the request of the City of Darwin in our capacity as advisors in accordance with the terms and limitations set out in our engagement contract. The information presented in this report has been prepared by KPMG from information provided by the City of Darwin and publicly available information. KPMG has relied upon the accuracy and completeness of this information, and has not independently verified it, except to the extent specified in this report. KPMG may in its absolute discretion, but without being under any obligation to do so, update, amend or supplement this report.

<b>ENCL:</b> <b>YES</b>	<b>RISK MANAGEMENT &amp; AUDIT COMMITTEE/OPEN</b>	<b>AGENDA ITEM: 9.2</b>
<b>INTERNAL AUDIT PROGRAM</b>		
<b>REPORT No.: 16A0035 TS:mp</b>	<b>COMMON No.: 1536877</b>	<b>DATE: 18/03/2016</b>

**Presenter:** Team Coordinator Risk, Audit & Safety, Tony Simons

**Approved:** General Manager Corporate Services, Diana Leeder

### **PURPOSE**

The purpose of this report is to present to the Risk Management & Audit Committee (RMAC) information on the progress of the 2015/16 Internal Audit Plan.

### **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**

- At the RMAC meeting on 28 August 2015 the Team Coordinator Risk Audit & Safety presented the internal audit plan as approved by the Executive Leadership Team
- Two of the audits on the 2015/16 plan have been completed; they being the audits of Investment Management and Strategic Planning Outcomes and reports are to be presented to this meeting
- The audit of Council's Workplace Health and Safety Management System (WHSMS) has been brought forward from the 2016/17 audit year. This was done in part to align the timing of the audit with the commencement of the new WHS Officer's position in order that the new employee can have input into the audit process and gain a good grounding in Council's WHSMS

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 REPORT NUMBER: 16A0035 TS:mp  
 SUBJECT: INTERNAL AUDIT PROGRAM

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## **RECOMMENDATIONS**

THAT the Committee resolve under delegated authority:-

THAT Report Number 16A0035 TS:mp entitled Internal Audit Program, be received and noted.

## **BACKGROUND**

### **PREVIOUS DECISION**

DECISION NO.21\3687 (28/08/15)

### **Internal Audit Program**

Report No.15A0105 TS:mp (28/08/15) Common No. 1536877

- A. *THAT Report Number 15A0105 TS:mp entitled Internal Audit Program, be received and noted.*
- B. *THAT the Committee note that the Internal Audit Program 2015/16/17 has been reviewed and approved by COG and the financial sustainability has been added to the audit program.*
- C. *THAT an update report be provided to the October 2015 RMAC meeting identifying the allocation of audit topics to particular financial years and to cross-reference individual audit topics to the relevant absolute and residual risks and controls.*

## **DISCUSSION**

The 2015/16 audit plan is progressing on schedule. Two audits have been completed and reports are presented to this meeting.

The audit of the WHSMS is scheduled for April with reporting to the June RAMC meeting.

The terms of reference for the audit of IT Security are currently being developed with the Manager Information Technology. The audit is scheduled for April 2016 with a view to reporting at the June RMAC meeting.

The audit plan progress table is attached to this report (**Attachment A**).

## **CONSULTATION PROCESS**

This report was considered by the Executive Leadership Team on 14 March 2016 and now referred to the Risk Management & Audit Committee for consideration.

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### **POLICY IMPLICATIONS**

Nil

### **BUDGET AND RESOURCE IMPLICATIONS**

Nil

### **RISK/LEGAL/LEGISLATIVE IMPLICATIONS**

Understand and manage Council's risk exposure.

### **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.

**TONY SIMONS**  
**TEAM COORDINATOR RISK,**  
**AUDIT & SAFETY**

**DIANA LEEDER**  
**GENERAL MANAGER**  
**CORPORATE SERVICES**

For enquiries, please contact Tony Simons on 8930 0573 or email:  
 t.simons@darwin.nt.gov.au.

**Attachment A:** Internal Audit Plan Progress Table



# INTERNAL AUDIT PLAN

INTERNAL AUDIT

TIMING

AUDITOR &  
ESTIMATED  
COST \$

COMMENTS

## AUDIT YEAR 2009/10

### CAR PARKING MANAGEMENT REVIEW

Q1

DELOITTE  
\$15,000

- Audit undertaken March 2009
- Report to RMAC June 2009

### PROJECT MANAGEMENT & GOVERNANCE

Q1

COLLINS  
ANDERSON  
\$25,000

- Audit undertaken March 2009
- Report to RMAC June 2009

### CREDIT CARD PAYMENTS AND ON-LINE RECEIPTING

Examination of IT security control surrounding the on-line credit card payment and receipting process, including user access, confidentiality of customer information and system updates

Q1

CQR  
CONSULTING  
\$12,800

- Report to RMAC August 2010

### ASSET MANAGEMENT & FINANCIAL SUSTAINABILITY

Infrastructure capital and financial capital is able to be maintained over the long-term

Q3

ACCESS  
ECONOMICS  
JEFF RORDA  
ASSOC  
\$40,000

- Report to RMAC October 2009

### 'AUTHORITY' UPGRADE PRE AND POST IMPLEMENTATION

Q4

\$24,000

- Commenced August 2009
- Report to RMAC October 2009

## AUDIT YEAR 2010/11

### FRAUD POLICY & RISK ASSESSMENT

Fraud risk management system, policies, procedures, whistle blowers and fraud risk training

Q2

DELOITTE  
\$13,000

- ToR and engagement letter signed May 2011
- Report to RMAC August 2011

### PERIOD END PROCESSES

Examine Council's period end financial close process to consider the process effectiveness and efficiency and the associated internal controls and consider whether the process risks are being mitigated.

Q3

DELOITTE  
\$12,000

- Report to RMAC March 2011

### BUSINESS CONTINUITY PLANNING

Examine Council's business continuity plans and implement BC on-line systems to develop departmental and team based continuity plans

Q4

BCM  
SOLUTIONS  
\$50,000

- Report to RMAC March 2012



# INTERNAL AUDIT PLAN

## INTERNAL AUDIT

## TIMING

## AUDITOR & ESTIMATED COST \$

## COMMENTS

### AUDIT YEAR 2011/12

#### ENVIRONMENTAL MANAGEMENT PLAN

Examination of monitoring the compliance with Council's Environmental Management Plan.

Assess the quality of EMPs against the framework of ISO 14001

Assess the performance of systems that Council has in place to monitor and report its performance against its environmental outcomes and key strategies set out in the Strategic Plan

Q3

DELOITTE  
\$40,000

- Report to RMAC February 2012

#### FLEET MANAGEMENT

Examination of the controls around managing the Council's fleet including acquisition, disposal and maintenance. Confirm asset management plans are in place to assist in managing individual assets and understand how these plans are managed with Council systems

Q3

DELOITTE  
\$24,000

- ToR and engagement letter signed November 2011  
- Report to RMAC February 2012

#### OHS MANAGEMENT SYSTEM

Examination of Council's workplace health and safety management systems in line with the principles set out in Australian Standards AS 4801 & 4804 and compliance with NT WHS Legislation

Q2

MARSH  
\$37,000

- Terms of reference drafted and issued to audit firm September 2012.  
- Audit undertaken Dec 2012  
- Draft report due Jan 2013  
- Report tabled RMAC August 13

### AUDIT YEAR 2012/13

#### STRATEGIC PERFORMANCE

Examination of the processes adopted by Council to monitor and report against strategic objectives and performance measurement metrics, including alignment of metrics with the corporate plan, accuracy and integrity of data capture and accuracy of metrics being reported

Q1

BDO  
\$27,000

- Terms of reference drafted Sept 2012 and potential pool of auditors identified  
- ToR to EM OCE for approval Sept 2012  
- Approved by EM OCE Jan 2013  
- ToR Issued to service providers Jan 2013  
- Report tabled RMAC Nov 13

#### STRATEGIC & OPERATIONAL RISK ASSESSMENTS

Review of the processes undertaken to develop the strategic and operational risk assessments and opinion on any gaps in risks & controls identified

Q2

DELOITTE  
\$24,000

- Terms of reference drafted and issued to audit firm December 2012  
- Audit undertaken Dec 2012  
- Draft report due Jan 2013  
- Report tabled RMAC Aug 13

# INTERNAL AUDIT PLAN

## INTERNAL AUDIT

## TIMING

## AUDITOR & ESTIMATED COST \$

## COMMENTS

### AUDIT YEAR 2013/14

#### PURCHASING & PROCUREMENT

Review the processes undertaken in procurement and purchasing, including policies, procedures, raising purchase orders, quotations and payment for services

Q2

DELOITTE  
\$46,000

- Terms of reference drafted and issued to audit firm May 2013
- Audit undertaken May/June 2013
- **Report tabled RMAC August 13**

#### TAXATION COMPLIANCE

Ensure compliance with taxation requirements as per Commonwealth and NT legislation

Q3

DELOITTE  
\$23,000

- Terms of reference sent to internal auditors October 2013
- Audit commenced Feb 2014
- Audit completed March 2014
- **Report tabled RMAC May 2014**

#### ENVIRONMENTAL MANAGEMENT SYSTEMS

Follow up audit on outcomes from the 2011 audit

Q3

DELOITTE  
\$21,000

- Terms of reference sent to stakeholders Feb 2014
- Terms of Reference sent to internal auditors February 2014
- Audit commenced March 2014
- **Report tabled RMAC August 2014**

#### ASSET MANAGEMENT

Examine Council's approach to total asset management, including alignment between management systems controlled by both Infrastructure and Finance

Q4

DELOITTE  
\$26,000

- Terms of Reference sent to stakeholders February 2014
- Terms of reference sent to internal auditors March 2014
- Audit commenced April 2014
- **Draft report with Managers Finance and Technical Services September 2014**
- **Tabled RMAC October 2014**

#### RECORDS MANAGEMENT

Confirm compliance with records management legal requirements and accepted records management standards, and assess user culture issues

Q4

LATITUDE12  
\$12,500

- Auditor appointed
- Entry interview and audit planning workshop conducted April 2014
- **Draft report with Records Acting Manager July 2014**
- Awaiting appointment of new Records Manager before implementation
- **Tabled RMAC March 2015**

### AUDIT YEAR 2014/15

#### IMPLEMENTATION OF COUNCIL DECISIONS

Examine process used to document and implement decisions of Council and to track and report implementation progress

Q1

KPMG  
\$7,250

- Terms of reference prepared and with EMO CE for approval October 2014
- Audit commenced by KPMG Jan 2015
- Audit completed Feb 2015
- **Report tabled RMAC March 2015**

#### ELECTED MEMBERS' ALLOWANCES AND PAYMENTS

Ensure allowances and professional development payments to Elected Members, and Members' comply with Council policies and ministerial guidelines

Q2

KPMG  
\$12,750

- Terms of reference prepared and with EMO CE for approval October 2014
- Audit commenced by KPMG Jan 2015
- Audit completed Feb 2015
- **Report tabled RMAC March 2015**



# INTERNAL AUDIT PLAN

INTERNAL AUDIT	TIMING	AUDITOR & ESTIMATED COST \$	COMMENTS
<b>AUDIT YEAR 2015/16</b>			
<b>INVESTMENT MANAGEMENT</b> Examine council's investment policy and operational investment management procedures to ensure compliance with legislated responsibilities and that accepted industry practise is adhered to	Q1		<ul style="list-style-type: none"> <li>- Terms of reference developed with Manager Finance</li> <li>- Audit ToR has been discussed with Auditor</li> <li>- Audit to commenced December 2015</li> <li>- <b>Report presented RMAC March 2016</b></li> </ul>
<b>REPORTING ON COUNCIL'S PERFORMANCE</b> Follow up audit to Strategic Performance conducted 2013/14 Consider the robustness of systems and processes for capturing, assessing and reporting on Council's performance (non-financial)	Q2		<ul style="list-style-type: none"> <li>- Audit completed November 2015</li> <li>- <b>Report presented RMAC March 2016</b></li> </ul>
<b>OHS MANAGEMENT SYSTEM</b> Examination of Council's workplace health and safety management systems in line with the principles set out in Australian Standards AS 4801 & 4804 and compliance with NT WHS Legislation	Q3		<ul style="list-style-type: none"> <li>- Audit brought forward from 2016/17 on account of new position of WHS Officer commencing March 2016</li> <li>- Terms of reference issued to Auditors Jan 16</li> <li>- Audit to be undertaken April</li> </ul>
<b>FINES &amp; INFRINGEMENTS</b> accounting for and recording of infringements, cancellation/written off infringements, reporting processes, FRU interaction, MVR interaction	Q3		-
<b>IT PHYSICAL &amp; LOGICAL SECURITY</b> Examine the physical and logical controls over access to City of Darwin IT systems, including network drives, internet, intranet and VPN access, back-up procedures and continuity/recovery planning	Q4		<ul style="list-style-type: none"> <li>- Terms of reference being developed with Manager Information Technology</li> <li>- Audit to commence April/May 2016</li> </ul>
<b>AUDIT YEAR 2016/17</b>			
<b>ELECTRONIC TENDERING PROCESSES</b> Review the performance of the electronic tendering processes, and test the strength of controlling policies, procedures and controls	Q1		-
<b>FINANCIAL SUSTAINABILITY</b> Examination of Council's planning processes and budget development to endure long term financial sustainability	Q1		-



# INTERNAL AUDIT PLAN

## INTERNAL AUDIT

## TIMING

## AUDITOR & ESTIMATED COST \$

## COMMENTS

### PROJECT MANAGEMENT

Project governance, communication processes, project management systems, training, risk assessment, tender assessment processes

Q3

-

### ANNUAL BUDGET DEVELOPMENT and LONG TERM FINANCIAL PLANNING

Examine the processes used by Council to develop its annual operational budget, including allocation of dedicated budget lines and justification of budget bids

Q4

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

**AGENDA ITEM: 9.3**

### **RISK MANAGEMENT FRAMEWORK**

**REPORT No.: 16A0034 TS:mp**

**COMMON No.: 2363571**

**DATE: 18/03/2016**

**Presenter: Team Coordinator Risk, Audit & Safety, Tony Simons**

**Approved: General Manager Corporate Services, Diana Leeder**

### **PURPOSE**

The purpose of this report is to inform the Risk Management & Audit Committee (RMAC) on progress with the various elements of Council's risk management 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**

- Council's risk management framework incorporates a number of elements including: strategic and operational risk assessments, the internal audit and control self-assessment programs and business continuity planning
- Operational risk assessments have been revised in accordance with the annual program and are current as of June 2015; some additional changes have been made to ensure alignment with the Municipal Plan in regards to key business objectives
- The control self-assessment program is in abeyance pending the installation of new software; the software vendor presented to RMAC's August meeting to present the new software program to the Committee
- Development of the new system continues and data is being loaded from Council's paper based risk documents
- Delays have been experienced due to the comprehensive and complex nature of the data in Council's risk management documents and further hindered by having to convert word based documents into spreadsheets to facilitate data loading

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- The Team Coordinator Risk Audit & Safety has expressed concerns to the software vendor over the delays to upgrading the system, as the timelines have not met what was indicated to Council previously; and has advised that discontinuation of services may be a consideration for Council should further delays occur
- The Software vendor has committed to prioritising the completion of data loading

## **RECOMMENDATIONS**

THAT the Committee resolve under delegated authority:-

THAT Report Number 16A0034 TS:mp entitled Risk Management Framework, be received and noted.

## **BACKGROUND**

Regular reports are provided to RMAC on the Risk Management Framework.

## **DISCUSSION**

### **Risk Assessments**

The four departmental risk assessments are reviewed continually throughout the year to ensure outcomes from internal audits and control self-assessment reviews are incorporated into the assessments.

Assessments are also reviewed *in toto* annually and this was completed in March 2015. Additional work was done in June 2015 to ensure that the key business objectives outlined in Council's Municipal Plan are reflected in the operational risk assessments to ensure the documents are aligned and that links between operational risk and strategic objectives outlined in the Strategic Plan are identified.

Further work will be undertaken in June 2016 to ensure continuing alignment with the 2016 Municipal Plan.

### **Control Self-assessment Program**

The control self-assessment (CSA) program is being upgraded to incorporate a front end risk management component which will partially automate the linkage between risk and controls identified in the assessments and in the control self-assessment module.

The software vendor, Control Track, attended the August 2015 RMAC meeting to demonstrate system capabilities to the Committee.

The Committee agreed to suspend CSA activity pending the implementation of the new system.

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Control Track committed to having data loaded and the new system ready for testing by January 2016, with a demonstration to be given to RMAC at its March 2016 meeting.

There have been some delays to data conversion and loading to the system on account of:

- resolving software interface issues between the vendor's risk management system and the CSA component
- the previous vendor representative made commitments to Council on transitioning to the new risk/CSA system; however he no longer works for the vendor and would appear not to have fully appraised the vendor on commitments made
- Council's risk management framework is far more comprehensive and complex than those used by other Local Government authorities who are also transitioning to the new program
- Council's data source for its risk management system is word based and needs to be converted into spreadsheet format to facilitate data loading to the new risk/CSA system.

The Team Coordinator Risk Audit and Safety held a teleconference with the vendor and has expressed Council's concerns over delays to implementation of the new program.

A follow up conversation has been held with the vendor expressing concerns that, because of commitments given by them for the timelines expected for the upgrade to the new program, Council has now gone twelve months without undertaking a control assessment program.

The vendor has now committed to transitioning Council's control assessment data to the new control assessment tool by mid-March 2016. This will enable Council to resume its control assessment activities while issues with the new front end risk management package are resolved.

### Business Continuity Planning

The business continuity plans for essential Council functions was first undertaken over the period December 2011 and January 2012.

The software vendor attended Council during the second week of July 2015 to install and configure the new version of the business continuity software which has resulted in improvements in both capability and functionality. City of Darwin is the first Australian client to upgrade to the new software.

The Team Coordinator Risk Audit and Safety has now worked through the review and redevelopment of continuity plans and including new essential areas where necessary.

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The software vendor is attending Council again in June 2016 to review and test continuity plans.

The business continuity software suite now also includes a risk and compliance component and this will be assessed for suitability of use should further problems present with the upgrade of the Control Track software.

There is no cost associated with converting to the compliance module in our business continuity program.

### **CONSULTATION PROCESS**

This report was considered by the Executive Leadership Team on 14 March 2016 and now referred to the Risk Management & Audit Committee for consideration.

### **POLICY IMPLICATIONS**

Nil

### **BUDGET AND RESOURCE IMPLICATIONS**

The upgrades to both the business continuity and control self-assessment software are included in current contractual arrangements with the software providers.

### **RISK/LEGAL/LEGISLATIVE IMPLICATIONS**

Understand and manage Council's risk exposure.

### **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.

**TONY SIMONS**  
**TEAM COORDINATOR RISK,**  
**AUDIT & SAFETY**

**DIANA LEEDER**  
**GENERAL MANAGER**  
**CORPORATE SERVICES**

For enquiries, please contact Tony Simons on 8930 0573 or email:  
 t.simons@darwin.nt.gov.au.

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

**AGENDA ITEM: 9.4**

**OUTSTANDING AUDIT ISSUE NO. 140 - STRATEGIC PERFORMANCE FRAMEWORK -  
PROGRESS REPORT 3**

**REPORT No.: 16TC0021 SJ:ph COMMON No.: 1230662**

**DATE: 18/03/2016**

**Presenter: Manager Strategy & Outcomes, Sheree Jeeves**

**Approved: Executive Manager, Mark Blackburn**

**PURPOSE**

The purpose of this report is to inform the Risk Management & Audit Committee (RMAC) of the progress of 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**

- During 2013, company BDO Australia were contracted to undertake an audit of Council's Strategic Performance Framework
- The outcomes of the audit, recommendations and management responses were submitted to the RMAC in November 2013. The findings 1.0 - 4.0, being of Moderate Risk, were added to the Outstanding Audit Issues Register (Decision No. 21/1715)
- The Committee has received two Progress Reports at the meetings held on 7 March 2014 and 22 August 2014 (Decision No. 21/1896 and 21/2528)
- In September 2015 KPMG was engaged to review the Strategic Performance Framework and the implementation of Outstanding Audit Issues Register items; this is anticipated to be completed by 30 June 2016
- This report provides an update on the implementation of the outstanding items and details current findings from KPMG

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 FRAMEWORK - PROGRESS REPORT 3

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## **RECOMMENDATIONS**

THAT the Committee resolve under delegated authority:-

- A. THAT Report Number 16TC0021 SJ:ph entitled Outstanding Audit Issue No. 140 - Strategic Performance Framework - Progress Report 3, be received and noted.
- B. THAT the Outstanding Audit Issue Register be updated as detailed in **Attachment A** of Report Number 16TC0021 SJ:ph entitled Outstanding Audit Issue No. 140 - Strategic Performance Framework Audit - Progress Report 3.

## **BACKGROUND**

*DECISION NO. 21\2528 (22/08/14)*

### **Outstanding Audit Issue No. 140 – Strategic Performance Framework Audit – Progress Report 2**

*Report No. 14TC0051 VG:ph (22/08/14) Common No. 1230662*

- A. *THAT Report Number 14TC0051 VG:ph entitled Outstanding Audit Issue No. 140 – Strategic Performance Framework Audit – Progress Report 2, be received and noted.*
- B. *THAT the Outstanding Audit Issues Register be amended to have a completion date of 31 December 2014 for Outstanding Audit Issue No. 140 – Strategic Performance Framework Audit Item 1.0, Reliability of Monitoring and Reporting Processes.*
- C. *THAT the Chief Executive Officer reflect on his capacity to sign off on the accuracy of the performance information presented in the 2013/14 Annual Report.*

## **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.

Manager Strategy and Outcomes has been working with KPMG to ensure Outstanding Audit Issue 140 is addressed and review the current status of the Strategic Performance Framework.

**Attachment A** provides details of the progress against the Outstanding Audit Items 140 – Strategic Performance Framework.

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 FRAMEWORK - PROGRESS REPORT 3

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## **CONSULTATION PROCESS**

This report was considered by the Executive Leadership Team on 14 March 2016 and now referred to the Risk Management & Audit Committee for consideration.

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

- Executive Manager
- 31 staff have been involved with the review with KPMG

## **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**

Nil

## **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'.

### 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.

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 FRAMEWORK - PROGRESS REPORT 3

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### **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.

**SHEREE JEEVES**  
**MANAGER STRATEGY &**  
**OUTCOMES**

**MARK BLACKBURN**  
**EXECUTIVE MANAGER**

For enquiries, please contact Sheree Jeeves on 89300531 or email:  
[s.jeeves@darwin.nt.gov.au](mailto:s.jeeves@darwin.nt.gov.au).

### **Attachments:**

**Attachment A:** Outstanding Audit Issue 140 – Strategic Performance Framework

Finding	Detailed Finding	Rating	Recommended Action	Responsibility	Amended Target Date	Progress Mar 2016	Comments
1	Reliability of Monitoring & Reporting Processes	Moderate	1.0 The Manager Strategy and Outcomes to ensure all KPIs reported in Interplan are supported by accurate and reliable source documentation. This documentation should be retained (either electronically within Interplan or in hard copy) for each Progress Report. These requirements should be clearly documented and communicated to management and staff across the council.  2.1 Review the Strategic Performance Framework to ensure only those plans required in the process are included and that each cascades from the previous to ensure linkages. A pragmatic approach should be taken with this review to ensure the plans are relevant and will be applied.  2.2 Include both a City and Council Vision with separate Council strategic goals.  2.3 Gain business ownership in strategic direction. The business needs to be involved in the strategic planning development process as well as its application throughout the year. They should be questioning any operational activities not contributing to the agreed strategic direction. The agreed strategic direction should be reflected in actions and performance assessments, including staff appraisals.	Manager Strategy & Outcomes	June 2016	70%	The 2014/15 Annual Report showed all Strategic and Municipal Plan KPIs. The RMAC Report 30/10/15 identified that source data was available for all 25 of the Strategic Plan KPIs. For the Municipal Plan KPIs there were 85 with source data available, 7 KPIs without source data available and 10 KPIs were no longer relevant. A collaborative process is being undertaken in the development of the 2016/17 Municipal Plan to update Program Profiles, ensuring reliable KPIs with source data is available. The KPMG review also identified inconsistencies with the current list of Program Profiles i.e. they are broken down to different levels in different Departments and at odds with operational structure in some areas. This is also being addressed in the 2016/17 Municipal Plan development.
2	Lack of Linkage within Strategic Framework	Moderate	3.0 Using the information provided as a result of this Internal Audit project, review the suite of KPIs focussing on what is key, measurable and relevant, as well as including both lead (or real time) and lag indicators.  4.1 Based on business area needs, CoD should develop a standard suite of reporting to be produced from Interplan.  4.2 CoD should also review the process to record and update information in Interplan to improve its efficiency. Revised processes should then be rolled out across the organisation. Business areas should then be encouraged to use Interplan rather than alternative sources.	Chief Officers Group	June 2016	80%	The Strategic Planning Framework is being updated in line with developing the 2016/17 Municipal Plan to identify new and rescinded plans to better reflect our operating environment. The Framework is revisited each year in line with Municipal Planning.
3	Inappropriate Key Performance Measures	Moderate				100%	Action 2.2 Feb 2014 - Action 2.2 is considered complete as Council does not feel it necessary to develop a City and Council Vision. Jul 2014 - Action 2.2 Complete
4	Inefficient Reporting Processes	Moderate			June 2016	70%	Middle Managers and Program Managers are engaged in the development of the Municipal Plan, Customer Satisfaction Tool and Annual Report each year. As part of the KPMG Strategic Performance Review, a number of staff met with KPMG to discuss the Planning Framework, identify issues and opportunities for improvement. Workshops were held with staff to complete the 6 month Strategic and Municipal Plan Progress Report. This initiated conversations about reliability of reporting information. Workshops were then held to commence planning of the 2016/17 Municipal Plan, with a focus on producing Program Profiles which have reliable source data.  For the 2015/16 Municipal Plan KPIs there were 85 with source data available, 7 KPIs without source data available and 10 KPIs were no longer relevant. The review with KPMG and a collaborative process being undertaken to develop the 2016/17 Municipal Plan has a focus on producing relevant KPIs with source data.
				Manager Strategy & Outcomes	June 2016	50%	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.
					June 2016	50%	Interplan was considered in the Planning and Reporting Review completed with KPMG. The initial finding being that the program can deliver what the Council requires, but the information within the Planning Framework should be finalised first before Interplan is rolled out to the organisation again. Interplan is currently being used by the Strategic Services team.

# ATTACHMENT A

ENCL: RISK MANAGEMENT & AUDIT  
YES COMMITTEE/OPEN

AGENDA ITEM: 9.5

**OUTSTANDING AUDIT ISSUE NO. 143 - ENVIRONMENTAL MANAGEMENT SYSTEM  
ASSESSMENT – FINAL REPORT**

REPORT No.: 16TC0018 SG;nj COMMON No.: 2110829

DATE: 18/03/2016

**Presenter:** Manager Climate Change & Environment, Shenagh Gamble

**Approved:** Executive Manager, Mark Blackburn

**PURPOSE**

The purpose of this report is to finalise Outstanding Audit Issue No. 143.

**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**

- Outstanding Audit Issue No. 143 is complete
- A summary of sections within the issue is provided in **Attachment A**
- A City of Darwin Operational Environmental Management Plan is being developed to synthesise many of the sections contained within this issue.

**RECOMMENDATIONS**

THAT the Committee resolve under delegated authority:-

- A. THAT Report Number 16TC0018 SG:nj entitled Outstanding Audit Issue No. 143 - Environmental Management System Assessment - Final Report, be received and noted.
- B. THAT Outstanding Audit Issue No. 143, Sections 3.5, 3.6, 3.7 and 3.8 be moved to the Completed Audit Issues Register.

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 REPORT NUMBER: 16TC0018  
 SUBJECT: OUTSTANDING AUDIT ISSUE NO. 143 - ENVIRONMENTAL  
 MANAGEMENT SYSTEM ASSESSMENT - FINAL REPORT

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## **BACKGROUND**

At the Risk Management & Audit Committee Meeting of Friday 27 March 2015 it was resolved under delegated authority:

*DECISION NO.21\3689 (28/08/15)*

### **Outstanding Audit Issue No.143 – Update August 2015**

*Report No.15TC0100 SG:nj (28/08/15) Common No. 2110829*

- A. *That Report Number 15TC0100 SG:nj entitled Outstanding Audit Issue No. 143 – Update August 2015, be received and noted.*
- B. *THAT Outstanding Audit Issue no. 143, Section 3.3 and 3.4 be moved to the Completed Audit Issues Register*
- C. *THAT Outstanding Audit Issue No. 143, Sections 3.5, 3.6, 3.7 and 3.8 have an amended completion date to December 2015.*

## **DISCUSSION**

This report finalises Outstanding Audit Issue No. 143 - Environmental Management System Assessment. A detailed list of Audit Issue No. 143 including finalisation dates is provided in **Attachment A** to this report.

### **3.2 Reporting processes against environmental KPIs should be further clarified.**

- a) Update Standard Operating Procedure 010 “Tree Planting Reporting” to include: Frequency of reports against KPIs  
 Status: Complete.  
 Comments: This SOP has been updated.

### **3.5 Contractors’ reports should contain explicit reference to environmental issues or conditions**

***Manager Climate Change & Environment, Manager Contracts & Manager Infrastructure Capital Works – Amended to December 2015***

Status: Complete

Comments: A template Periodic Environmental Report (**Attachment B**) has been developed for use by City of Darwin contractors

### **3.6 Contractors should submit environmental management plans**

***Manager Climate Change & Environment, Manager Contracts and Manager Infrastructure Capital Works – Amended to December 2015***

Status: Complete

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 MANAGEMENT SYSTEM ASSESSMENT - FINAL REPORT

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Comments: A template Operational Environmental Management Plan (**Attachment C**) has been developed to provide to contractors as part of the terms of engagement. Meetings between the above listed responsible officers have taken place to ensure the requirement for environmental management plans is included for CoD contractors.

**3.7 A standard set of environmental conditions based on legislative requirements should be written in to contracts or leases**

***Manager Climate Change & Environment and Manager Contracts –***

*Amended to December 2015*

Status: Complete

Comments: A list of standard clauses has been developed and is included in **Attachment D** to this report. Meetings between the above listed responsible officers have taken place to ensure these environmental conditions are included in CoD contracts and leases where appropriate.

**3.8 Leases and contracts should be regularly reviewed to account for changes in environmental legislation or conditions**

***Manager Climate Change & Environment, Manager Contracts & Manager Infrastructure Capital Works – Amended to December 2015***

Status: Complete

Comments: Relevant environmental legislation has been compiled and previously reported to this committee. Standard clauses have been developed, as described in 3.7 above. Meetings between the above listed responsible officers have taken place to ensure these legislative requirements are included when reviewing leases and contracts.

In addressing the sections within Audit Issue No. 143 it has been determined to develop a City of Darwin Operational Environmental Management Plan (OEMP). This OEMP will cover many of the sections within Audit Issue No. 143 and provide City of Darwin the opportunity to lead by example and demonstrate best practice environmental management in the community.

### **CONSULTATION PROCESS**

This report was considered by the Executive Leadership Team on 14 March 2016 and now referred to the Risk Management & Audit Committee for consideration.

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

- Manager Infrastructure Maintenance
- Team Leader Capital Works
- Manager Business Services
- Contracts Administrator

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 MANAGEMENT SYSTEM ASSESSMENT - FINAL REPORT

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### **POLICY IMPLICATIONS**

Nil

### **BUDGET AND RESOURCE IMPLICATIONS**

Nil

### **RISK/LEGAL/LEGISLATIVE IMPLICATIONS**

Increasing awareness of obligations under environmental legislation provides avenues to reduce the risk of Council operations contravening environmental legislation. Recommendations discussed above help Council to improve compliance with environmental legislation.

### **ENVIRONMENTAL IMPLICATIONS**

Improved compliance with environmental legislation inherently reduces the risk of environmental harm.

### **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.

**SHENAGH GAMBLE**  
**MANAGER CLIMATE CHANGE &**  
**ENVIRONMENT**

**MARK BLACKBURN**  
**EXECUTIVE MANAGER**

For enquiries, please contact Shenagh Gamble on 89300530 or email:  
 shenagh.gamble@darwin.nt.gov.au.

### **Attachments:**

- Attachment A:** Outstanding Audit Issue 143 – Register of Completion
- Attachment B:** Template Periodic environmental report
- Attachment C:** Template Operational Environmental Management Plan
- Attachment D:** Environmental clauses for City of Darwin contractor and lease agreements

## Outstanding Audit Issue 143 – Register of Completion

**3.1 Environmental advocacy groups and other stakeholders should be engaged further in the annual forum**

*Completed March 2015 DECISION NO.21\3165*

**3.2 Reporting processes against environmental KPIs should be further clarified.**

*Completed March 2015 DECISION NO.21\3165*

**3.3 A formal central register for compliance with environmental legislation should be implemented and maintained.**

*Completed August 2015 DECISION NO.21\3689*

**3.4 Inspections and monitoring regimes should contain explicit reference to environmental issues**

*Completed August 2015 DECISION NO.21\3689*

**3.5 Contractors' reports should contain explicit reference environmental issues or conditions.**

*Completed March 2016 DECISION NO XXXXX*

**3.6 Contractors should submit environmental management plans.**

*Completed March 2016 DECISION NO XXXXX*

**3.7 A standard set of environmental conditions based on legislative requirements should be written into contracts or leases.**

*Completed March 2016 DECISION NO XXXXX*

**3.8 Leases and contracts should be regularly reviewed to account for changes in environmental legislation or conditions.**

*Completed March 2016 DECISION NO XXXXX*

**3.9 A data management program for the collection of the GHG emissions data should be established.**

*Completed March 2015 DECISION NO.21\3165*

**3.10 The Operational Risk Assessment of the Office of the Chief Executive should be further updated (minor matter).**

*Completed March 2015 DECISION NO.21\3165*

# ATTACHMENT B

## Periodic environmental report

<b>Project name:</b>			
<b>Company name:</b>			
<b>Date of last report:</b>			
<b>Environmental incidents</b>			
Have you experienced any environmental incidents since the last report? If yes, please specify what type of incident:	Spill or leak of fuel or chemicals Uncontrolled air emission Damage to cultural heritage items/area Pollution of water	Waste/litter Excessive Noise Fire explosion Breach of licence conditions Dust	Protected vegetation damage Fauna injury Excessive vegetation clearing or damage Other
Please provide more information:			
What kinds of environmental impacts have arisen out of these incidents?			
Did you notify any other government authorities of the incident? If yes, please specify who:			
What immediate actions/control measures were taken to rectify or contain the incident?			
What corrective action has been taken to prevent similar instances recurring?			
<b>Environmental trends</b>			
Have the environmental conditions on site changed since the last report? If yes, please explain how and why:			
Have your activities changed since the last report? If so, please explain how, and if there is any change to the environmental impact of your activities:			
<b>Any other comments?</b>			
<b>Sign-off</b>			
Name of person who prepared report:			
Date:			
Signature			

City of Darwin

[NAME OF CONTRACTOR]

[NAME OF OPERATION]

**OPERATIONAL ENVIRONMENTAL MANAGEMENT PLAN**

[DATE]

[VERSION]

## PART 1: BACKGROUND AND PROJECT SPECIFICS

### 1.1. Contractor information

Project name:	
Company name:	
Key contact:	
Date of EMP:	
EMP prepared by:	

### 1.2. Project specifications

Site address	
Description of area	
Plan (layout) attached?	Yes or No
Brief summary of overall project:	
Key activities:	
Operation processes:	
Plant/assets/equipment	
No of employees (inc subcontractors)	
Timing/staging (e.g. operating hours)	

### 1.3. Environmental background

Description of existing environment:	<i>Include land use and ownership, zoning, landmark features e.g. sensitive environments such as waterways, groundwater resources, natural features, conservation reserves, cultural sites.</i>
Inherent environmental qualities	<i>Prone to flooding, bushfires? Are there threatened species or ecosystems in the area?</i>
Quality of existing environmental conditions	<i>Comment on the air quality, surface water quality, and general environmental amenity of the area</i>

## 1.2. Contractor environmental management system

Does your business have an environmental management system or policies that apply to this development?	
Copy attached?	Yes/No

## 1.3. Legal and licensing

Relevant legislation	<p><i>Suggestions:</i></p> <p><i>Commonwealth:</i></p> <ul style="list-style-type: none"> <li>• <i>Environment Protection and Biodiversity Conservation Act</i></li> <li>• <i>Ozone Protection and Synthetic Greenhouse Gas Management Act</i></li> <li>• <i>Aboriginal and Torres Strait Islander Heritage Protection Act</i></li> </ul> <p><i>NT:</i></p> <ul style="list-style-type: none"> <li>• <i>Environmental Offences and Penalties Act</i></li> <li>• <i>Local Government Act</i></li> <li>• <i>Weeds Management Act</i></li> <li>• <i>Soil Conservation and Land Utilisation Act</i></li> <li>• <i>Water Act</i></li> <li>• <i>Public and Environmental Health Act</i></li> <li>• <i>Public and Environmental Health Regulations</i></li> <li>• <i>Waste Management and Pollution Control Act</i></li> <li>• <i>Litter Act</i></li> <li>• <i>Animal Welfare Act</i></li> <li>• <i>Territory Parks and Wildlife Conservation Act</i></li> <li>• <i>National Pollutant Inventory</i></li> <li>• <i>Plant Health Act</i></li> <li>• <i>Plant Health Regulations</i></li> <li>• <i>Planning Act</i></li> <li>• <i>Aboriginal Sacred Sites Act</i></li> <li>• <i>Heritage Act</i></li> </ul>
Licences, approvals or permits obtained or to be obtained	<p><i>Waste Discharge Licence ###</i></p> <p><i>Development Approval ###</i></p> <p><i>Aboriginal Areas Protection Authority Certificate ##</i></p>
Conditions of approval/consent or licenses	<p><i>Please insert the text of the conditions on any licence, approval or permit you have been granted. Alternatively, attach a copy of the document to Appendix 2 and note that in this box.</i></p>
Other regulatory requirements (e.g. contracts, professional standards)	

1.4. Environmental management structure

Position	
Name	
Responsibilities	
Contact	
Position	
Name	
Responsibilities	
Contact	
Position	
Name	
Responsibilities	
Contact	

**PART 2: ENVIRONMENTAL RISK ASSESSMENT AND MANAGEMENT**

**2.1. ENVIRONMENTAL HAZARD ASSESSMENT**

Activity	Possible or actual environmental impact	Likelihood of occurrence	Environmental consequences
Grading surfaces	Wind will sweep up dust	Medium	Affected air quality

## 2.2. ENVIRONMENTAL MANAGEMENT STRATEGIES

Environmental impact	Objective	Actions or tools to mitigate risk / control measures	Timing/frequency	Person responsible
Reduced air quality from dust	Reduce dust	Spray down surfaces with water	Whenever grading	Project manager

### PART 3: ENVIRONMENTAL EMERGENCY CONTACT AND RESPONSE

Emergency contact name and number:	<i>The person, or people, who can be contacted 24/7 and have the authority to stop works if required</i>
Other emergency contacts:	<i>Police:</i> <i>Fire brigade:</i> <i>Ambulance:</i>
Emergency procedure:	<i>Describe in brief or attach a comprehensive emergency procedure policy to Appendix 2.</i> <i>The emergency procedure should include steps to follow in response to incidents, including contingency management measures to minimize environmental harm, and timeframes for notifying relevant authorities and the community</i>
Notification instructions – stakeholders and contact details	<i>Describe who you need to contact, by when, and what methods you will use (for instance, NTEPA; nearby residents; City of Darwin)</i>

## PART 4: MONITORING, TRAINING AND AWARENESS

### 4.1. External reporting commitments

Reporting requirement	Content	Frequency and due dates	Responsible person
<i>City of Darwin</i>	<i>Annual compliance report</i>	<i>Annual (periodic)</i>	
<i>City of Darwin</i>	<i>Incident report</i>	<i>Incident based</i>	
<i>NTEPA</i>	<i>Pollution incident report (s 14 of WMPC Act)</i>	<i>Incident based</i>	
<i>Police</i>	<i>Discovery of skeletal remains</i>	<i>Incident based</i>	

### 4.2. Internal reporting commitments

Internal monitoring description	<i>Describe how you will monitor and measure that you are complying with the EMP, relevant laws, your contractual obligations and internal policies, and what actions you would take if there is non-compliance</i>
Internal monitoring schedule	<i>Fortnightly/monthly/annually</i>
Responsible person:	

### 4.3. EMP review

Review process:	<i>Suggestion:</i> <ul style="list-style-type: none"> <li><i>The responsible person will:</i></li> <li><i>reviews records about environmental incidents;</i></li> <li><i>discuss operations with key staff;</i></li> <li><i>record decisions;</i></li> <li><i>make subsequent changes to the EMP;</i></li> <li><i>provide EMP to City of Darwin for review and consideration</i></li> </ul>
Review frequency:	<i>Annually</i>
Responsible person:	

#### 4.4 Training and awareness

Will you conduct environmental awareness training for your employees and sub-contractors?	Yes or No
Training frequency and timing:	<p><i>Suggestions:</i></p> <ul style="list-style-type: none"> <li>• <i>When commencing employment</i></li> <li>• <i>Following EMP updates</i></li> <li>• <i>Every six months during the life of the contract</i></li> </ul>
Content	<p><i>Suggestions:</i></p> <ul style="list-style-type: none"> <li>• <i>Site induction</i></li> <li>• <i>Familiarisation with requirements of EMP</i></li> <li>• <i>Environmental emergency response training</i></li> <li>• <i>Familiarisation with site environmental controls</i></li> <li>• <i>Targeted environmental training for specific personnel, depending on what the role is.</i></li> <li>• <i>Maintain records of training.</i></li> </ul>

**APPENDIX 1:            Maps, diagrams, blueprints, conceptual site model**

No	Date	Description
1.		
2.		
3.		

**APPENDIX 2:            Environmental documents (e.g. relevant policies and procedures, environmental management system, licences and permits, etc)**

No	Date	Description
1.		
2.		
3.		

## Environmental clauses for City of Darwin contractor agreements

## Definitions

Word	Meaning
Activities	All activities, products and services that the Contractor has been engaged to provide to the Council.
Contaminant	Has the same meaning as in the <i>Waste Management and Pollution Control Act</i> (NT).
Environment	Has the same meaning as in the <i>Waste Management and Pollution Control Act</i> (NT).
Environmental harm	Has the same meaning as in the <i>Waste Management and Pollution Control Act</i> (NT)
Environmental Management Plan	A site or project specific plan developed to ensure that appropriate environmental management practices are followed during the construction and/or operation of a project.
Pollution incident	An event where: <ul style="list-style-type: none"> <li>• a contaminant or waste is emitted, discharged, deposited or disturbed or escapes; or</li> <li>• a contaminant or waste, effect or phenomenon, that is present in the environment occurs as a consequence of an emission, discharge, deposition, escape or disturbance of a contaminant or waste.</li> </ul>
Emergency environmental incident	Any pollution incident which: <ul style="list-style-type: none"> <li>(a) has caused, or is likely to cause, serious environmental harm; or</li> <li>(b) has, or is likely to have, a serious public health risk.</li> </ul>
Serious environmental harm	Has the same meaning as in the <i>Waste Management and Pollution Control Act</i> (NT)
Standard Operating Procedure	Means the City of Darwin document titled, Standard Operating Procedure: Contractor Reporting of Environmental Incidents, as amended from time to time.
Serious public health risk	Has the same meaning as in the <i>Public and Environmental Health Act</i> (NT)
Waste	Has the same meaning as in the <i>Waste Management and Pollution Control Act</i> (NT)

## Compliance with environmental legislation

- 1) The Contractor shall comply with all applicable laws for the protection of the environment arising as a consequence of or in connection with the activities, including those arising under Commonwealth and Territory Acts, regulations, by-laws, and other subordinate legislation.
- 2) The cost of meeting these legislative requirements shall be borne by the Contractor.
- 3) The Contractor must ensure that all persons employed or engaged by the Contractor in connection with the activities also comply with these legislative requirements.
- 4) In this regard, the Contractor's obligations include:
  - a) obtaining and maintaining any necessary approvals, permits or licenses for the activities,
  - b) complying with the terms and conditions of the approvals, permits or licenses;
  - c) ensuring that its employees and subcontractors are aware of and adhere to their environmental obligations;
  - d) complying with the lawful notices, orders or communications from authorities for the protection of the Environment; and
  - e) notifying relevant authorities for the protection of the environment in the event of environmental harm or pollution incident.

#### **Indemnity**

- 5) The Contractor indemnifies the Council against all claims, costs, expenses, losses or damages suffered or incurred by the Council arising out of or in connection with the activities that results in or causes environmental harm.

#### **Environmental Management Plan**

- 6) The Contractor must, within 30 days of the date of this Contract and prior to the commencement of any activities, submit to the Council an Environmental Management Plan (**EMP**).
- 7) The Contractor must consider any amendments to the EMP, or any update of the EMP, which the Council may propose.
- 8) The EMP must be reviewed at least annually from the date of the execution of the Contract.
- 9) In addition to the annual review, the EMP should be reviewed:
  - a) When there is a change in the scope of the activities;
  - b) Following significant pollution incidents;
  - c) When there is the need to improve performance in an area of environmental management;
- 10) If, following a review, the Contractor makes any amendments or changes to the EMP, the Contractor must provided the amended EMP to the Council.
- 11) The Contractor, and its employees and subcontractors, must comply with their EMP in the performance of the Contract.

#### **General environmental duty**

- 12) The Contractor will:
  - a) do all things reasonable and practicable to prevent or minimise the likelihood of environmental harm occurring as a result of, or in connection with, their activities;
  - b) in respect of the activities, mitigate the risk of environmental harm on the site at its own expense.
  - c) implement and enforce sound environmental work practices and procedures;
  - d) conduct environmental training for employees and subcontractors; and

- e) effectively respond to environmental harm and the risk of environmental harm occurring as a result of or in connection with its activities.

#### **Notification / Reporting**

- 13) The Contractor must provide a periodic environmental report to the Council [insert frequency determined between the parties]
- 14) Within 3 days of any pollution incident, the Contractor must notify the Council by following the procedure set out in the Standard Operating Procedure.
- 15) Within 24 hours of becoming aware of an emergency environmental incident the Contractor must notify Council by following the procedure set out in the Standard Operating Procedure.
- 16) The Contractor agrees to as soon as practicable provide to Council any correspondence received from environmental agencies as required under the Standard Operating Procedure.
- 17) The Contractor agrees that the Council may at all times access the Contractor's site, facilities, and associated vehicles, plant and equipment and records to satisfy itself that the Contractor is complying with its obligations under this Contract.

DRAFT

## Environmental clauses for City of Darwin lease agreements

### Definitions

Word	Meaning
Activities	Means all activities authorised under the Lease
Contaminant	Has the same meaning as in the <i>Waste Management and Pollution Control Act</i> (NT).
Environment	Has the same meaning as in the <i>Waste Management and Pollution Control Act</i> (NT).
Environmental Harm	Has the same meaning as in the <i>Waste Management and Pollution Control Act</i> (NT)
Environmental Management Plan	A site or project specific plan developed to ensure that appropriate environmental management practices are followed during the construction and/or operation of a project.
Lease	Means this Lease
Listed Waste	Has the same meaning as in the <i>Waste Management Pollution Control Act</i> (NT)
Native Vegetation	Has the same meaning as in the Planning Scheme
Planning Scheme	Means the Northern Territory Planning Scheme
Pollution Incident	An event where: <ul style="list-style-type: none"> <li>• a contaminant or waste is emitted, discharged, deposited or disturbed or escapes; or</li> <li>• a contaminant or waste, effect or phenomenon, that is present in the environment occurs as a consequence of an emission, discharge, deposition, escape or disturbance of a contaminant or waste.</li> </ul>
Environmental Agency	Means the Northern Territory Environmental Protection Authority, the Department of Lands, Planning and the Environment or any other government agency with powers with respect to environmental harm occurring on the Subject Land.
Emergency Environmental Incident	Any pollution incident which: <ul style="list-style-type: none"> <li>(a) has caused, or is likely to cause, serious environmental harm; or</li> <li>(b) has, or is likely to have, a serious public health risk.</li> </ul>
Environmental Law	Means all environmental, contamination or pollution laws and any orders, directions, ordinances or other requirements, permissions, permits or licences issues under them.

Environmental Notice	Means any written notice, direction, order, demand or other requirement to take any action or refrain from taking any action from any Environmental Agency in connection with any Environmental Law.
Serious Environmental Harm	Has the same meaning as in the <i>Waste Management and Pollution Control Act</i> (NT)
Subject Land	Means the land situated at [insert details] being the land referred to in Certificate of Title Volume [###] Folio [###].
Waste	Has the same meaning as in the <i>Waste Management and Pollution Control Act</i> (NT)

### Compliance with environmental legislation

- 1) The Lessee shall comply with all Environmental laws and all other applicable laws for the protection of the environment arising as a consequence of, or in connection with, the activities, including those arising under Commonwealth and Northern Territory Acts, regulations, by-laws, and other subordinate legislation.
- 2) The cost of meeting these legislative requirements shall be borne by the Lessee.
- 3) In this regard, the Lessee's obligations include:
  - a) obtaining and maintaining any necessary approvals, permits or licenses for the activities,
  - b) complying with the terms and conditions of the approvals, permits or licenses;
  - c) complying with any Environmental Notice or other orders or communications from authorities for the protection of the environment; and
  - d) notifying relevant authorities for the protection of the environment in the event of environmental harm or pollution incident.

### Indemnity

- 4) The Lessee indemnifies the Council against all claims, costs (including clean-up and land rehabilitation costs), expenses, losses or damages suffered or incurred by the Council arising out of or in connection with the activities that results in or causes environmental harm.

### General environmental duty

- 5) The Lessee will:
  - a) do all things reasonable and practicable to prevent or minimise the likelihood of environmental harm occurring as a result of, or in connection with, their activities;
  - b) in respect of the activities, mitigate the risk of environmental harm on the site at its own expense.
  - c) effectively respond to environmental harm and the risk of environmental harm occurring as a result of or in connection with its activities.

### Clearing of land

- 6) The Lessee must not cut down, remove or destroy Native Vegetation or otherwise clear any part of the Subject Land, or disturb or affect the soil except as permitted under this Lease and the Environmental Laws; and

### Waste

- 7) The Lessee will not:
- a) store, manage, treat, deposit, place or dispose of any Listed Waste on the Subject Land
- 8) Clause 8 does not apply to the extent that the storage, management, treatment, placement or deposition of any Listed Waste is:
- a) permitted under this Lease; and
  - b) authorised by all applicable laws, including Environmental Laws.

#### **Remediation of environmental harm to the Subject Land**

- 9) The Lessee will:
- a) do all things necessary to remediate any environmental harm that has occurred on the Subject Land to the satisfaction of Council; and
  - b) comply with any Environmental Notice or Environmental Law in relation to remediation and rehabilitation of the Subject Land.

#### **Right of entry**

10) [It is assumed that Council's leases will already provide for Council's right of access]

#### **Notification / Reporting**

- 11) The Lessee:
- a) must within 3 days of any pollution incident notify the Council of that Pollution Incident by [Council to specify how it wishes to be notified].
  - b) must within 24 hours of becoming aware of an Emergency Environmental Incident notify Council of the emergency environmental incident by [Council to specify how it wishes to be notified].
  - c) will provide to Council any Environmental Notice as soon as practicable after having received it.
  - d) Will notify the Council of any complaint made to the Lessee, or the commencement of proceedings against the Lessee relating to an alleged failure by the Lessee to observe or perform an obligation under an Environmental Law.

## OPEN SECTION

RMAC03/6

### Risk Management & Audit Committee Meeting – Friday, 18 March 2016

#### 10. INFORMATION ITEMS

##### 10.1 Review of Outstanding Audit Issues Register (18/03/16) Common No. 422690

*The Outstanding Audit Issues Register is **Attachment A**.*

OAI NO.	AUDIT NAME & AUDITOR	AUDIT ISSUE & REFERENCE	RESPONSIBLE OFFICER	AGREED COMPLETION DATE	IMPLEMENTATION STATUS
122	REVIEW OF FRAUD MANAGEMENT ARRANGEMENTS  Deloitte August 2011	<b>2.2.5 (1.2.4) Financial services (finance, payroll) procedures require further enhancement and updating.</b> <ul style="list-style-type: none"><li>Updating information based on changes in approval limits or resulting from system upgrades</li><li>Noting the dates when the procedure was adopted and last adopted as well is the date of its next review</li><li>Updating position titles move with the procedure especially in the case delegated officers were significant approval limits</li><li>Identifying and noting the procedure owner</li><li>Ensuring each section heading includes the appropriate text/instructions or, if deemed inapplicable is removed from the procedure</li><li>Clarifying which position is responsible for the following listed procedures, either by preparing the procedures in the third person or including an overall statement at the beginning of the procedure.</li></ul>	Manager Finance	March 2012 Amended to December 2012 Amended to May 13 Amended to Oct 2013 Amended to May 2014 Amended to July 2014 Amended to October 2014 Amended to October 2015 per RMAC 27032015 Amended to March 2016 per RMAC 30102015	See Report in Agenda for June 2012. See Report in Agenda for March 2013. See Report in Agenda for August 2013. New revised recommendations as per March 2014 report See Minutes from item 10.1 May 2014 meeting. See Minutes from item 9.4 August 2014 meeting.
140	STRATEGIC PERFORMANCE FRAMEWORK  BDO December 2013	<b>Reliability of Monitoring &amp; Reporting Processes</b>  1 The Manager Strategy and Outcomes to ensure all KPIs reported in Interplan are supported by accurate and reliable source documentation. This documentation should be retained (either electronically within Interplan or in hard copy) for each Progress Report. These requirements should be clearly documented and communicated to management and staff across the council.	Manager Strategy & Outcomes	March 2014 Amended to June 2014 Amended to 31 December 2014	New revised recommendations as per March 2014 report See Minutes from item 9.6 August 2014 meeting
		<b>Lack of Linkage within Strategic Performance framework</b>  2.1 Review the Strategic Performance Framework to ensure only those plans required in the process are included and that each cascades from the previous to ensure linkages. A pragmatic approach should be taken with this review to ensure the plans are relevant and will be applied.	Manager Strategy & Outcomes	June 2014 Amended to 31 December 2014	New revised recommendations as per March 2014 report
		<b>Lack of Linkage within Strategic Performance framework</b>  2.2 Include both a City and Council Vision with separate Council strategic goals.	Manager Strategy & Outcomes	June 2014 Amended to 31 December 2014	New revised recommendations as per March 2014 report
		<b>Lack of Linkage within Strategic Performance framework</b>  2.3 Gain business ownership in strategic direction. The business needs to be involved in the strategic planning development process as well as its application throughout the year. They should be questioning any operational activities not contributing to the agreed strategic direction. The agreed strategic direction should be reflected in actions and performance assessments, including staff appraisals.	Manager Strategy & Outcomes	June 2014 Amended to 31 December 2014	New revised recommendations as per March 2014 report
		<b>Inappropriate Key Performance Measures</b>  3.1 Using the information provided as a result of this Internal Audit project, review the suite of KPIs focussing on what is key, measurable and relevant, as well as including both lead (or real time) and lag indicators.	Manager Strategy & Outcomes	June 2014 Amended to December 2014	New revised recommendations as per March 2014 report

ATTACHMENT A

CITY OF DARWIN RISK MANAGEMENT & AUDIT COMMITTEE REGISTER OF OUTSTANDING AUDIT ISSUES						EFFECTIVE DATE: 27 MARCH 2015
OAI NO.	AUDIT NAME & AUDITOR	AUDIT ISSUE & REFERENCE	RESPONSIBLE OFFICER	AGREED COMPLETION DATE	IMPLEMENTATION STATUS	
140	STRATEGIC PERFORMANCE FRAMEWORK  BDO December 2013	<b>Inefficient Reporting Processes</b>  4.1 Based on business area needs, CoD should develop a standard suite of reporting to be produced from Interplan.  4.2 CoD should also review the process to record and update information in Interplan to improve its efficiency. Revised processes should then be rolled out across the organisation. Business areas should then be encouraged to use Interplan rather than alternative sources.	Manager Strategy & Outcomes	December 2013 Amended to 30 September 2014	New revised recommendations as per March 2014 report	
143	ENVIRONMENTAL MANAGEMENT SYSTEM ASSESSMENT  DELOITTE August 2014	<b>3.2 Reporting processes against environmental KPIs should be further clarified.</b>  a) Update Standard Operating Procedure 010 “Tree Planting Reporting” to include: Frequency of reports against KPIs	Manager Infrastructure Services	December 2014		
		<b>3.5 Contractors’ reports should contain explicit reference environmental issues or conditions.</b>  a) Develop standard reporting procedures for contractors b) Incorporate reporting procedures into contract documents c) Develop report database d) Reporting procedures to be updated annually and as required by the legislation register listed above	Manager Climate Change & Environment and Manager Contracts and Manager Infrastructure Capital Works	July 2015 Amended to December 2015		
		<b>3.6 Contractors should submit environmental management plans.</b>  a) Develop template Environmental management Plan documents b) Incorporate requirements into standard contract documents	Manager Climate Change & Environment and Manager Contracts and Manager Infrastructure Capital Works	July 2015 Amended to December 2015		
		<b>3.7 A standard set of environmental conditions based on legislative requirements should be written into contracts or leases.</b>  a) Research and develop environmental clauses and conditions b) Incorporate into new leases and contracts c) Incorporate into reviewed leases and contracts	Manager Climate Change & Environment and Manager Contracts	July 2015 Amended to December 2015		
		<b>3.8 Leases and contracts should be regularly reviewed to account for changes in environmental legislation or conditions.</b>  a) Compile relevant legislation b) Develop Standard Operating Procedure for review of leases and contracts c) Develop clause for review of all contracts and leases for environmental legislation	Manager Climate Change & Environment and Manager Contracts and Manager Infrastructure Capital Works	July 2015 Amended to December 2015		
145	Asset Management Audit  Deloitte March 2015	1 <b>On implementation of Asset Management System, develop and implement new procedures, and update existing draft procedures, where relevant in consultation with Finance.</b>	Manager Technical Services in consultation with Manager Finance	November 2015		
		2 <b>Finalise list of policies, procedures and standards for asset management, define purpose of each, the responsible sections and schedule review dates</b>	Manager Finance in consultation with Manager Technical Services	June 2015		

CITY OF DARWIN RISK MANAGEMENT & AUDIT COMMITTEE REGISTER OF OUTSTANDING AUDIT ISSUES					EFFECTIVE DATE: 27 MARCH 2015	
OAI NO.	AUDIT NAME & AUDITOR	AUDIT ISSUE & REFERENCE	RESPONSIBLE OFFICER	AGREED COMPLETION DATE	IMPLEMENTATION STATUS	

145	<p><b>Asset Management Audit</b></p> <p>Deloitte March 2015</p>	<p><b>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)</b></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>h) Introduce state of the art reporting for assets in the annual report</p>	<p>Manager Technical Services</p>	<p>November 2015</p>		
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145	Asset Management Audit  Deloitte March 2015	<p><b>4 Ensure the Asset Management Strategy covers the following areas:</b></p> <ul style="list-style-type: none"> <li>a. The Asset Management Strategy must include a Council endorsed Asset Management Policy</li> <li>b. The Asset Management Strategy must identify assets that are critical to the council's operations and outline risk management strategies for these assets</li> <li>c. The Asset Management Strategy must include specific actions required to improve council's asset management capability and projected resource requirements and timeframes.</li> <li>d. Annually review the asset management strategy and update improvement plan as required.</li> </ul>	Manager Technical Services	January 2016	
		<p><b>5 Develop Asset Management Improvement Program (AMIP). Program to include all improvement tasks identified in Council's Asset and Risk Management Plans and Strategy.</b></p> <ul style="list-style-type: none"> <li>a. Ensure that the current register is kept up to date and asset condition is monitored and reported as part of the annual review of the works programme.</li> <li>b. Provide a data improvement programme as part of the asset management improvement programme based on benefit/cost/risk.</li> <li>c. Develop and implement a maintenance and inspection management policy/framework and complete condition assessment manuals for all asset classes as required.</li> </ul>	Manager Technical Services	January 2016	
		<p><b>6 Asset Finder is not integrated to Civica Authority at this stage.</b></p> <ul style="list-style-type: none"> <li>a. Further considerations are necessary for the future regarding detailed procedures and degree of integration between accounting and asset management systems</li> <li>b. Implementation date is notional at this stage as it is entirely dependant on all current asset data being entered into Asset Finda</li> </ul>	Manager Technical Services in consultation with Manager Finance	May 2016	

## OPEN SECTION

RMAC03/7

### Risk Management & Audit Committee Meeting – Friday, 18 March 2016

#### 11. GENERAL BUSINESS