

# Business Papers

## Risk Management & Audit Committee Meeting

Friday, 27 October 2017  
9.00am



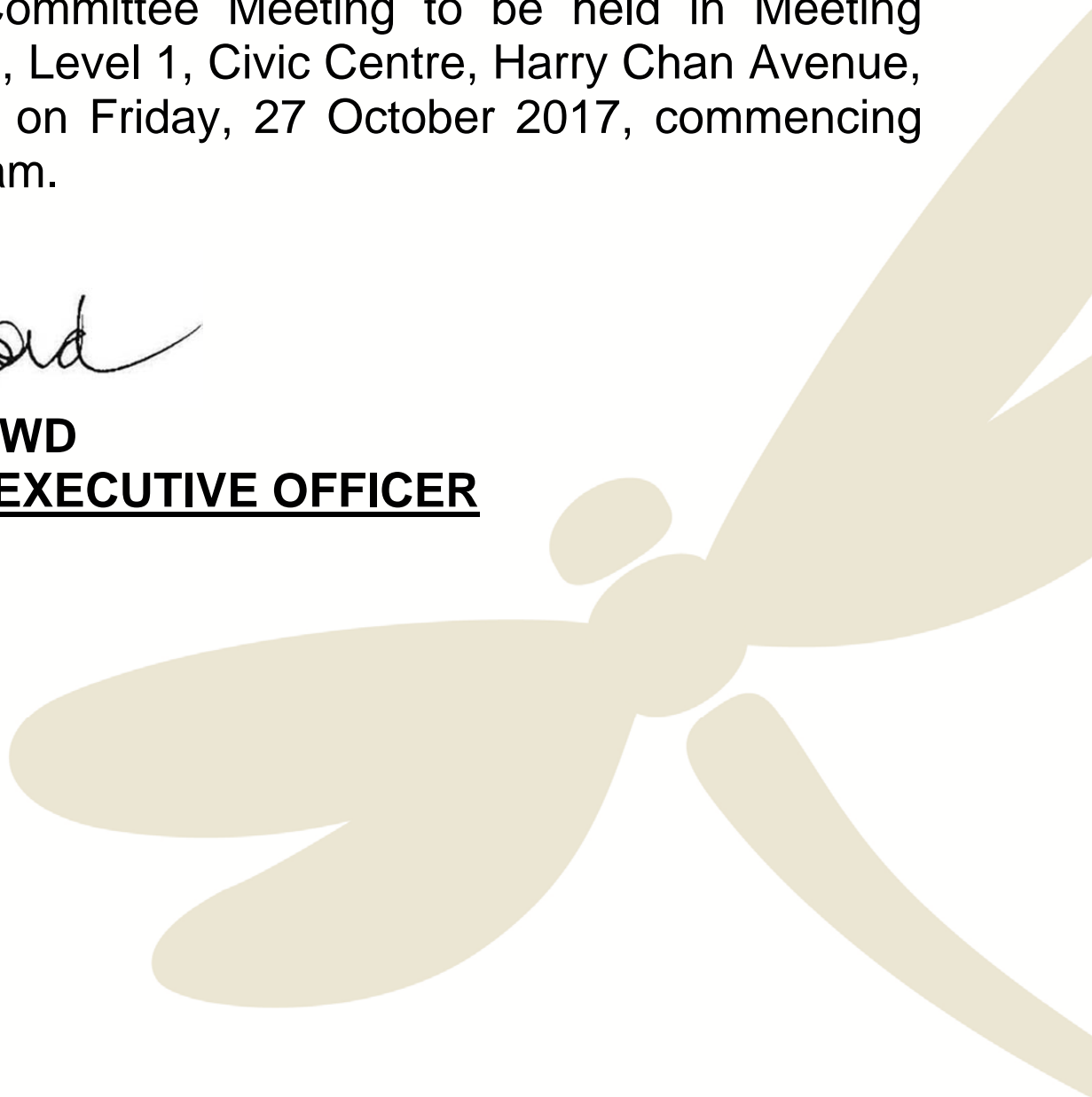
## **Notice of Meeting**

To the Lord Mayor and Aldermen

You are invited to attend a Risk Management & Audit Committee Meeting to be held in Meeting Room 1, Level 1, Civic Centre, Harry Chan Avenue, Darwin, on Friday, 27 October 2017, commencing at 9.00am.

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

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



**CITY OF DARWIN**

**RISK MANAGEMENT & AUDIT COMMITTEE MEETING**

**FRIDAY, 27 OCTOBER 2017**

MEMBERS: Mr Iain Summers (Chair); Mr Craig Spencer; Member J Bouhoris;  
Member J A Glover.

OFFICERS: Chief Executive Officer, Mr B Dowd; Acting General Manager City Performance, Mr R Iap; Coordinator Risk Audit and Safety, Mr T Simons; Acting Manager Finance, Ms I Frazis; Manager Strategy & Outcomes, Ms V Green; Acting Manager IT, Mark Bradbury; Financial Accountant, Nancy Marriott; Executive Assistant, Ms J Eves.

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

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

***Committee's Responsibilities***

THAT effective as of 26 September 2017 Council, pursuant to Section 32(2)(b) of the Local Government Act, hereby delegates to the Risk Management & Audit Committee the power to make recommendations to Council and decisions relating to Risk Management & Audit matters:

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

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# OPEN SECTION

RMAC10/5

## Risk Management & Audit Committee Meeting – Friday, 27 October 2017

**1. MEETING DECLARED OPEN**

**2. APOLOGIES AND LEAVE OF ABSENCE**

Common No. 2695036

**2.1 Apologies**

Nil

**2.2 Leave of Absence Granted**

Nil

**3. ELECTRONIC MEETING ATTENDANCE**

Common No. 2221528

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

Common No. 2752228

**4.1 Declaration of Interest by Members**

**4.2 Declaration of Interest by Staff**

**5. CONFIRMATION OF MINUTES OF PREVIOUS MEETINGS**

Common No. 1955119

**5.1 Confirmation of the Previous Risk Management & Audit Committee Meeting Minutes**

**5.2 Business Arising**

**6. DEPUTATIONS AND BRIEFINGS**



# OPEN SECTION

RMAC10/6

## Risk Management & Audit Committee Meeting – Friday, 27 October 2017

### 7. CONFIDENTIAL ITEMS

Common No. 1944604

#### 7.1 Closure to the Public for Confidential Items

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

<u>Item</u>	<u>Regulation</u>	<u>Reason</u>
C16.1	8(e)	information provided to the council on condition that it be kept confidential
C16.2	8(c)(iii)	information that would, if publicly disclosed, be likely to prejudice the security of the council, its members or staff
C16.3	8(c)(iii)	information that would, if publicly disclosed, be likely to prejudice the security of the council, its members or staff
C16.4	8(c)(iii)	information that would, if publicly disclosed, be likely to prejudice the security of the council, its members or staff
C16.5	8(c)(iii)	information that would, if publicly disclosed, be likely to prejudice the security of the council, its members or staff

#### 7.2 Moving Open Items Into Confidential

#### 7.3 Moving Confidential Items Into Open

### 8. 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, 27 October 2017 be received and considered individually.



# OPEN SECTION

RMAC10/7

Risk Management & Audit Committee Meeting – Friday, 27 October 2017

## 9.1 OFFICERS REPORTS (ACTION REQUIRED)



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

**AGENDA ITEM: 9.1.1**

**AMENDMENT TO TERMS OF REFERENCE - RISK MANAGEMENT & AUDIT COMMITTEE**

**REPORT No.: 17CP0038 TS:je**

**COMMON No.: 3527705**

**DATE: 27/10/2017**

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

**Approved: Acting General Manager City Performance, Richard Iap**

**PURPOSE**

The purpose of this report is to table the revised terms of reference for the Risk Management & Audit Committee (RMAC).

**LINK TO STRATEGIC PLAN**

The issues addressed in this Report are in accordance with the following Goals/Strategies 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**

- The Risk Management & Audit Committee was previously classed as an advisory committee to Council.
- Advice from the (former) Executive Manager, Office of the CEO, noted that the Risk Management & Audit Committee is now classed as an Executive Committee under the Local Government Act, as it has delegation from the Council and as a result, the terms of reference need to be amended to reflect the correct references to the Local Government Act.



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## **RECOMMENDATIONS**

THAT the Committee resolve under delegated authority:-

- A. THAT Report Number 17CP0038 TS:je entitled Amendment to Terms of Reference - Risk Management & Audit Committee, be received and noted.
- B. THAT the Committee ratify the amended Terms of Reference.
- C. THAT the amended Terms of Reference be referred to the City Performance Standing Committee for approval.

## **BACKGROUND**

Report number 16TC0023 MB:ph to Council on 14 June 2016 noted that there had been administrative changes to the Local Government Act that require updates to assigned functions to Council Committees.

The Local Government Act provides Council with authority to create committees: Executive Committees that can carry out functions delegated by the Council; and Advisory Committees that report through Executive Committees.

The Risk Management & Audit Committee has been determined as an Executive Committee of Council and requires amendments to its terms of reference.

## **DISCUSSION**

Council undertook a restructure of its operational departments and standing committees following organisational changes implemented on 1 July 2017.

The new committee structure is as follows (executive, next level advisory):

- Administrative Review
- City Life
  - Arts & Cultural Development
  - Bombing of Darwin & Military History
  - Access and Inclusion
  - Youth
- City Operations
- City Performance
- City Futures
- Risk Management & Audit

Level one committees in this structure are classified as executive committees, the second level are advisory committees only.

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The Risk Management & Audit Committee is now classed as an Executive Committee under the Local Government Act, as it has delegation from the Council, however it still reports back through the City Performance Committee.

### **CONSULTATION PROCESS**

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

- Mr Iain Summers, Chair of Risk Management & Audit Committee.

### **POLICY IMPLICATIONS**

Nil

### **BUDGET AND RESOURCE IMPLICATIONS**

Nil

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

Nil

### **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**

**RICHARD IAP**  
**ACTING GENERAL MANAGER**  
**CITY PERFORMANCE**

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

#### **Attachments:**

**Attachment A:** Amended Terms of Reference



## **RISK MANAGEMENT AND AUDIT COMMITTEE**

### **TERMS OF REFERENCE**

#### **1. ESTABLISHMENT**

The Risk Management and Audit Committee (the Committee) is established as an executive committee to the City of Darwin (Council) in accordance with the Local Government Act Part 5.2, and section 10(2) (b) of the Local Government (Accounting) Regulations.

#### **2. OBJECTIVE**

The Committee provides independent assurance and assistance to the Council and the Chief Executive Officer on:

- Council's risk, control and compliance frameworks
- Council's external accountability responsibilities as prescribed in the Local Government Act and Accounting Regulations

#### **3. AUTHORITY**

With consideration of legal and confidentiality implications, the Committee is authorised, within the capacity of its role and responsibilities, to:

- obtain any information it requires from any employee and/or external party
- discuss any matters with the external auditor, or other external parties
- request the attendance of any employee at committee meetings
- obtain external legal or other professional advice, as considered necessary to meet its responsibilities

#### **4. DELEGATED FUNCTIONS**

Council delegates 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.

#### **5. KEY RESPONSIBILITIES**

The Committee will undertake the following functions:

- monitor the performance of Council's risk management framework, including strategic and operational risk assessments
- monitor the adequacy of the internal control policies, practices and procedures established to manage identified risk

- oversee the internal audit function including development of audit programs with reference to the Council's risk assessment, the conduct of internal audits by appropriately qualified personnel, the monitoring of audit outcomes, management responses, and the implementation of recommendations
- review quality of annual financial statements and other public accountability documents (such as annual reports) prior to their adoption by the Council
- review management's responses to external audit recommendations and monitor implementation of the agreed recommendations
- meet with the external and internal auditors at least once each year to receive direct feedback about any key risk and compliance issues, and to provide feedback about the auditor's performance
- advise the Council about the appointment of external auditors
- assess the adequacy of audit scope and coverage

## **6. MEMBERS AND TENURE**

The Committee will comprise:

- two Elected Members of Council; one of whom will be the Chair of Council's City Performance Standing Committee.
  - two Community Members; one of whom should be either a CPA or a CA (the desirability being that the person holds a Public Practice)
  - the other should be qualified or have significant business experienced in the field of risk management
- the Chairman of the Committee shall be appointed by the Council
- Council shall appoint the two Elected Members to the Committee annually
- the Community Members shall be appointed for a term of two years

## **7. REQUIRED ATTENDANCE BY CITY OF DARWIN STAFF**

City of Darwin will make available the following officers as required attendees to the Risk Management & Audit Committee:

- the Chief Executive Officer
- the General Manager City Performance
- the Team Coordinator Risk Audit and Safety

Other staff may be called upon to attend when required to present reports to the Committee.

## **8. REPORTING**

The Committee will regularly report on its operation and activities, including:

- a summary of the key issues arising from each meeting of the committee
- an annual overall assessment of Council's risk, control and compliance framework, together with a summary of the work the committee performed in conducting its responsibilities during the preceding year
- the Committee will report and make recommendations to Council's City Performance Standing Committee. The City Performance Committee will make recommendations arising out of the Risk Management & Audit Committee with or without amendments, to Council

## **9. MEETINGS**

The Committee will meet at least four times per year and a special meeting may be held to review Council's Annual Report and the annual financial statements.

A forward meeting plan, including meeting dates and agenda items, will be agreed to by the Committee each year and will address all of the Committee's responsibilities as detailed.

A quorum for any meeting will consist of a simple majority of Committee Members.

## **10. SECRETARIAT**

Secretariat support for the Committee will be provided by the General Manager City Performance.

The Secretariat will be responsible for ensuring that the agenda for each meeting and supporting documentation are circulated, after approval from the chair, at least one week prior to the meeting. The Secretariat will prepare and maintain the minutes ensuring they are signed by the chair and distributed to each member.

## **11. CONFLICTS OF INTEREST**

In accordance with Section 74(1) of the Local Government Act, committee members must declare any conflicts of interest at the start of each meeting or before discussion of the relevant agenda item or topic. All details of any conflict of interests are to be minuted.

If members or observers in attendance at a Committee meeting are deemed to have a real or perceived conflict of interest, they are to be excused from Committee discussions on the issue where the conflict of interest exists.

## **12. CONFIDENTIAL AND IMPROPER USE OF INFORMATION**

Committee Members will from time to time deal with confidential reports.

Section 75 of the Local Government Act outlines the penalties applicable to people who disclose confidential information acquired as a member of a Council committee.

Section 76 of the Local Government Act states that a person who makes improper use of information acquired as a member of a Council committee is guilty of an offence.

## **13. DUE DILIGENCE AND INDUCTION**

All new members of the Committee will be entitled to receive relevant information and briefings prior to, and shortly after, their appointment.

The Team Coordinator Risk Audit & Safety will provide an induction to all new members of the Committee specifically relating to Council's risk management framework and risk assessment and control monitoring programs.

#### **14. ASSESSMENT OF COMMITTEE PERFORMANCE**

The chair of the Committee and the CEO will initiate a review of the performance of the Committee at least once every two years. The review will be on an internal assessment basis with appropriate input from the Council, CEO and senior managers, internal and external auditors, and any other relevant stakeholders.

#### **15. REVIEW**

These Terms of Reference will be reviewed on an annual basis by the Committee. Any substantive changes will be recommended by the Committee and formally approved by Council's City Performance Standing Committee.

#### **16. APPROVED**

These terms of reference were approved by the City Performance Standing Committee at the meeting held on 20 November 2017.

## **9.2 OFFICERS REPORTS (RECEIVE & NOTE)**

# OPEN SECTION

RMAC10/9

## Risk Management & Audit Committee Meeting – Friday, 27 October 2017

### 10. INFORMATION ITEMS

#### 10.1 Outstanding Audit Issues Register (27/10/17) Common No. 422690

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

### 11. GENERAL BUSINESS

### 12. CLOSURE OF MEETING Common No. 2695131



**CITY OF DARWIN RISK MANAGEMENT & AUDIT COMMITTEE REGISTER OF OUTSTANDING AUDIT ISSUES**

EFFECTIVE DATE: 27 October 2017

OAI NO.	AUDIT NAME & AUDITOR	AUDIT ISSUE & REFERENCE	RESPONSIBLE OFFICER	AGREED COMPLETION DATE	IMPLEMENTATION STATUS
145	Asset Management Audit  Deloitte March 2015	<b>1. Asset Management System Procedures.</b> On implementation of Asset Management System, develop and implement new procedures, and update existing draft procedures, where relevant in consultation with finance.	Manager Technical Services in consultation with Manager Finance	July 2018	Updated list and status provided as per issue item number 2. Updates and new procedures are occurring as required, specifically for issue item #6  Deferred to July 2018 per RMAC 27 May 2016
		<b>3. Develop, finalise and implement individual asset management plans, taking into account relevant recommendations from the 2012 asset sustainability review report, and inclusion of position accountabilities within the plans.</b> a) Assign roles and responsibilities resulting from the plans and communicate these to relevant staff members. b) Review asset management plans on a regular basis. c) Ensure future plans indicate likely service level and risk trends resulting from long term financial plan. d) Ensure that strategy plan and management plan performance measures align with AMP service levels. 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. f) Update AMPs with state of the assets service levels for condition, function and capacity as per summary dashboards.	Manager Technical Services	July 2017	Drafts progressing, to be completed with 2017 revaluation data and modelling.  Accountabilities inclusion added as per RMAC 7 July 2017  Deferred to July 2017 per RMAC 27 May 2016
		<b>6. Corporate Asset Register</b> AssetFinda is not integrated to Civica Authority at this stage. a) Further considerations are necessary for the future regarding detailed procedures and degree of integration between accounting and asset management systems. b) Implementation date is notional at this stage as it is entirely dependent on all current asset data being entered into AssetFinda.	Manager Technical Services in consultation with Manager Finance	July 2018	Training undertaken April 2016 to improve knowledge and understand practical aspects of implementation. Updated implementation plan being prepared.  Deferred to July 2018 per RMAC 27 May 2016
146	Investments Audit KPMG, February 2016	<b>2. Conduct a review of the investment procedures and include in the document future review dates and last approval date.</b>	Manager Finance	August 2017	
147	Financial Statements Audit	<b>1. That the long-outstanding balances in the trust account be investigated and amounts be refunded to individuals and/or entities where deemed appropriate.</b>	Manager Finance	31 March 2017	
		<b>2. That the internal policies and procedures regarding the trust account are reviewed, amended where appropriate and followed accordingly.</b>	Manager Finance	31 March 2017	
149	IT Security Internal Audit	<b>1. Endpoint Protection</b> Council will implement systems and controls that will include: a) AppLocker, which will whitelist programs and will block users from installing and running non approved applications and programs. b) New Standard Operating Environment to be installed on Council's new workstations due in 2017-2018, which will include tighter controls on administrative privileges and will stop users running/installing programs/applications using the Windows admin role. c) Council will investigate systems that will restrict the use of USB ports and drives, and improved monitoring of user data movements including data loss.	Manager IT	June 2018	



## CITY OF DARWIN RISK MANAGEMENT &amp; AUDIT COMMITTEE REGISTER OF OUTSTANDING AUDIT ISSUES

EFFECTIVE DATE: 27 October 2017

OAI NO.	AUDIT NAME & AUDITOR	AUDIT ISSUE & REFERENCE	RESPONSIBLE OFFICER	AGREED COMPLETION DATE	IMPLEMENTATION STATUS
		<p><b>1. User Security Awareness and Training</b></p> <p>a) Best security controls and practices start with end user and staff education and awareness. Council will implement improved staff education and awareness programs that will address:</p> <p>b) Sharing of user access credentials.</p> <p>c) Storing of Council data on non-secure storage devices and USB drives.</p> <p>d) Correct storage of sensitive information into network drives and record systems.</p> <p>e) Council will also update staff on their IT and information security handling procedures.</p>	Manager IT	August 2017	
		<p><b>2. Security Governance and Oversight.</b></p> <p>a) Council agrees to implement an overall Information Technology Security framework.</p> <p>b) The Information Technology Strategic Leadership Committee will also consider incorporating changes to its Terms of Reference to including security responsibilities and metrics.</p>	Manager IT	July 2018	
		<p><b>3. IT Disaster Recovery and Resilience</b></p> <p>a) Council agrees that continuous improvements must be made to IT systems. Works will coincide with next IT server storage upgrades due in the calendar year of 2017.</p> <p>b) Secondary server room will need to be investigated (on-prem / off-prem).</p> <p>c) Cross training will be improved within the IT team to reduce reliance on key IT staff like System Admins.</p>	Manager IT	January 2018	
		<p><b>4. Remote Access Management</b></p> <p>a) Current systems and hardware do not support two factor authentication. New hardware will be investigated to support two authentication.</p> <p>b) Council will investigate processes that will remote users security including locking down systems from IP's, and monitoring systems.</p> <p>c) Council will also discuss with third party providers changes to access to include individual accounts for their technicians.</p>	Manager IT	July 2017	
		<p><b>5. Vulnerability Management</b></p> <p>a) Council agrees that improvements should be made to patch management.</p> <p>b) IT will implement better controls to ensure patching of systems are done on a more regular basis. This may include changes to IT roles and require more resources to implement.</p>	Manager IT	September 2017	
		<p><b>6. Security Incident Response</b></p> <p>a) Council will work on implementation of an IT Security Incident Response procedure which will include incident roles, responsibilities and communication methods.</p>	Manager IT	August 2017	