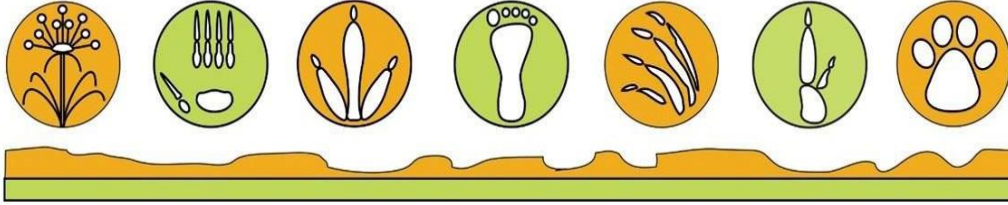


BARKLY REGIONAL COUNCIL



STANDING COMMITTEE TERMS OF REFERENCE

**AUDIT & RISK
COMMITTEE**

Version No. 2

1. PURPOSE - Meeting 29 November 2024 - Resolved OMC-24/319

It is a requirement of the Local Government Act 2019 (the Act), Part 6.2 and Section 86 for Council to establish an Audit Committee in accordance with the terms and conditions as determined by Council, and as otherwise required by the Minister. Barkly Regional Council (“BRC, Council”) recognises the Audit Committee as being a key component of ensuring good governance at Council.

At BRC the Audit Committee is known as the **Audit & Risk Committee** (“the Committee”).

This Committee checks that Council is complying with the law and has the right rules in place to ensure finances are monitored and that reports to Council are provided that accurately reflect the finances and are clear.

The Committee exists to ensure there are policies and procedures for who authorises expenditure, for bill payments, who has authority to run payroll and ensure wages are correctly recorded, who authorises payment, who has access to the bank accounts and credit cards and what checks are in place. These are referred to as internal controls. This Committee oversees the financial reporting, enterprise risk and audit processes and makes sure these are thorough.

The purpose of this Committee is to provide an independent forum where committee members and management work together to fulfill specific governance responsibilities which are summarized as:

- 1) Monitor and review the integrity of the Council’s financial management
- 2) Monitor and review internal control systems
- 3) Monitor significant enterprise risks (initially classified as High, Extreme)
- 4) Ensure legislative compliance with the Local Government Act and Regulations
- 5) Coordinate and oversee audit functions
- 6) Make recommendations to the Council

2. SCOPE

The Committee is an *Advisory Committee* which acts independently of the Council, but in accordance with the Act, these Terms of Reference and applicable Council Policies.

Audit & Risk Committee Meetings are open to the public. However, as per section 99 of the Act, Audit Committee can be conducted in private.

It is a requirement that the **Council Committee Terms of Reference Policy** be read in conjunction with these terms of reference.

Council may, by resolution, abolish this Committee.

3. TERMS OF MEMBERSHIP AND VACANCIES

The appointment to this Committee will be for a term of two (2) years. In the interests of maintaining continued independence over Council’s relevant operations, Council will seek to change this Committee midway through its term.

4. AUTHORITY

The Audit and Risk Committee has no line of authority; however, the Committee has full right of access to all levels of management through the CEO and Auditors to support functional reporting requirements and enable recommendations to be made to Council about any matters that the Committee considers need action or improvement.

While the Committee provides an important independent role between Council, its management and between the Council and its community, the Committee remains subject to the control and direction of Council. At all times, the Committee is to maintain its independence from the day-to-day operations of the Council.

Through the Chairperson of the Committee, Council authorises the Committee to seek any required information from Council auditors, Council lawyers or the CEO (or authorised delegate/s) to answer directly to and to provide information on, or explain their decisions to the Committee.

5. FUNCTIONS

This Committee plays a vital role in reviewing Council's internal control processes and provides the Council with a level of independent assurance on the effectiveness of the Council's financial and corporate governance practices, covering the following functions:

6.1 General functions

- 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, Regulations, plus any Ministerial directions.

6.2 Internal Reporting

The CEO will submit to Council a copy of the meeting report of each Committee meeting.

The Chairperson shall prepare an annual report to Council of the calendar year, which:

- summarizes its activities and achievements
- assesses the committee's performance
- comments on its compliance with its Terms of Reference
- outlines the priorities and proposed activities for the following year

6.3 External Reporting

- Consider the currency of adopted accounting-based principles, policies and procedures to ensure compliance with governance, risk, financial and asset 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 on the basis of their conclusions and 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
- Consult 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

6.4 Related-Party Transactions & Corporate Governance

- Review and monitor the propriety of related-party transactions
- Assist the Council to ensure appropriate corporate governance is in place
- Review policies relating to conflicts of interest, misconduct, and fraud and corruption
- Provide oversight and monitoring of the fraud protection plan
- Review and endorse Council's Codes of Conduct and Breach of Code of Conduct Policy

6.5 Internal Control and Risk Management

- Evaluate internal processes and controls for identifying and managing significant risks, including but not limited to:
 - a. Legislative obligations including local government best practice
 - b. Accounting estimates and judgements
 - c. Litigation and claims
 - d. Fraud, corruption and theft
 - e. Arising business risks
 - f. Protection of assets
 - g. Enterprise risk management
- 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, and make recommendations on these areas
- Measure risk 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 through the CEO 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 Officers

6.6 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 auditor, review the scope of the provider, the extent of the audit itself and the identified risk areas, in addition to additional procedures agreed upon
- Monitor and critique management responsiveness to the findings and recommendations of the external auditor
- Review relevant audit 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, as required under the Act

6.7 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, audit plan and annual audit surveillance program of the internal auditors
- Assess and evaluate the responsiveness and progress of management to internal audit findings and recommendations and advise Council of this
- Evaluate and advise whether internal and external audit programs are appropriately coordinated to achieve optimal efficiency and effectiveness whilst avoiding duplication, bias and conflict of interest

6. CALENDAR OF MEETINGS

There will be a minimum of one meeting per calendar quarter (i.e., a minimum of four meetings per year), held in accordance with the schedule of meetings published on BRC's website. Council or Committee may where need be alter the meeting calendar as need may necessitate.

In addition to the mandatory schedule of meetings, the Committee may hold a **Special Meeting** to deal with a particular item of business whenever circumstances require. A Special Meeting is established, organised and run in the same manner as the usual scheduled meetings of the Committee.

7. COMMITTEE MEMBERSHIP

The Committee consists of people appointed, by resolution of Council, to be members of the Committee. The members of this Committee may consist of or include people who are not members of Council. The following requirements apply to the membership of this Committee:

- Except for the role of Chairperson, a member of Council's staff is eligible for appointment as a member of this Committee. The Chairperson of this Committee must not be a member of the Council or a member of the Council's staff.
- At least one independent member must be a qualified accountant, auditor, lawyer or a person with more than three years of experience serving at an executive level and with knowledge of local government operations.
- All members of the Committee must reside in the Northern Territory.

In order to avoid tied decisions, the Committee is formed of an uneven number of five (8) persons and the membership is established as follows:

- External Chairperson (who must be an independent member from Council)
- The Mayor
- Four Elected Members
- Chief Executive Officer
- Chief Financial Officer

8. RESPONSIBILITIES OF COMMITTEE MEMBERS

- Contribute to the assessment and improvement of Council's corporate governance processes, including ensuring its systems of internal control, risk management and internal audit activities meet governance requirements
- Review significant areas of risk to Council including internal controls, external reporting and compliance requirements, governance and probity
- Review the activities of external and internal audit and provide guidance and direction as required
- Be proactive in respect to matters that would compromise the objectivity of internal audits
- Periodically engage with any internal and external auditors, independent of management
- Responsible for reviewing and approving the Internal Audit Policy and Program
- Ensure recommendations, in relation to significant risk items, arising from audit sources are followed up and implemented appropriately (reasons should be obtained from management for inappropriate and untimely implementation)
- Verify minutes of meetings as an accurate record of Audit and Risk Committee meetings
- Refrain from making any public comment or issuing any information in any form, concerning matters of the Committee or matters of interest to the Committee, unless agreed by Council
- Take actions under the Whistleblower Policy if necessary

In addition to the duties and responsibilities as a Committee Member, the Chairperson shall:

- Provide leadership and direction to the Audit and Risk Committee including providing meeting structure, professionalism and efficiency
- Ensure effective communication between the Audit and Risk Committee, Chief Executive Officer, management, External Audit, Internal Audit
- Ensure the independence and objectivity of the Audit and Risk Committee and Internal Audit functions are maintained

9. SECRETARIAT

The CEO is responsible for providing secretariat support to the Committee. Responsibilities of the Secretariat as the authorised delegate of the CEO include:

- Preparing and publishing a notice convening each meeting of the Committee provided to each Committee member at least 3 business days before the date appointed for the meeting (S97)
- Preparing and publishing a notice convening each meeting of the Committee at least 3 business days before the date appointed for the meeting (S97)
- Preparing and posting a notice convening each meeting of the Committee on a notice board at the Council's public office at least 3 business days before the date appointed for the meeting (S97)
- Distributing business papers to all Committee members at least 3 business days prior
- Preparation of agendas in consultation with the Chairperson
- Ensure meeting minutes are ratified as a correct record at the next Committee meeting
- Ensure that until the minutes are confirmed by the Committee as a correct record of the meeting,

that published minutes are marked as not having been confirmed as a correct record of the meeting, and no certified copy of, or extract from the minutes is to be issued by Council

- Ensure that any minutes which have suppressed confidential information contain a statement of that fact and the provision of the Act under which the information is confidential
- Coordinating room bookings, catering requirements, audio-visual equipment etc.

10. MEETING ATTENDEES

At the discretion of the Committee and/or as required for discussion around particular issues, the roles which may regularly be invited to attend meetings as Guests of this Committee include, but are not limited to the CEO, Council Directors or Council's external auditors. Upon request or as agreed, the CEO may invite any Council Officer to attend a meeting to provide clarification to the Committee's concerns regarding areas around their function.

The above attendees do not have voting rights at the Committee (unless they are a meeting member as resolved by the Council).

11. MEETING PROCEDURES

11.1 Procedures

Please refer to the **Council Committee Terms of Reference Policy** for all procedures required to be established and maintained by the Committee.

Meetings for this Committee are convened by the CEO in accordance with the requirements of the Act as outlined in the above Policy, including relevant requirements for the preparation and publication of minutes and handling of confidential business.

11.2 Voting

Each member present has, and must exercise, one vote on a matter arising for decision. The Chairperson must exercise, in the event of an equal number of votes, a second (or casting) vote.

For voting purposes, the Chairperson will accept motions moved and seconded by members of the Committee by a show of hands (or as otherwise agreed for remote attendees and in accordance with the Remote Attendance by Members at Meeting Policy).

A Committee decision is made by majority vote of voting members present at the meeting. A majority vote is 50% of the voting member votes plus one vote.

11.3 Conflict of Interest

It is the responsibility of every Committee member and meeting guest to declare any real or perceived conflicts of interest when joining the Committee and/or throughout their tenure on the Committee.

Conflicts of interest must also be identified at the start of each meeting, and as a matter arises in which a member has a conflict of interest on a matter.

The person with the conflict of interest will be excused from Committee discussions and deliberations on the issue where the conflict of interest exists, and must leave the room for the duration of the discussion and vote.

11.4 Deputy/Acting Chairperson

In the absence of the Chairperson or appointment of a Deputy Chairperson, the Committee members present will select one Committee member present to chair the meeting.

11.5 Remuneration

Eligible Committee members may receive attendance of meeting allowance as determined by Council resolution following the NT Government Statutory bodies classified remuneration structure.

12. SELF DEVELOPMENT OF THE COMMITTEE

The Council acknowledges the importance of fostering the self-development of Committee members to enhance skills and maintain their competence. Consequently, the Council commits to granting internal committee members reasonable access to technical and professional development opportunities, enabling them to stay abreast of legislative changes, accounting standards and other pertinent matters, and in accordance with any established professional development policies or allowances provided.

External members are expected to independently uphold their own professional self-development prerequisites.

13. COMMITTEE PERFORMANCE ASSESSMENT

Each calendar year the Committee shall undergo a self-assessment process to ensure all the functions and business of the Committee are being dealt with in an efficient and effective manner, and in accordance with established requirements.

The assessment process shall include but not be restricted to time of meetings, length of meetings, attendance at meetings, location of meetings, content of meetings, results of recommendations on matters discussed, achievements and satisfaction rating of members. The review should also evaluate these Terms of Reference.

The assessment may also seek input from the Council, CEO, internal and external auditors.

The Chairperson is responsible for coordinating and documenting this process.

14. RELEVANT POLICIES

It is the responsibility of the CEO to ensure that the Committee is provided with, and signs for, copies of the following documents:

- Standing Committee Terms of Reference – Audit & Risk Committee (this document)
- Council Committee Terms of Reference Policy
- Code of Conduct (Members & Local Authority)
- Conflict of Interest Policy
- Gifts & Benefits Policies
- Remote Attendance by Members at Meetings
- Confidential & Business Information Policy
- Accounting & Audit Privacy Policy
- Fraud & Corruption Policy
- EEO: Anti-Discrimination, Anti-Harassment & Anti-Bullying Policy
- Whistleblower Policy

- ICT Acceptable Use Policy

Committee members will be required to sign in acknowledgement of receipt of these documents.

15. DOCUMENT REVIEW

These Terms of Reference will be reviewed by the Committee at the end of each calendar year or when related legislation is amended or due to other circumstances as determined by Council. Recommended changes are made to the Council for adoption.