

LOCAL GOVERNMENT COMPLIANCE REVIEW PROCEDURE

Background

Section 205 of the *Local Government Act* (the Act), mandates the establishment of a program of compliance reviews for local government bodies to ensure that they conduct their business lawfully. This is achieved through inspectors of local government testing the administrative, financial and governance activities of the council under review.

Inspectors of local government are responsible for conducting compliance reviews. After conducting a compliance review, the Department of Housing and Community Development (Department) is required by section 207 of the Act to report to council on the results of the compliance review.

Scope of Work

The compliance review aims to ensure councils conduct their business lawfully. As a means of making their assessment, inspectors apply and take into consideration the:

- *Local Government Act* (the Act);
- *Local Government (Accounting) Regulations*;
- *Local Government (Administration) Regulations*;
- Ministerial Guidelines / General Instructions made under the Act; and
- Any other laws relevant to the operations of the council.

Compliance Review Steps

Step 1: The Department's CEO signs off on the local government councils to be subject to a compliance review during the financial year. The Department will write to the principal member of the council and copy in the CEO to advise the council has been selected for a compliance review. The letter will include details outlining the compliance review process and proposed date of the compliance review site visit.

Step 2: Closer to the commencement of the review, the Department will advise the council CEO of the names of the inspectors and the final dates for the on-site review. The council will also be requested to nominate a council staff member as a single point of contact for the inspectors during the review. A list of preliminary information required (listed as prior to on-site visit documents in Appendix A) will also be provided.

Step 3: In response to the Department's letter, the council is to advise the name, email and contact phone number of the nominated person and provide the preliminary documents at least 2 weeks prior to the on-site visit.

Step 4: Prior to commencing the site visit the inspectors will provide a list of samples, from the list of preliminary information provided [requested in Step 3], to the nominated person for council to make available to the inspectors during the on-site visit.

Step 5: At the start of the site visit the inspectors will try to meet with the council CEO to outline the compliance review process and discuss any issues and/or concerns the CEO or council may have in relation to the compliance review or current operations of council.

Step 6: The inspectors will then commence the on-site review. The on-site visit will include (but is not limited to) reviewing the selected sample and information listed under On-site visit

in Appendix A as well as any other documents / information the inspectors consider necessary to conduct the review (note powers under section 209 of the Act). The review may include visits to council service centres in one or more communities.

Step 7: The inspectors will collate and analyse the information provided against legislative requirements and document the findings. They may seek additional information / clarification from the council's nominated person to clarify their findings as required.

Step 8: Near completion of the site visit the inspectors may meet with the CEO to discuss the preliminary findings and any outstanding matters / information.

Step 9: After receiving any final requested documents from council (within the required timeframe), the inspectors will draft the compliance review report detailing the results of the review, usually within 4 to 6 weeks of completing the site visit.

Step 10: A copy of the compliance review report will be provided to the council President / Mayor with a copy to the CEO detailing the issues identified from the review along with recommendations on how the issue can be remedied. The council will be requested to review the report at its next council meeting and provide any feedback on the report by a specified date.

Step 11a: If no response is received from council or an acceptance of the findings is received by the specified date, then the inspectors will commence monitoring council's progress with addressing the issues in the report.

Step 11b: In the event the council provides feedback (with supporting information), which in the inspector's opinion, negates or alters any issue in the report, the report will be amended and a revised report provided to council. If in the inspector's opinion the council's information does not alter the issues in the report, the report will be expanded to incorporate both the council's feedback along with the inspector's comments on the feedback.

Step 12: Approximately 3 months after issuing a compliance review report to council, the inspectors will follow-up council's progress on the recommendations made in the report. The inspectors may schedule another site visit to council or seek additional information to substantiate completion of the recommended action. This follow-up is to ensure recommended actions are being progressed by the council.

Step 13: The inspectors will continue to monitor and work with the council (as required) to address the issues identified in the compliance review report.

Step 14: Once the inspectors are satisfied all issues identified in the compliance review report have been adequately addressed, the Department will write to the council President / Mayor with a copy to the CEO and formally advise that there are no outstanding matters in relation to the report and the review is now closed.

If the issues identified in the compliance review report are not being actively addressed by council within a reasonable time (usually within 6 months from issuing the compliance review report) the Department may consider it appropriate to report the matter to the minister responsible for local government who may consider exercising formal action under the Act to ensure council addresses the issues in the report.

All information requested in relation to the compliance review is to be emailed to:
lg.compliance@nt.gov.au

Information required from council prior to the on-site visit

| Information Required | Legislative base |
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| Delegation Manual | Section 32 of the Act |
| Investment Policy | Section 121 of the Act & Guideline 4 |
| Borrowing Policy | Section 123 of the Act & Guideline 5 |
| Accounting and Policy Manual | Regulation 9 Local Government (Accounting) Regulations |
| Fraud Protection Policy | Regulation 10 Local Government (Accounting) Regulations |
| Copy of latest Audit Management Letter and council's responses (if any) | Section 135 |
| Copy of the Audit Engagement Letter | Section 133 |
| Details of all investment | Section 121 & Guideline 4 |
| Audit Committee Terms of Reference | Part 5.2 of the Act |
| Finance Committee Terms of Reference (if applicable) | Part 5.2 of the Act |
| Other Council Committees Terms of Reference (if applicable) | Part 5.2 of the Act |
| Council Confidential Meetings - Copies of Confidential Agenda / Reports and Minutes (from 1 July prior year to YTD) | Sections 67 & 200 of the Act |
| Human Resources Management Policies | Section 104 & 105 of the Act |
| Financial Management | |
| List of purchase orders issued > \$10 000 but < \$100 000 (from 1 July prior year to YTD) | |
| List of all payments > \$10 000 but < \$100 000 where a Purchase Order has not been raised. | |
| List of purchase orders issued > \$100 000 (from 1 July prior year to YTD) | |
| List of all payments > \$100 000 where a Purchase Order has not been raised. | |
| List of debtors (excluding rate debtors) over 60 days | |
| List of creditors over 60 days | |
| List of rates written off (from 1 July prior year to YTD) | |
| List of other debtors written off (from 1 July prior year to YTD) | |
| List of money or property written off (from 1 July prior year to YTD) | |
| Fixed assets register | |
| List of assets disposals (Section 182 of the Act & Guideline 7) | |
| Credit Card Statements (from 1 July prior year to YTD) | |
| Human Resources Management | |
| List of newly appointed staff (from 1 July prior year to YTD) | |
| List of terminated staff (from 1 July prior year to YTD) | |
| List of staff given a promotion (from 1 July prior year to YTD) | |

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| Internal Control Documents |
| Credit Card Policy |
| Travel Policy |
| Disposal of Assets Policy |
| Debtors Recovery / Debt Management Policy |

On-site documents to be made available to inspectors

| Information Required | Legislative base |
|-----------------------------|---|
| Common Seal Register | Regulation 11 Local Government (Administration) Regulations |
| Correspondence Register | Regulation 11 Local Government (Administration) Regulations |
| Election Register | Regulation 11 Local Government (Administration) Regulations |
| Register of Interests | Regulation 12 Local Government (Administration) Regulations |
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| Financial Review |
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| List of council credit card holders and card limits |
| Access to credit card statements, records and reconciliations |
| All council bank statements and reconciliations |
| Access to council's rate records including assessment records |
| Records of the most recent stocktakes performed |
| Access to petty cash records |
| Access to movement and travel requisitions |
| List of payments to council members (from 1 July prior year to YTD – split between financial years) |
| List of payments to local authority members (from 1 July prior year to YTD – split between financial years) |

| Human Resource Review |
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| Access to all Human Resource Records |
| Access to FBT documents (from 1 April prior year to YTD – split between financial years) |
| Access to payroll records |
| Access to recruitment files |
| Access to incident reports |
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This list is not exhaustive and additional information may be required during the compliance review.