

Name:	Risk Management and Audit Committee		
Type:	Council Policy		
Owner:	Chief Executive Officer		
Responsible Officer:	Director of Corporate Services		
Approval Date:	20/02/2018	Next Review Date:	20/02/2020
Records Number:	351209	Council Decision:	8/3022
<b>HISTORY</b>			
Records Number:	300256	Approval Date:	5/07/2016
		Council Decision:	8/2103

### 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 PRINCIPLES

The Committee is responsible for over viewing the responsibilities of corporate governance, particularly maintaining adequate internal controls over the revenue, expenditure and assets of the 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	This 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 with at least three additional members from the Elected Members of Council. The minimum size of the Committee shall be four members.
- 4.1.2 Independent member (s) of the Committee shall have recent and relevant financial, risk management, internal audit experience.
- 4.1.3 The chairperson of the Committee must be an independent member.
- 4.1.4 Other individuals such as the Chief Executive Officer, Director of Corporate Services, Internal Auditor and Finance Manager will attend any meeting as observers and/or be responsible for preparing papers for the Committee.
- 4.1.5 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 members(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 of Committee Members

4.4.1 Council should agree on the remuneration rate and conditions of the independent chairperson and committee members.

### 4.5 Committee Performance Review

4.5.1 The chairperson will initiate a review 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 and any other relevant stakeholders.

### 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 have to be present and cannot attend meetings over phone or other devices.
- 4.7.2 For section 65(2) of the Act, business involving the discussion of confidential information is classified as confidential business. The public may be excluded while business of a kind classified by the regulations as confidential business is being considered. The Local Government (Administration) Regulations Part 4 Confidential information and business Section 8 Classes of confidential information describes what information is classified as confidential.
- 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 at least four times per year at appropriate times in 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 minuted and that the minutes otherwise comply with the requirements of all Regulations.
- 4.8.2 Unconfirmed 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 Committee maintains a register of audit report recommendations and action taken to address these recommendations. The Committee considers any follow-up action require 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 recommendations should be reported to Council at the nearest Council meeting.

### 4.9 Role of the Committee

#### 4.9.1 Risk Management and Internal Controls

The Committee shall:

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

#### 4.9.2 Internal Audit

The Committee shall:

- 4.9.2.1 Monitor and review the effectiveness of the Council's internal audit function in the context of the Council's overall risk management system;
- 4.9.2.2 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;
- 4.9.2.3 Review all reports on the Council's operations from the internal auditors;
- 4.9.2.4 Review and monitor management's responsiveness to the findings and recommendations of the internal auditor; and
- 4.9.2.5 Where appropriate, meeting the internal auditor at least once a year, without management being present, to discuss and 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 chairperson of the Committee.
- 4.9.3 External Reporting
- 4.9.3.1 The Committee shall monitor the integrity of the annual financial statements of the Council, including KPI's within the Annual Report, and review significant financial reporting issues and judgements which they contain.
- 4.9.3.2 The Committee shall review and challenge where necessary:
- The consistency of, and/or any changes to, accounting policies in the annual financial statements;
  - The methods used in the annual financial statements 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 annual financial reports and the context in which statements are made; and
  - All material information presented with the annual financial statements including the management discussion and analysis.
- 4.9.4 External Audit
- The Committee shall:
- 4.9.4.1 Consider and make recommendations to the Council, in relation to the appointment, re-appointment and removal of the Council's external auditor;
- 4.9.4.2 Oversee Council 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;
  - 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);
  - Monitoring the external auditor's compliance with legislative requirements on the rotation of audit partners;

- 4.9.4.3 The Committee shall meet the external auditor at least once a year, without management being present, to discuss the external auditor's report and any issues arising from the audit;
  - 4.9.4.4 Review and make recommendations on the annual external audit plan, and in particular its consistency with the scope of the external audit engagement;
  - 4.9.4.5 Review the finding 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;
  - 4.9.4.6 Review the effectiveness of the external audit;
  - 4.9.4.7 Review any representation letter(s) requested by the external auditor before they are signed by management; and
  - 4.9.4.8 Review the subsequent audit management letter from the external auditor and management's proposed responses to the external auditor's findings and recommendations.
- 4.9.5 Work Plan
- 4.9.5.1 The Committee shall develop an annual work plan that sets out the scope of works.
- 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 declares a real or perceived conflict of interest, the person is excused from Committee deliberations on the agenda item where a conflict of interest exists.
- 4.11 Committee Access to Council Records and Resources
- 4.11.1 The Council, via the Council's Chief Executive Officer, will provide the necessary Council records and reports for the Committee to undertake its role and responsibilities subject to any confidentiality provisions in the Local Government Act or other legislative provisions.
  - 4.11.2 The Committee should approach the Council requesting required resources being mindful of the finite nature of such resources.
  - 4.11.3 The Committee has no authority to procure resources independently of Council.
- 4.12 Review of Terms of Reference
- 4.12.1 Biennially 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 The Committee has no power or authority to amend or alter the Committee's Terms of Reference.

### **5** ASSOCIATED DOCUMENTS

---

- 5.1 City of Palmerston Policies

### **6** REFERENCES AND RELATED LEGISLATION

---

- 6.1 Northern Territory Local Government Act
- 6.2 Northern Territory Local Government (Administration) Regulations
- 6.3 Northern Territory Local Government (Accounting) Regulations
- 6.4 Australia Accounting Standards
- 6.5 Ministerial Guidelines
- 6.6 Local Government General Instructions