

LITCHFIELD COUNCIL



Community effort is essential

Risk Management and Audit Committee (RMAC) BUSINESS PAPER TUESDAY 8/10/2019

Meeting to be held commencing 10.00am
In Executive Meeting Room at 7 Bees Creek Road, Freds Pass

A handwritten signature in blue ink, appearing to read 'D. Fletcher'.

Daniel Fletcher, Chief Executive Officer

Any member of Council who may have a conflict of interest, or a possible conflict of interest in regard to any item of business to be discussed at a Council meeting or a Committee meeting should declare that conflict of interest to enable Council to manage the conflict and resolve it in accordance with its obligations under the Local Government Act and its policies regarding the same.



LITCHFIELD COUNCIL RMAC MEETING

Notice of Meeting

to be held in the Executive Meeting Room, Litchfield
on Tuesday, 8 October 2019 at 10.00am

Daniel Fletcher
Chief Executive Officer

Number	Agenda Item	Page
1	Opening of Meeting	3
2	Apologies and Leave of Absence	3
3	Disclosures of Interest	3
4	Confirmation of Minutes	3
5	Business Arising from the Minutes	
6.1	Action Sheet	4 – 8
6	Presentations	9
	Nil	
7	Accepting or Declining Late Items	9
8	Officers Reports	9
8.1	Review 2018/2019 financial statements	10 – 53
8.2	Council response to auditor's interim management letter	54 – 59
8.3	FIN09 Risk Management and Audit Committee	60 – 69
9	Other Business	70
10	Confidential Items	70
11	Close of Meeting	70

1. Opening of meeting

2. Apologies and Leaves of Absence

3. Disclosure of Interests

Any member of the RMAC who may have a conflict of interest, or a possible conflict of interest regarding any item of business to be discussed at the RMAC meeting should declare that conflict of interest to enable Council to manage the conflict and resolve it in accordance with its obligations under the Local Government Act and its policies regarding the same.

4. Confirmation of Minutes

THAT the full minutes of the Risk Management and Internal Audit Committee Meeting held Tuesday 3 September 2019, 6 pages, be confirmed

Minutes have been distributed under separate cover and are publicly available on Council's website <http://www.litchfield.nt.gov.au/council/committees> or in hard copy by request.

5. Business Arising from the minutes

THAT Council receives and notes the Action Sheet

Meeting Date	Agenda Item & Resolution	Action Officer	Status
20 May 2019	<p>Item 5 Business Arising</p> <p>THAT</p> <ol style="list-style-type: none"> 1. RMAC receives and notes the Action Sheet and accepts management responses to updates of actions. 2. Receives a report at the February 2020 RMAC meeting with the revised dates for the development of asset management plans scheduled for completion by June 2021 including example of an asset management plan. 	DIO	Asset management plan report to be presented at February 2020 meeting
20 May 2019	<p>Item 10.1 Draft Internal Audit Payroll Report and Management Response</p> <p>THAT Risk Management and Audit Committee</p> <ol style="list-style-type: none"> 1. receives and notes the KPMG Internal Audit of Payroll March 2019 Draft for Discussion report; 2. receives and notes Council's Management Response to the KPMG Internal Audit of Payroll March 2019 Draft for Discussion report; 3. receives a further report with the final internal audit report by KPMG and action plan from management at its meeting on 30 July 2019; and 4. requests the agreed actions out of the internal audit to be included in the risk register as treatments and internal controls. <p>Include the interpretation of the Litchfield Council EBA as an identified risk in Risk Profile 16.</p>	DCCS	<p>Item 1 – Noted</p> <p>Item 2 – Noted</p> <p>Item 3 – See Item 10.2 this agenda</p> <p>Item 4 – To be completed once final report is presented to RMAC</p> <p>Item 5 – Completed</p>

Meeting Date	Agenda Item & Resolution	Action Officer	Status
3 Sep 2019	<p>8.1 Contract Management Internal Audit THAT</p> <ol style="list-style-type: none"> 1. RMAC notes the Contract Management audit report and management response to recommendations. 2. Recommended treatments are included in the risk register as actions and management responses reported via the risk dashboard 	GRA	<p>Item 2. An updated risk register will be presented to the RMAC at the February 2020 meeting</p>
3 Sep 2019	<p>8.2 Procurement Improvement Committee THAT the RMAC</p> <ol style="list-style-type: none"> 1. Note the updated Procurement Improvement Committee Terms of Reference but that the frequency of the meetings has not been achieved in the last three months 2. Note the minutes from the Procurement Improvement Committee meeting on 13 May 2019 3. Note the Procurement Improvement Committee action list 4. Requests a report at the next RMAC meeting on the status of the action items 5. Recommends referring to the procurement improvement actions in Risk Profile 14 	DIO	<p>Item 4. Minutes from September PIC meeting attached (Attachment A). The resignation of the Manager of Infrastructure and Assets (MIA) has resulted in a delay to the implementing the PIC action list. A proposal has been received to engage the former MIA on a contract basis to complete the procurement manual and associated templates remotely.</p> <p>Item 5. An updated risk register will be presented to the RMAC at the February 2020 meeting</p>

Meeting Date	Agenda Item & Resolution	Action Officer	Status
3 Sep 2019	<p>8.3 Risk Register THAT RMAC,</p> <ol style="list-style-type: none"> Note the updated strategic risk register; and Note the completed actions in the Risk Dashboard of the Strategic Risk Register, to will be removed from the action list with controls to be added where required. Requests updated due dates for actions in the Risk Dashboard 	GRA	An updated risk register will be presented to the RMAC at the February 2020 meeting
3 Sep 2019	<p>10.2 Final Internal Audit Payroll Report and Management Response THAT RMAC</p> <ol style="list-style-type: none"> Receives and notes the KPMG FINAL Internal Audit of Payroll March 2019 including recommendations, management response, annexures and legal advice. Requests a report on the likely financial impact to Council at the next RMAC meeting. Requests that the implementation of actions from the audit be reported through the risk register. 	DCCS	<p>Item 2. Preliminary calculations still outstanding. An accrual has been made in the 19/20 budget to approximately \$500k</p> <p>Item 3. An updated risk register will be presented to the RMAC at the February 2020 meeting</p>



PROCUREMENT IMPROVEMENT COMMITTEE MEETING

Minutes of Meeting
held in Executive Conference Room
on Monday, 9 September 2019 at 11amm

Natalie Dreibergs
Manager Infrastructure and Assets

Number	Agenda Item
1	Welcome <ul style="list-style-type: none">• Natalie Dreibergs• Daniel Fletcher• Silke Maynard• Charissa Wust
2	Apologies <ul style="list-style-type: none">• Nadine Nilon• David Jan
3	Disclosures of interest <ul style="list-style-type: none">• Nil
4	Action Items <ul style="list-style-type: none">4.1. Develop KPIs for reporting purposes ACTION: Include as standing item in future agendas4.2. Procurement Improvement Committee Terms of Reference ACTION: Register final terms of reference in InfoXpert folder4.3. Action Sheet https://infoXpert.edrms/docs/~D426223?Login=True ACTION: Complete and monitor ongoing actions developed from various sources including reports and audits.4.4. Authority Usage (Procurement & Contract Management) ACTION: DIO to investigate external support around Authority set up & usage. ACTION: Administration assistance / plan to enter past data

Item 5.1 Attachment A

4.5. Procurement Manual

ACTION: Handover draft to be reviewed and finalised off site.

5

General Business

Nil

Next Meeting

Scheduled Monday, 21 October 2019, 2pm

An interim meeting to be held late September

6. Presentations

7. Accepting or Declining Late Items

8. Officer Reports



RMAC REPORT

Agenda Item Number:	8.1
Report Title:	Review 2018/2019 financial statements
Report Number:	
Meeting Date:	8/10/2019
Attachments:	A – Draft Financial Statements 2018-19

Purpose

This report presents to the RMAC the preliminary financial statements as they have been presented to the auditors in line with FIN09 Risk Management and Audit Committee policy.

Summary

Annual financial statements for 2018-19 have been prepared in line with Council's policy to be presented to Merit Chartered Accountants in September 2019.

The audit of annual balances has been undertaken in September 2019 with the auditor team on site in the week ending 8 September 2019. Since the onsite audit follow up documentation and conversations have been had with the auditors to progress the audit in line with set timelines for the preparation of the annual report.

The attached financial statements (as presented to the auditors) are preliminary statements and currently show a variance of \$24,073 in the cash flow reconciliation (see Cashflow and Note 11 of the report). The auditors are working with management to identify the calculation error. This error is likely related to a transaction in the accounting system that did not have a cashflow effect and hasn't been recognised in the Note 11 reconciliation at this stage.

Recommendation

THAT the RMAC notes the preliminary Annual Financial Statements 2018-19 as they have been presented to the auditors.

Background

The attached preliminary financial statements have been prepared in line with Australian Accounting Standards and relevant local government legislation. There has been no adoption of significant new Standards and no change in reporting compared to the prior year.

Below gives explanation to some of the major variances in comparing 2017-18 and 2018-19 profit and loss data of the statement. A comparison between actuals and budget will be prepared for the next RMAC meeting in connection with the annual report preparation.

	2019 in \$	2018 in \$	Variance in %	Explanation
INCOME				
Rates	10,431,217	9,811,439	6%	
Statutory charges	155,368	64,359	141%	increase in dog registration fees, Council gave concession for first half of 2017-18 to incentivise registration
User charges	1,612,219	1,175,109	37%	Mainly increase in Development and Subdivision fees
Grants, subsidies and contributions	4,942,103	5,703,928	-13%	reduction in operational grants received
Investment income	815,990	758,200	8%	
Reimbursements	22,198	60,224	-63%	reduction in private works undertaken for third parties
Other income	136,571	150,389	-9%	
Total Income	18,115,666	17,723,648		
EXPENSES				
Employee costs	6,646,145	5,737,007	16%	increase in salaries and leave expenses, other employee costs increased due to training costs previously reported under other sundry costs
Materials, contracts & other expenses	7,661,254	7,875,804	-3%	
Depreciation, amortisation & impairment	12,921,357	16,615,287	-22%	reduction of depreciation due to review of useful lives of infrastructure assets
Total Expenses	27,228,756	30,228,098		
OPERATING SURPLUS / (DEFICIT)	(9,113,090)	(12,504,450)		
Asset disposal & fair value adjustments	(103,011)	(14,626)	604%	increase in loss from sales of plant and equipment through public auction
Amounts received specifically for new or upgraded assets	4,064,461	2,127,544	91%	increase in capital grants received and NDRRA funding
Physical resources received free of charge	1,010,687	1,351,911	-25%	reduction in assets received through finalised subdivisions
NET SURPLUS / (DEFICIT) (transferred to Equity Statement)	(4,140,953)	(9,039,621)		

Below table shows the changes on financial ratios for 2019-20.

	2019	2018
Current Ratio		
<u>Current Assets - Externally Restricted Assets</u>	10.28:1	7.01:1
Current Liabilities		
Debt Service Ratio		
<u>Net Debt Service Cost</u>	0:1	0:1
Operating Revenue*		
* as defined		
Rate Coverage Percentage		
<u>Rate Revenues</u>	41.17%	39.81%
Total Revenues		
Rates & Annual Charges Outstanding Percentage		
<u>Rates & Annual Charges Outstanding</u>	22.46%	20.61%
Rates & Annual Charges Collectible		

It is noted that the Rates & Annual Charges Outstanding Percentage has increased adverse to the prior years' trend. Council lost valuable time in the 2018-19 year due to the newly appointed debt collection agency discontinuing their services. A review of debt collection processes will be prioritised again in 2019-20. A review of data of other local councils has shown a tendency of increased rates debt which could be reflective of the current economic climate.

Links with Strategic Plan

A Well-Run Council - Good Governance

Legislative and Policy Implications

FIN09 Risk Management and Audit Committee point 4.91.1. describes the review of annual statements as part of the committee's role.

Risks

Nil

Financial Implications

Nil

Community Engagement

Not applicable

Recommending Officer: **Silke Maynard, Director Community and Corporate Services**

Any queries on this report may be directed to the Recommending Officer on telephone (08) 8983 0600.

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RMAC REPORT

Agenda Item Number:	8.2
Report Title:	Council response to auditor's interim management letter
Report Number:	
Meeting Date:	8/10/2019
Attachments:	A – Response to Interim Audit Management Letter

Purpose

This report presents to RMAC the Management Response to the Interim Audit management letter from Merit Chartered Accountants for the 2018-19 interim audit.

Summary

The Interim Audit Management letter has been presented to RMAC at its' September meeting. The attachment gives the management response to the six observations made by Merit Chartered Accountants.

Recommendation

THAT RMAC approves of the attached Management Response to the Interim Audit letter by Merit Chartered Accountants for the financial year 2018-19.

Background

From the six observations management has responded to four recommendations made by the auditors, one recommendation cannot be enacted on due to cost restrictions and the negligent risk exposure of Council and the last recommendation is part of the treatments under Council's risk register that are followed up through this process.

None of the six observations have created new internal controls that should be reflected in Council's risk register or have given indication that Council's current risk exposure has to be reassessed.

Links with Strategic Plan

A Well-Run Council - Good Governance

Legislative and Policy Implications

Nil

Risks

Nil

Financial Implications

Nil

Community Engagement

Not applicable.

Recommending Officer: **Silke Maynard, Director Community and Corporate Services**

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Response to Interim Audit Management Letter 2018-19

Observation	Effect	Risk Category	Recommendation	Management Response
<p>Cash Handling – Cemetery</p> <p>During our documentation of the receipts process for cemetery income, we were informed of an incident in which \$602 was believed to have been stolen from the safe. This is believed to have occurred through a lack of security over the code to the safe.</p>	<p>Control Weaknesses over the safekeeping of cash increases the risk of theft.</p>	Moderate	<p>Code access to the safe should be kept secure and only shared with a limited number of employees. The code should be amended at regular intervals.</p>	<p>Access codes and processes around the safe have been changed immediately. Through an investigation undertaken by KPMG cash has been removed from Thorak Cemetery to address the risk exposure of Council.</p>
<p>Payroll – Allowances</p> <p>During the financial year the Council engaged a third party to conduct an internal audit of its payroll processes. One of the findings from the report was that district allowances for employees were being paid at an hourly rate rather than per annum, as stipulated by the Enterprise Bargaining Agreement (EBA).</p>	<p>Staff may be being paid incorrect allowances. Additionally, the Council may not be complying with the requirements of the EBA.</p>	Low	<p>The Council implement the recommendations raised in the internal audit report to ensure compliance with the EBA.</p>	<p>Recommendations in the internal audit report have been followed up by industrial advice. Council is following through on this advice and an accrual for back payments in line with the legal advice has been made in the 2018-19 financial year.</p>

Observation	Effect	Risk Category	Recommendation	Management Response
<p>During our testing over the Council's payroll process, we noted three instances from a sample of ten where casual employees were being paid district allowances at an hourly rate.</p>				
<p>IT Policy</p> <p>Based on our enquiries, we understand that the Council does not have an IT policy detailing user access, system access or a disaster recovery plan. There is also no information present regarding the IT governance structure</p>	<p>The absence of an overarching IT policy increases the Council's risk of fraud, error and data loss.</p>	<p>Low</p>	<p>The Council develop an IT policy covering IT governance, user access levels, system changes and disaster recovery plan.</p>	<p>The IT governance structure is documented in the ICT Improvement Plan of Council and has been enacted upon through the establishment of the ICT Governance Board. The Terms of Reference of this board will be sent to the auditors as follow up.</p> <p>The disaster recovery plan is part of the current Risk register treatments that are worked on, yet Council has improved backups off and on-site over the past 12 months. User access within the EDRMS is documented and approved by the Executive Team. There is quarterly audit for user access to Authority undertaken. Council will work on an ICT security policy to document the procedures currently in place to provide documentation.</p>
<p>Cash Handling – Waste Disposal</p> <p>During our documentation of the receipts process for waste income, we were informed that the Gatekeeper is responsible for receiving the cash, recording the sale and performing the daily cash reconciliation.</p>	<p>The lack of segregation of duties in the handling of cash increases the risk of fraud.</p>	<p>Low</p>	<p>We recommend the Council consider cost effective ways for reducing the risk of fraud.</p>	<p>Council is aware that a segregation of duties would minimise the risk for fraud. With one Gatekeeper present during opening hours a segregation of duties is not possible.</p> <p>All cash taken is checked before banking by finance officers against receipting reports to ensure cash has been accounted for accordingly.</p>

Observation	Effect	Risk Category	Recommendation	Management Response
				The daily cash taken at the transfer stations is below \$150 per day, risk exposure to Council therefore is low. Management believes no further actions need to be taken and established controls are sufficient.
<p>Financial Statement Close Process</p> <p>As part of the month end reporting procedures, the Council has an 'Audit Checklist' of items to be completed, including month end reconciliations. At the time of our interim audit, the Audit Checklist for the month of March 2019 was not completed until requested by us.</p>	The failure to perform regular month end reconciliations in a timely manner increases the risk of error going undetected.	Low	Monthly reconciliations should be prepared, signed off as complete and approved by an independent appropriately delegated officer in a timely manner.	Council acknowledges the delay in the reconciliations observed in the interim audit. Council's procedures are reflective of a timely reconciliation and will be enforced in future.
<p>Internal Control Weaknesses – Receipts</p> <p>From a sample size of 25 samples selected as part of our controls testing over the receipts process, we noted one instance in which no supporting documentation could be provided. This related to an 'Animal Rego renewal' for \$75 on 8 January 2019.</p> <p>We also noted one instance in which an income transaction was incorrectly offset against an expense account instead of recognising the gross amount. This related to 'Business</p>	<p>The absence of appropriate supporting documentation for transactions increases the risk of fraud or error.</p> <p>Setting off transactions results in an understatement of income and expenditure.</p>	Low	<p>Supporting documentation and an adequate audit trail should be maintained for all transactions incurred.</p> <p>Income and expenditure should not be set off in accordance with AASB 101 <i>Presentation of Financial</i></p>	<p>Management acknowledges that for the mentioned transaction the original dog registration form could not be located. The concerned payment was a renewal and had been followed up by officers with the owner of the animal.</p> <p>The income transaction recognised against an expense account has been amended and staff have been made aware again of the requirements under the AASB 101.</p>

Observation	Effect	Risk Category	Recommendation	Management Response
case report preparation – Thorak Cemetery’ for \$5,500 on 20-Sep-18.			<i>Statements</i> paragraph 32.	



Agenda Item Number:	8.3
Report Title:	FIN09 Risk Management and Audit Committee
Report Number:	
Meeting Date:	8/10/2019
Attachments:	Attachment A – FIN09 Risk Management and Audit Committee policy

Purpose

To review the terms of reference of RMAC as per FIN09 Risk Management and Audit Committee policy.

Summary

The terms of reference for the RMAC are provided for in FIN09 Risk Management and Audit Committee policy (attached). Specifically, section 4.12 identifies that they shall be reviewed by RMAC every two years.

This paper provides for the review of FIN09 as per Council policy. Several areas should be considered for review.

Section 4.5.1

Prescribes that a review of the committee performance is conducted once every two years. Given the committee meets quarterly it is recommended that this be updated to once every four years.

Section 4.7.1

This section relates to meetings being conducted in a public place. The recently tabled Local Government Bill allows for Audit committee meetings to be held in private. The current Local Government Act (Section 65) requires Council Committees to be open to the public. The “Explanatory Statement – Serial No. 107” provided by the Minister for Local Government Housing and Community Development states in relation to Clause 99(4) “an audit committee is not required to be open to the public”

As such this section can be removed now in anticipation of the enactment of the Local Government Bill 2018.

Section 4.9.4.5

This section allows for meeting between the Chairperson and “the internal auditor” at least once per year. Council does not have a specific internal auditor. As such it is recommended that this section be updated to the statement below.

“Where appropriate, meet with an internal auditor as required without management present, to discuss any issues arising from an internal audit that has been conducted. In addition, the

Internal Auditor shall be given the right of direct access to the Principle member of the committee.”

Section 4.12.1

This section requires the RMAC review the terms of reference every two years. Given the committee meets quarterly it is recommended that this be updated to at least once every four years in line with GOV01 Policy Framework

Recommendation

THAT RMAC considers the current terms of reference provided for in FIN09 Risk Management and Audit Committee policy adequate and recommends the following changes

1. The review of the RMAC referred to in Section 4.5.1. be updated to require a review every four years
2. Section 4.7.1 is removed.
3. Section 4.9.4.5 be updated to read *“Where appropriate, meet with an internal auditor as required without management present, to discuss any issues arising from an internal audit that has been conducted. In addition, the Internal Auditor shall be given the right of direct access to the Principle member of the committee.”*
4. Section 4.12.1 be updated to reflect that the committee reviews the terms of reference at least once every four years.

Background

FIN09 Risk Management and Audit Committee policy prescribes the terms of reference for RMAC.

Section 4.12 of FIN09 Risk Management and Audit Committee policy is provided below.

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.

Links with Strategic Plan

A Well-Run Council - Good Governance

Legislative and Policy Implications

Council is required to convene an audit committee as per Section 10(3) of the Local Government (Accounting) Regulations requires Council to maintain an audit committee. Litchfield Council has established the Risk Management and Audit Committee (RMAC)

Risks

Nil

Financial Implications

Nil

Community Engagement

Nil

Recommending Officer: **David Jan, Governance and Risk Advisor**

Any queries on this report may be directed to the Recommending Officer on telephone (08) 8983 0600.

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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

9. Other Business

10. Confidential Items

11. Close of Meeting