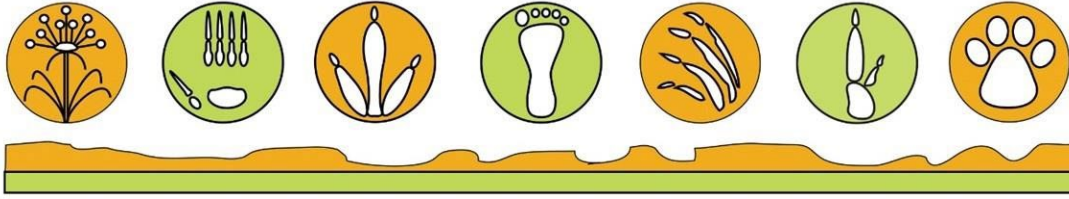


# BARKLY REGIONAL COUNCIL



## AUDIT & RISK COMMITTEE

## TERMS OF REFERENCE

## **1. Introduction**

These terms of reference will commence from 1/03/2024. It replaces all other terms of reference, if any, relating to Audit and Risk Committees (whether written or not). As a key component of the governance framework, Barkly Regional Council has established the Audit and Risk Committee ('the Committee'), pursuant to sections 86 of the Local Government Act ('the Act'), and regulation 10(2(b) of the Local Government (Accounting) Regulations ('the Regulations')

## **2. Authority**

Under Part 5.2 of the Act, Council must establish and maintain an audit committee. The Committee provides an important independent role between Council and its management and between Council and its community.

The Audit and Risk Committee is an advisory body has no delegated executive authority to act independent of Council. The committee can only act in areas as provided for under these terms of reference or as may be directed by the Council. The Audit and Risk Committee plays a central role in reviewing Council's internal control processes and provides Elected Members with a level of assurance on the effectiveness of the Council's financial and corporate governance practices as well as compliance with legislative and regulatory requirements.

Through the Chair of the Committee, Council authorises the Committee to seek any required information from Council Auditors, Council lawyers, the Chief Executive Officer (CEO may request another officer of Council who was delegated that task/function to answer directly and explain their decision to the committee)

## **3. Committee Membership**

- a. The Committee will comprise of five people comprised of at least one elected member and, appropriately, qualified external independent members.
- b. To avoid tied decisions, an uneven committee member number is recommended.
- c. An independent member may be a former elected member or former employee of the Council.
- d. At least one Independent member must be a qualified accountant, a lawyer, or someone with more than three years of experience serving at the executive level in the local government.
- e. All members of the Committee must reside in the Northern Territory.
- f. The Council will appoint the committee members and elect the Committee Chair who must be an independent member.
- g. The appointment to the Committee will be for a period of two years or as may be determined by Council.

#### **4. Other persons may attend meetings of the Committee by invitation.**

Persons who are regularly invited but have no voting rights include:

- Chief Executive Officer
- Chief Finance Officer
- External Council Auditors
- Governance Manager
- The CEO may invite any officer of the Council to attend and provide clarification to the committee's concerns regarding areas around their function.

#### **5. Committee Meetings.**

- a. The Committee will hold meetings at least four times each calendar year. Additional meetings may be conducted as deemed necessary by the Committee or as directed by the Council.
- b. The Committee meetings will be conducted in accordance with the Meeting Procedures prescribed under the Act and Regulation.
- c. The chairperson will be an independent committee member. In the absence of the Committee Chair from a meeting and there is a quorum, the committee members present will select one member present to chair the meeting.

#### **6. Conflict of Interest**

Committee members and guests must disclose any perceived or potential conflicts of interest at the commencement of each meeting and will then be excused from Committee discussions and deliberations on the issue where the conflict of interest exists.

#### **7. Secretarial Duties**

The Chief Executive Officer will appoint a delegate to the role of secretary to the Committee. The delegate will develop and distribute committee agendas, minutes, and calendar in accordance with the meeting procedures policy of Council. Draft minutes must be approved by the Chair and posted to the Council website. The minutes will be ratified at the following Committee meeting. The secretary is to present the draft minutes of the Committee meeting at the following meeting of Council.

The Committee Chair is to facilitate the supply of information regarding the Committee to be included in the agenda and Annual Report of Council.

#### **8. Remuneration**

Eligible Audit and Risk committee member's allowance are as set by the Council resolution following the NTG statutory bodies remuneration guideline.

## **9. Voting**

Any matters requiring a decision will be completed by a majority of votes of members present.

## **10. Committee Performance Review**

The Committee will review its performance annually at its final scheduled meeting and advise the Council of its findings. This review may be conducted as a self-assessment and will be coordinated by the Chair. The assessment may seek input from the Council, Chief Executive Officer, internal auditors, and external audit providers. Training needs will be monitored by the Chair.

The review should also evaluate these Terms of Reference, which will then be approved by a resolution of Council.

## **11. Removal of a member from office**

A reasonable ground must be established in a report to Council providing why the member must be removed.

A member may only be removed from office through a Council resolution following a breach of the member code of conduct, or Council policy or is charged and found guilty of committing a criminal offence.

A persons membership may be revoked if the member fails to attend the meeting for more than three sittings without any reasonable written excuse.

## **12. Responsibilities of the Audit and Risk Committee**

The Audit and Risk Management Committee's primary role is to provide independent assurance and advice to Council in the following areas:

- issues relevant to the integrity of Council's financial reporting
- financial and non-financial performance reporting
- risk management, including enterprise risk management, workplace health and safety, fraud and corruption prevention, business continuity planning and disaster recovery
- internal and external audit
- internal control framework including policies and procedures, checking Council compliance to policies, procedures and the overarching governance principles, the Act, the regulations, plus any Ministerial directions.

It does this through the provision of independent advice and recommendations on matters as may be directed by Council or as may be relevant under their term of reference to facilitate decision-making by Council.

#### **a. External Reporting**

- Consider the currency of adopted accounting policies, principles, and procedures to ensure compliance with the financial reporting framework and legislative requirements
- Assess significant estimates and judgements in financial reports and the process used in making those estimates and judgements. Evaluate internal and external auditors the basis for their conclusions on the reasonableness of management's estimates
- Assess management explanations for unusual transactions or significant variances from the results of prior years or in the budget of the current year
- Review management processes for ensuring and monitoring legislative compliance relating to the external reporting of financial and non-financial information
- Assess information from internal and external auditors involving the quality of financial reports including but not limited to actual and potential material audit adjustments, disclosures, statutory compliance, and internal control issues
- Liaise with external auditors to determine the validity of the implemented accounting principles and practices, including those proposed for consideration
- Assess the management of non-financial documentation, including both public and internal, to ensure the information does not conflict with the financial statements or other documents □ Consider the security of information internal control systems

#### **b. Related-Party Transactions**

- Review and monitor the propriety of related-party transactions

#### **c. Corporate Governance**

- Assist the Council to ensure appropriate corporate governance is in place
- Review policies relating to conflicts of interest, misconduct, and fraud
- Provide oversight and monitoring of the fraud protection plan
- Review and endorse the code of conduct
- Oversee instances of whistleblowing and employee complaints

#### **d. Internal Control and Risk Management**

- Evaluate internal processes for determining and managing key risk areas, including but not limited to:
  - Legislative obligations including industry best practice
  - Accounting estimates and judgements
  - Litigation and claims
  - Fraud and theft
  - Arising business risks
  - Protection of assets
- Consider the risk assessments undertaken to ensure effective risk management systems are in place including regular reporting to Council
- Obtain and assess management reports on any suspected or actual fraud, theft, or breaches of laws, and make recommendations

- Assess the effectiveness of the internal control, risk management and performance management systems with management and all audit providers
- Identify areas where change is required to reduce the risk of exposure to fraud or unauthorized transactions
- Measure controls to manage actual or perceived unusual types of transactions posing a determined unacceptable degree of risk
- Meet periodically with key management, internal and external auditors and compliance staff to understand and discuss the control environment
- Review the adequacy of periodical internal financial reports
- Review operational compliance with internal policies, plans and procedures
- Review the statutory delegations of staff members

#### **e. External Audit**

- Invite the external auditor to attend a meeting of the Committee to review the audit plan, discuss audit results, consider the implications of the findings, and discuss control issues
- With the external audit provider, review the scope of the provider, the extent of the audit itself and the identified risk areas, in addition to additional procedures agreed upon
- Ascertain if there have been any significant disagreements with management irrespective of outcome
- Monitor and critique management responsiveness to the findings and recommendations of the external auditor
- Review all correspondence sent by management to ensure the information provided is complete and appropriate
- Review the independence of the external auditor to ensure impartiality
- In order to maintain proper checks, remind Council on the need to ensure rotation of the external audit provider

#### **f. Internal Audit**

- Make recommendations to Council on the appointment, remuneration and monitoring of the effectiveness and independence of internal audit processes
- Communicate in writing the expectation of the Committee to the internal auditor
- Review the scope, strategic plan and annual work program of the internal auditors
- Assess the responsiveness and progress of management to internal audit findings and recommendations and advise Council.
- Evaluate the process in place for monitoring and assessing the effectiveness of internal audit systems
- Evaluate and advise whether the internal and external audit programs are appropriately coordinated to achieve optimal efficiency and effectiveness whilst avoiding duplication