

# 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 Local Government and Community Services (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 and 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 Procedure Steps

**Step 1:** The department's CEO will sign off on the local government councils to be subject to a compliance review during the financial year. The department will write to the council 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 council 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 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 CEO and mayor / president and it may contain recommendations for administrative or regulatory improvement for council to action. The council will be requested to review the report and provide any feedback on the results reported. A specific timeframe will be given to council to provide their response.

**Step 11:** In the event the council provides information that negates or alters the results in the report, an updated final report will be provided to council. If no council response is received within the requested timeframe, then the original report is considered to be the final report.

**Step 12:** Within 3 months of 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 meet the recommendations made in the compliance review report.

**Step 14:** Once the inspectors are satisfied all recommendations made in the report have been met by council, the department will write to the council and formally advise that there are no outstanding matters in relation to the report and the review is now closed.

If the recommendations made in the compliance review are not being progressed by council within a reasonable time (usually within 6 months from issuing the compliance review report) the department may recommend remedial action to the Minister pursuant to section 138 of the Act.

All information in relation to all steps in the compliance review is to be emailed to:  
[lg.compliance@nt.gov.au](mailto:lg.compliance@nt.gov.au)

The inspectors will use this Compliance Review Information Requirements List to conduct the compliance review.

<b>Prior to on-site visit</b>	
Check/Comment	
Governance Review	
Delegation Manual (s 32 of the Act)	
Credit Card Policy	
Travel Policy	
Investment Policy (s 121 of the Act & Guideline 4)	
Borrowing Policy (s 123 of the Act & Guideline 5)	
Disposal of Assets Policy	
Fraud Protection Policy (r 10 LG (Accounting) Regulations)	
Debtors Recovery Policy	
Audit Committee Terms of Reference	
Finance Committee Terms of Reference (if applicable)	
Other Council Committees Terms of Reference (if applicable)	
Council Meetings - Confidential Minutes (from 1 July prior year to YTD)	
Council Meetings - Confidential Agenda / Reports (from 1 July prior year to YTD) – Note: Any reports detailing personal information should be redacted (blacked out ).	
<b>Operational Review</b>	
Human Resources Management Policies (ss 104 & 105 of the Act)	
Code of conduct	Should be on website
<b>Financial Review</b>	
Accounting and Policy Manual (r 9 LG (Accounting) Regulations)	
Organisation chart (r 9 LG (Accounting) Regulations)	Part of the Accounting and Policy Manual
Copy of latest Audit Management Letter and council's responses (if any)	
Copy of the Audit Engagement Letter	
Details of investments made (s 121 & Guideline 4)	
List of grant receipts at transaction level (from 1 July prior year to YTD)	For sample selection
List of other receipts at transaction level (from 1 July prior year to YTD)	For sample selection
List of rates debtors over 60 days (r 26 LG (Accounting) Regulations)	For sample selection
List of other debtors over 60 days (r 26 LG (Accounting) Regulations)	For sample selection

List of creditors over 60 days	For sample selection
List of rates written off (from 1 July prior year to YTD)	
<b>Prior to on-site visit</b>	
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) (r 23 LG (Accounting) Regulations)	
List of purchase orders issued > \$10 000 but < \$100 000 (from 1 July prior year to YTD)	For sample selection
List of purchase order issued > \$100 000 (from 1 July prior year to YTD)	For sample selection
Fixed asset register	
Minor and attractive items register	
List of assets disposals (s 182 of the Act & Guideline 7)	
List of newly appointed staff (from 1 July prior year to YTD)	For sample selection
List of terminated staff (from 1 July prior year to YTD)	For sample selection
List of staff given a promotion (from 1 July prior year to YTD)	For sample selection

<b>On-site visit</b>	
<b>Governance Review</b>	
Correspondence register (r 11 LG (Administration) Regulations)	
Common Seal Register	
Election Register	
Conflict of Interest – Staff disclosures ( s 107 of the Act)	
<b>Financial Review</b>	
List of council credit card holders and card limits	
Access to all council bank statements and reconciliations	
Access to council's rates assessment records	
Access to councils rates notices (from 1 July prior year to YTD)	
Copies of records of the most recent stock takes performed	
Access to petty cash records	
Access to credit card records and reconciliations	
Access to movement and travel requisitions	
List of payments made to council members (from 1 July prior year to YTD)	
List of payments made to local authority members (from 1 July prior year to YTD)	
Access to Human Resource Records	
Access to FBT documents (from 1 April prior year to YTD)	

This list is not meant to be exhaustive and additional information may be required during the compliance review.