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| Name | FIN09 Risk Management & Audit Committee |
| Policy Type | Council |
| Responsible Officer | Chief Executive Officer |
| Approval Date | 18/10/2017 |
| Review Date | 17/10/2021 |

1. Purpose

This Policy sets out the terms of reference for the Risk Management and Audit Committee. The Committee is an Advisory Committee established pursuant to Part 5.2 of the Local Government Act and Section 10 of the Local Government (Accounting) Regulations.

2. Scope

The Risk Management and Audit Committee is an Advisory Committee of Council responsible for monitoring the compliance by Council with the proper standards of financial management, and compliance by Council with the Local Government (Accounting) Regulations and the Accounting Standards. In addition, the Committee monitors, reviews, and advises the Chief Executive Officer on compliance, risk management and policy matters, and acts as an independent line of reporting by the auditor to Council.

3. Definitions

For the purposes of this Policy, the following definitions apply:

| Term | Definition |
|-------------|--|
| Committee | This term refers to the Risk Management and Audit Committee. |
| The Act | The term refers to the most recent Local Government Act of the Northern Territory. |
| Regulations | This term refers to recent Local Government Regulations in the Northern Territory. |

4. Policy Statement

4.1. Membership

4.1.1. The Committee shall consist of at least one independent member and two Elected Members of Council not including the Mayor. The minimum size of the Committee shall be three members.

4.1.2. The chairperson of the committee must be an independent member.

4.1.3. The Chief Executive Officer (CEO) shall provide an agenda for each meeting, with the Executive Assistant to the CEO providing secretariat services. The Chief Executive Officer and Chief Financial Officer will be invited to attend each Committee meeting.

4.1.4. Council's external and internal auditors may be invited to attend meetings of the Committee.

4.2. Appointment and Termination of Committee Members

4.2.1. Members of the Committee are appointed by the Council. Appointment to the Committee from among the Elected Members of Council shall be for a period of up to one year, or until the end of the term of the Council. Committee members cease being a member of the committee if they are no longer an elected member of the Council.

4.2.2. Independent member(s) of the Committee shall be appointed for a period of up to four years, commencing part-way through an election cycle, so that their terms overlap each Council election and provide some continuity. Appointees may be reappointed by Council. Independent members can be terminated by the Council subject to the appointment agreement.

4.2.3. The selection process for the independent member (s) should consider the following factors when assessing the applicants:

- Level of understanding of local government and the environment in which they operate;
- Level of knowledge and practical exposure on governance and financial management practices;
- Capacity to dedicate adequate time on the committee;
- Depth of knowledge of regulatory and legislative requirements; and
- Ability to maintain professional relationships with staff, council members and other stakeholders.

4.3. Voting Right of Committee Members

4.3.1. Only members of the Committee are entitled to vote in the Committee meetings. All Committee members have equal voting rights. Unless otherwise required (by the conflict of interest provision in the Act) and each member must vote on every matter that is before the committee for decision.

4.3.2. Where a vote is taken and the result is undecided the chairperson has the casting vote.

4.4. Remuneration Committee Members

4.4.1. The Independent Chair shall be remunerated for the for preparation and attendance at each Committee meeting at the C1 daily rate identified in the Northern Territory Government Remuneration of Board Members as amended from time to time.

4.4.2. Elected members serving on the Committee shall be remunerated as per Council Policy.

4.5. Committee Performance and Review

- 4.5.1. The chairperson, in consultation with the Chief Executive Officer, will initiate a self-assessment review of performance of the committee at least once every two years.
- 4.5.2. The review will be conducted on a self-assessment basis with appropriate input sought from the Chief Executive Officer, the auditors, Elected Members, management and any other relevant stakeholders, as determined by the Chief Executive Officer.

4.6. Quorum

- 4.6.1. The quorum for the transaction of business shall be one independent member and one committee member that is a member of the Council. A duly convened meeting of the Committee at which a quorum is present shall be competent to exercise all of the authorities, powers and discretions vested in or exercisable by the Committee.

4.7. Meetings

- 4.7.1. In accordance with the principles of open, transparent and informed decision making, Committee meetings must be conducted in a place open to the public. Members must be physically present and cannot attend meetings over phone or other devices.
- 4.7.2. Where agenda items are addressed in confidential, this shall be done in compliance with Part 4 Confidential Information and Business of the Local Government (Administration) Regulations.
- 4.7.3. Notice of each meeting confirming the venue, time and date, together with an agenda of items to be discussed, shall be forwarded to each member of the Committee and observers, no later than three clear days before the date of the meeting.
- 4.7.4. The committee shall meet a minimum of four times per year as per a meeting schedule set at the last meeting of the previous year to accommodate the reporting and audit cycle.

4.8. Minutes of Meetings

- 4.8.1. The Chief Executive Officer shall ensure that the proceedings and resolutions of all meetings of the Committee, including recording the names of those present and in attendance are minute and that the minutes otherwise comply with the requirements of all Regulations.
- 4.8.2. Minutes shall be circulated within five days after a meeting to all members of the Committee and to all members of the Council and will (as appropriate) be made available to the public within ten business days after the meeting on the Council's website.
- 4.8.3. The Chief Executive Officer maintains a register of audit report recommendations and action taken to address these recommendations. The Committee considers any follow-up action required pursuant to the report or the implementation of report recommendations.

4.8.4. The Chief Executive Officer shall provide sufficient administrative resources to the Committee to enable it to adequately carry out its functions.

4.8.5. After meeting, the Committee shall report to Council at the next Council Meeting including the Committee's recommendations and key issues of discussion to council.

4.9. Role of the Committee

4.9.1. Financial Reporting

4.9.1.1. The Committee shall monitor the integrity of the

- annual financial statements of the Council, reviewing significant financial reporting issues and judgements which they contain; and
- the annual report.

4.9.1.2. The Committee shall review and challenge where necessary:

- The consistency of, and/or any changes to, accounting policies;
- The methods used to account for significant or unusual transactions where different approaches are possible;
- Whether the Council has followed appropriate accounting standards and made appropriate estimates and judgements, taking into account the views of the external auditor;
- The clarity of disclosure in the Council's financial reports and the context in which statements are made; and
- All material information presented with the financial statements.

4.9.2. Internal Controls and Risk Management Systems

The Committee shall:

- Keep under review the effectiveness of the Council's internal controls and risk management systems; and
- Review and recommend the approval, where appropriate, of any material to be included in the annual report concerning internal controls and risk management.

4.9.3. Whistle Blowing

4.9.3.1. The Committee shall review the Council's arrangements for its employees to raise concerns, in confidence, about possible wrongdoing in financial recording or reporting or other matters. The Committee shall ensure these arrangements allow independent investigations of such matters and appropriate follow-up action.

4.9.3.2. Review the effectiveness of the Fraud Protection Plan established by the Chief Executive Officer pursuant to Section 10(2) of the Local Government (Accounting) Regulations.

4.9.4. Internal Audit

The Committee shall:

- 4.9.4.1. Monitor and review the effectiveness of the Council's internal audit function in the context of the Council's overall risk management system;
- 4.9.4.2. Consider and make recommendation on the program of the internal audit function and the adequacy of its resources and access to information to enable it to perform its function effectively and in accordance with the relevant professional standards.
- 4.9.4.3. Review all reports on the Council's operations from the internal auditors;
- 4.9.4.4. Review and monitor management's responsiveness to the findings and recommendations of the internal auditor; and
- 4.9.4.5. Where appropriate, meet the internal auditor at least once a year, without management being present, to discuss any issues arising from the internal auditor carried out. In addition, the internal auditor shall be given the right of direct access to the Principal Member of the Council and to the Presiding Member of the Committee.

4.9.5. External Audit

The Committee shall:

- 4.9.5.1. Monitor the supply of non-audit services by the external auditor, taking into account any relevant ethical guidance on the matter;
- 4.9.5.2. Consider and make recommendations to the Council, in relation to the appointment, re-appointment and removal of the Council's external auditor.
- 4.9.5.3. Monitor Council's relationship with the external auditor including, but not limited to:
 - Recommending the approval of the external auditor's remuneration, covering fees for both audit or non-audit services, and recommending whether the level of fees is appropriate to enable an adequate audit to be conducted;
 - Recommending the approval of external auditor's terms of engagement, including any engagement letter issues at the commencement of each audit and the scope of the audit;
 - Assessing the external auditor's independence and objectivity taking into account relevant professional and regulatory requirements and the extent of Council's relationship with the auditor, including the provision of any non-audit services;
 - Satisfying itself that there are no relationships (such as family, employment, investment, financial or business) between the external auditor and the Council (other than in the ordinary course of business); and

- Assessing the external auditor's qualifications, expertise and resources and the effectiveness of the audit process (which shall include a report from the external auditor on the Audit Committee's own internal quality procedures);
- 4.9.5.4. Meet the external auditor at least once a year and more often as needed, without management being present; to discuss the external auditor's report and any issues arising from the audit;
 - 4.9.5.5. Review and make recommendations on the annual audit plan, and in particular its consistency with the scope of the external audit engagement;
 - 4.9.5.6. Review the findings of the audit with the external auditor. This shall include, but not be limited to, the following:
 - A discussion of any major issues which arose during the external audit;
 - Any accounting and audit judgements, and
 - Levels of errors identified during the external audit.
 - 4.9.5.7. Review the effectiveness of the external audit;
 - 4.9.5.8. Review any representation letter(s) requested by the external auditor before they are signed by management;
 - 4.9.5.9. Review the subsequent audit management letter from the external auditor and management's proposed response, by Council, to the external auditor's findings and recommendations in that audit management letter.
- 4.10. Conflict of Interest
- 4.10.1. Committee members must declare any real or perceived conflicts of interest when joining the committee, annually and at the start of each meeting before discussion of the relevant agenda item or topic. Details of any conflicts of interest should be appropriately minuted.
 - 4.10.2. Where a Committee member is deemed to have a real or perceived conflict of interest, at the chairperson's discretion, it may be appropriate that the person is excused from committee deliberations on the agenda item where a conflict of interest exists, or if necessary excused from the meeting.
- 4.11. Committee Access to Council Records and Resources
- 4.11.1. The Chief Executive Officer will provide the necessary council records and reports for the audit committee to undertake its role and responsibilities subject to any confidentiality provisions in the Local Government Act or other legislative provisions.
 - 4.11.2. With consideration of legal and confidentiality implications, via the Chief Executive Officer the Committee is authorised 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, contingent on a decision by Council to fund such advice.

4.11.3. The audit committee has no authority to procure resources independently of council.

4.12. Review of Terms of Reference

4.12.1. Every two years the committee will review its Terms of Reference to ensure it is consistent with the perceived needs to the council. This review will be in consultation with the Chief Executive Officer.

4.12.2. The outcome and recommendations will be given to council as part of this policy to consider.

4.12.3. While the Committee is required to review these Terms of Reference and make recommendations to Council, it has no power or authority to amend or alter the committee's Terms of Reference.

5. Associated Documents

Litchfield Council Policies

6. References and Legislation

Local Government Act and associated Regulations, Ministerial Guidelines and General Instructions.

7. Review History

| Date Reviewed | Description of changes (Inc Decision No. if applicable) |
|---------------|---|
| 18/10/2017 | Policy reviewed to remove reference to individual member performance review |
| 19/11/2015 | Policy Adopted |
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