Local Government Compliance Review Procedure

NORTHERN TERRITORY GOVERNMENT

Document title	Local Government Compliance Review Procedure
Contact details	Department of the Chief Minister and Cabinet
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Acronyms	Full form
The Act	*Local Government Act 2019*
Agency	Department of the Chief Minister and Cabinet
CEO	Chief Executive Officer of a council
Chief Executive	Chief Executive of a Local Government Subsidiary

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1. Background

Section 298 of the *Local Government Act 2019* (the Act), mandates the establishment of a program of compliance reviews for councils and local government subsidiaries (LG Subsidiaries) 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 or local government subsidiary.

Inspectors of local government are responsible for conducting compliance reviews. After conducting a compliance review, the Department of the Chief Minister and Cabinet (Agency) is required by section 300 of the Act to report to council on the results of the compliance review; or in the case of a local government subsidiary, to report the results of the compliance review to the local government subsidiary and the constituent council or councils.

2. Scope of Work

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

- *Local Government Act 2019*;
- *Local Government (General) Regulations 2021*;
- Ministerial Guidelines / General Instructions made under the Act; and
- Any other laws relevant to the operations of the council or subsidiary.

3. Compliance Review Procedure Steps

Step 1: The Agency's CEO approves the local government councils and LG Subsidiaries to be subject to a compliance review during the financial year. The Agency then writes to the council's principal member and CEO, or subsidiary's Board Chair and Chief Executive to advise the council / subsidiary will be subject to a compliance review during the year. The letter will include details outlining the review process and proposed dates of the compliance review site visit.

> **Step 1.1** The CEO or Chief Executive is to table the compliance review letter at the next council or subsidiary meeting to ensure all council or subsidiary members are aware of the upcoming compliance review.

Step 2: Closer to the commencement of the review, the Agency will write to the CEO or Chief Executive to advise the names of the inspectors and the final dates for the onsite review. The CEO or Chief Executive will be requested to nominate a contact officer (usually a senior or middle manager staff member) as a single point of contact for the inspectors during the review. A list of preliminary information required (listed as 'prior to onsite visit' documents in **Attachment A**) will also be provided and requested to be submitted to the inspectors by a specified date, being at least two weeks prior to the onsite visit.

The list of documents at Attachment A is not an exhaustive list and local government inspectors can request further documents in connection with the compliance review under section 302(2) of the Act.

Step 3: In response to the Agency's letter, the CEO or Chief Executive is to advise the name, email and phone number of the nominated contact officer. The council / subsidiary (usually through the nominated contact officer) is to submit the preliminary information to the inspectors by the requested date.

Step 4: The inspectors will provide a list of selected samples from the preliminary information provided (requested in Step 3), to the nominated contact officer. The contact officer is to ensure all requested documents and information is made available to the inspectors during the onsite visit.

Step 5: The inspectors will then commence the onsite review. In most cases, at the start of the site visit, the inspectors will aim to meet with the CEO or Chief Executive to outline the compliance review process. The onsite visit will include (but is not limited to) reviewing the selected samples and information listed under 'onsite documents' in **Attachment B** as well as any other documents / information the inspectors consider necessary to conduct the review (note powers under section 303 of the Act). The review may include visits to council service centres in one or more communities.

Step 6: Near completion of the site visit, the inspectors may meet with the CEO or Chief Executive to discuss the preliminary findings and any outstanding matters or information.

Step 7: The inspectors will then assess the information against legislative requirements and document the findings in a compliance review report. Additional information may be requested from the nominated contact officer as required.

Step 9: Within six weeks after receiving all requested documents from the council or local government subsidiary, the inspectors will draft a compliance review report. The report will contain issues which the inspectors consider require attention, along with recommendations to action.

Step 10: A copy of the draft compliance review report will be sent to the CEO or Chief Executive to review and provide any information that may cause the inspectors to alter the findings made in the report. From the provision of this draft compliance review report the CEO or Chief Executive will be given 2 weeks to provide this information.

Step 10.1 – In the event additional information is provided to the inspectors, the inspectors will then review the information provided and determine if the compliance review report is to be revised or not.

NOTE: There is no compulsion on the inspectors to alter the report if in their opinion the information provided does not negate the finding(s) made in the report.

Step 11: After the two weeks, a final compliance review report will be sent to the CEO or Chief Executive. As soon as practicable after receiving the report, the CEO must provide the report to all council members; and the Chief Executive must provide the report to the constituent council or councils. If the report contains findings of improper conduct, the inspector must report the matter to the Minister for Local Government (the Minister) and the Independent Commissioner Against Corruption (ICAC).

Step 11.1 (for councils) The council must consider the compliance review report at the council meeting held immediately following the provision of the report to the CEO. The council can provide the inspectors with any feedback on the report, or request the inspectors to attend a council meeting to go through the findings and recommendations.

Step 11.2 (for LG subsidiaries) The Chief Executive is to provide a copy of the report to the CEO of each constituent council of the local government subsidiary. As soon as practicable after receiving the report, the CEO of each constituent council must provide a copy of the report to all council members, and must formally consider the report at its next council meeting. All feedback on the report is to be provided to the inspectors through the subsidiary's Executive Committee.

NOTE: It is expected the CEO or Chief Executive will commence actioning the recommendations made in the compliance review report as soon as the final compliance review report is issued to the council or subsidiary.

Step 12: Within three months of issuing the final compliance review report, the inspectors will follow-up on the progress of the recommendations made in the report with the council or local government subsidiary.

Step 12.1 The inspectors may schedule another site visit to the council or local government subsidiary, or seek additional information to substantiate completion of the recommended action. This follow-up is to ensure recommended actions are being actively progressed by the council or local government subsidiary.

Step 12.2 If, during the follow-up review, inspectors find any further issues that need to be rectified, then these will be added to the compliance review report as additional items to be remedied and the CEO or Chief Executive will be formally notified of this. A right of reply will be offered to the CEO or Chief Executive before the finding is included in the report. A copy of this notification and revised compliance review report must be tabled at the next council or subsidiary meeting.

Step 13: The inspectors will continue to monitor the council or local government subsidiary (as required) to address the issues identified in the compliance review report.

Step 14: Once the inspectors are satisfied all issues identified in the report have been appropriately remedied, they will write to the council or local government subsidiary to formally advise the review is closed.

NOTE: Councils and LG subsidiaries are expected to do all things necessary to address the issues identified in the compliance review report within 6 months of receiving the final compliance review report or revised report. If the recommendations made in the compliance review report are not being progressed by the council or local government subsidiary, the Agency may recommend remedial action to the Minister pursuant to section 316 of the Act.

All information for the compliance review is to be emailed to lg.compliance@nt.gov.au.

Attachment A

Information required prior to the onsite visit

Information Required	Legislative Base (Councils)	Legislative Base (LG Subsidiaries)	√
Delegation Manual or Policy	s40 of the Act	s40 of the Act	
Investment Policy	s194(3) of the Act	s194(4) of Act	
Borrowing Policy (if relevant)	s197 of the Act	s197 of the Act	
Accounting Policies and Procedures	Regulation 6(1) of the LGGR	Regulation 6(2) of the LGGR	
Details on all Investments	s194 of the Act	s194 of the Act	
All Council established Committee Terms of References	s82 of the Act	N/A	
All Council Confidential Meeting Notices, Agendas, Reports, Business Papers and Minutes **Note:** Reports containing personnel information should be redacted.	s92 & 101 of the Act	N/A	
Human Resources Management Policies	s172 & 173 of the Act	s176 of the Act	
Gifts or Benefits Policies	Regulation 6 (1) of the LGGR	Regulation 6 (2) of the LGGR	
Accountable Forms Policy	Regulation 6 (1) of the LGGR	Regulation 6 (2) of the LGGR	
Fraud and Corruption Control Policy Protection Plan	Regulation 6 (1) of the LGGR	Regulation 6 (2) of the LGGR	
Asset Management Policy	Regulation 6 (1) of the LGGR	Regulation 6 (2) of the LGGR	
Procurement Policy	Regulation 33 (1) of the LGGR	Regulation 33 (2) of the LGGR	

Human Resource Management (Councils and LG Subsidiaries)	√
List of newly appointed staff (from 1 July 20XX to YTD)	
List of terminated staff (from 1 July 20XX to YTD)	
List of staff given a promotion (from 1 July 20XX to YTD)	

Financial Management (Councils and LG Subsidiaries)	√
List of purchase orders issued > $10 000* but < $100 000* (from 1 July 20XX to YTD)	
List of all payments > $10 000* but < $100 000* where a Purchase Order has not been raised in the period	
List of purchase orders issued > $100 000* but < $150 000* (from 1 July 20XX to YTD)	
List of all payments > $100 000* but < $150 000* where a Purchase Order has not been raised in the period	
List of purchase orders issued > $150 000* (from 1 July 20XX to YTD)	
List of all payments > $150 000* where a Purchase Order has not been raised in the period	
List of debtors (excluding rate debtors) with an ageing of over 60 days	
List of creditors with an ageing of over 60 days	
List of rates written off (from 1 July 20XX to YTD)	
List of other debtors written off (from 1 July 20XX to YTD)	
A register of major, portable and attractive assets – Regulation 26 of the LGGR	
List of money or assets written off – Regulation 28 of the LGGR - (from 1 July 20XX to YTD)	
All Credit Card Statements (from 1 July 20XX to YTD)	

* Dollar amounts are exclusive of GST in accordance with Part 2 Division 12 of the LGGR.

Attachment B

Onsite documents to be made available to inspectors

Information Required	Legislative Base (Councils)	Legislative Base (LG Subsidiaries)	√
Common Seal Register	Regulation 55 of the LGGR	Likely in the subsidiary constitution	
Register of Interests - Staff	Regulation 107 of the LGGR	Regulation 107 of the LGGR	
Conflict of Interest Disclosure Register – Elected Members	Section 116 of the Act	Likely in the subsidiary constitution	

Financial Review (Councils and LG Subsidiaries)	√
List of credit card holders and card limits	
Access to credit card statements, records and reconciliations	
All bank statements and reconciliations	
Access to rate records including assessment records	
Records of the most recent stocktakes performed	
Records of the most recent asset valuation report	
Access to petty cash records (reconciliations and supporting documents)	
Access to movement and travel requisitions	
List of payments to council members (from 1 July 20XX to YTD)	

Human Resource Management (Councils and LG Subsidiaries)	√
List of newly appointed staff (from 1 July 20XX to YTD)	
List of terminated staff (from 1 July 20XX to YTD)	
List of staff given a promotion (from 1 July 20XX to YTD)	
List of employment-related grievances filed with management (from 1 July 20XX to YTD)	