



WEST ARNHEM



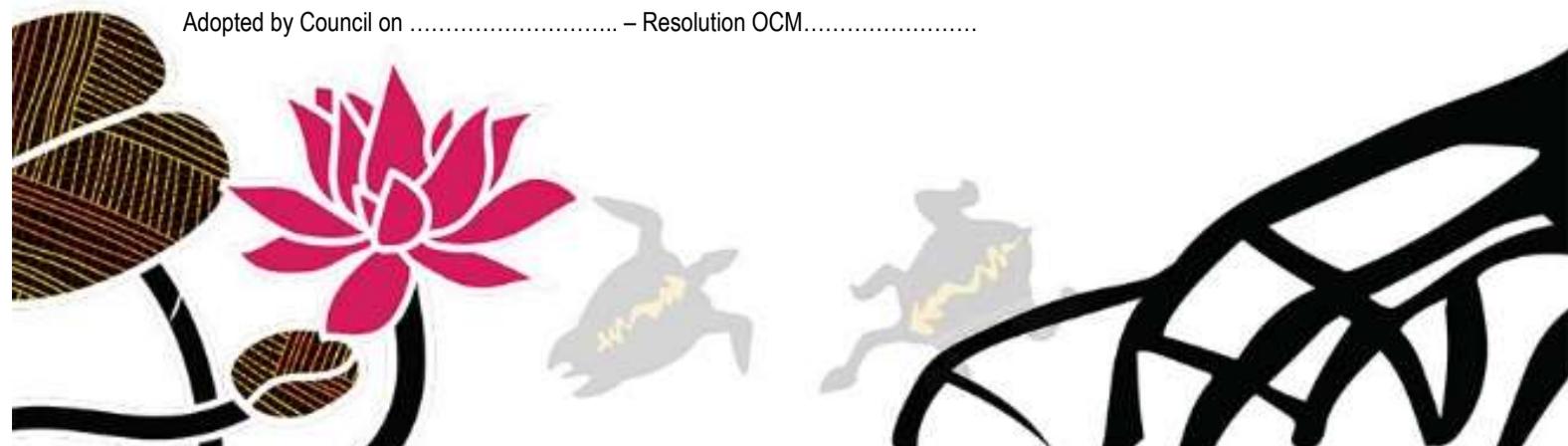
REGIONAL COUNCIL



WEST ARNHEM REGIONAL COUNCIL
RISK MANAGEMENT AND AUDIT COMMITTEE
TERMS OF REFERENCE

Version 2022.0: Approved by Audit Committee Meeting held on - Resolution ACM...../2022

Adopted by Council on – Resolution OCM.....



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1. Role

The West Arnhem Risk Management and Audit Committee (the Committee) is created as an advisory committee as per provisions in the *Local Government Act 2019* (the Act) and the *Local Government (General) Regulations 2021* (the Regulations). Its role is to monitor West Arnhem Regional Council's (WARC) compliance with financial and accounting regulations and standards, as well as any other matters related to the integrity of Council's internal risk controls.

2. Responsibilities

The Committee provides recommendations to Council and the Chief Executive Officer (CEO) that assist in the governance of WARC, and the exercising of due care, diligence and skill in relation to:

- i. Internal Control and Risk Management
- ii. Internal Audit
- iii. External Reporting
- iv. External Audit
- v. Compliance with Standards

These responsibilities are expanded upon in the appendix.

3. Composition of the Committee

The Committee will comprise of a minimum of three (3) and not more than six (6) WARC Elected Members, an independent external Chair, and an Independent Member. At least one member of the Committee will be a qualified accountant holding current accounting certification (CPA or CA). In addition to this, at any given time, either the Chair or Independent Member should reside in the Northern Territory at the time of their appointment, and during the course of their membership on the Committee. All appointments to the Committee including any external members and the appointment of the Chair shall be approved by Council resolution.

The Council can at any time appoint a stand-in or replacement Elected Member to act as a proxy member for the elected representative members of the Committee. Independent Members are appointed on the basis of professional qualities and skills, and proxies are not permitted if the Independent Member is unable to attend meetings.

In addition to the Committee members, the following Council staff may attend Committee meetings:

- i. Chief Executive Officer
- ii. Chief Corporate Officer
- iii. Chief Operating Officer
- iv. Governance and Risk Advisor
- v. Finance Manager

The Committee will receive secretariat support from Council staff. Additionally, internal and external auditors may be invited to attend the Committee's meetings at the discretion of the Committee members.

4. Committee Meetings and Reporting to Council

A quorum at each Committee meeting will be the smallest integer greater than half of the total number of Committee members. In the Chair's absence from a meeting, the members of the Committee present at the meeting will select a Chair for that particular meeting.

Meetings of the Committee may be held face-to-face or through any technological means by which members can participate in a discussion. The notice and agenda of each meeting will be made available to Committee members at least three (3) business days before each meeting. All Committee meetings are to be open to the public unless they are considered confidential as per provisions in section 293(1) of the Act division 2 of the Regulations.

The Committee may invite any persons to attend its meetings as it sees fit, and consult with other persons or seek any information it considers necessary to fulfil its responsibilities. The Committee members may meet separately with the external audit provider and/or head of internal audit to discuss issues of mutual interest, without attendance by management (WARC staff).

To ensure that the Committee finalizes its activities within any stipulated timeframes in the Act and Regulations. The Committee's secretariat will work with the Chair and the CEO to prepare an annual work plan for the Committee before the start of each financial year.

The Committee should meet at least four times a year to:

- i. Review the draft audited financial statements and auditors report at year end set the audit agenda and the Committee's work plan. (This should be done within a reasonable time to ensure compliance with section 290 of the Act and regulations 15 and 16 of the Regulations.).
- ii. Meet with the auditors, discuss findings and review the draft audited financial statements that will be presented to Council for approval. (This should be done within a reasonable time to ensure compliance with section 290 of the Act and regulations 15 and 16 of the Regulations).
- iii. Monitor the implementation of any audit recommendations accepted by Council and undertake matters that the Committee is responsible for as per the Committee's work plan. and
- iv. Undertake matters that the Committee is responsible for (for example, review compliance with legislation, contracts, best practices, WARC policies and so forth as per the Committee's work plan.

The minutes of each Committee meeting should be prepared as per requirements in regulation 59 of the Regulations. The Chair should review the minutes within five to seven (5-7) business days after receipt from the secretariat. The secretariat is to ensure the minutes of Committee meetings are available on Council's website within ten (10) business days after the meeting to which they relate, to comply with

section 102(2) of the Act.

The Committee Chair is to report to the Council following each Committee meeting to comply with section 101(4) of the Act. The manner of reporting may be by distribution of a copy of the minutes of the meeting supplemented by other written information if necessary, including any recommendations requiring Council action and/or approval.

The Committee Chair is to review, and if necessary amend, information regarding the Committee which is to be included in the West Arnhem Regional Council Annual Report. The due date for the required information will be included in the Committee's work plan.

5. Voting Right of Committee Members

All Committee members (elected members and independent members) have equal voting rights on the Committee. Any matters requiring a decision will be decided by a majority of votes of members present. In the event of a tie, the Chair has the casting vote.

6. Term of Appointment and Termination of Committee Members

The term of membership for elected members will be the term of the Council, which is four (4) years. Elected members will be appointed to the Committee at the first Ordinary Council Meeting following the local government general election. Membership of an elected member ceases if they are no longer an elected member.

The independent Chair and independent member should not be WARC elected members or staff. Independent members will be appointed by Council for a maximum period of four (4) years after suitable candidates are interviewed following a public call for expressions of interest. The appointment of independent members will be approved by Council resolution, and may be renewed or terminated by Council subject to their appointment agreements.

7. Performance and Review

The Committee will review its performance at least once every two years. This review may be conducted as a self-assessment, and will be coordinated by the Chair. The assessment may seek input from the CEO, the external audit provider, management and any other relevant stakeholders as determined by the CEO.

Professional development of the Committee's members is necessary to ensure that all members receive the training that they need to understand and carry out their roles on the Committee. Accordingly, elected members of the Committee will have reasonable access to technical and professional development events to help them keep up to date with legislative, accounting and other relevant issues. The Chair will monitor the Committee's training needs, and work with the CEO to provide opportunities for professional development and training. Independent members of the Committee are expected to maintain their own professional development requirements.

8. Remuneration of the Committee Members

WARC's elected members of the Committee shall be remunerated for their attendance at Committee meetings in accordance with Council's Allowances and Expenses (Elected, Local Authority and Committee Members) Policy. The rate payable is specified annually in Council's Regional Plan and Budget.

The remuneration rate and conditions of the independent members are based on the C1 daily rate in the Northern Territory *Statutory Bodies Classification Structure*, and in accordance with Council's Allowances and Expenses (Elected, Local Authority and Committee Members) Policy. Independent members should provide invoices before payments are processed.

9. Committee Access to Council Records and Resources

Council authorises the Committee, through the Chair, to:

- i. Seek any information it requires from:
 - a. Any employee. All employees of the council are directed to co-operate with any request made by the committee, and
 - b. External parties;
- ii. Obtain outside legal or other independent professional advice with the agreement of the Council.

Additionally, the CEO will advise the committee members in the event of following:

- i. Loss of significant programs
- ii. Material theft
- iii. Adverse financial event

10. Conflict of Interest

Committee members will be asked to disclose conflicts of interest at the commencement of each meeting. Ongoing conflicts of interest need not be declared at each meeting once acknowledged. Where members or invitees at Committee meetings are deemed to have a real or perceived conflict of interest, they will be excused from Committee discussions and deliberations on the issue where a conflict of interest exists.

As per section 110 (1) of the Act, elected members of the Committee should submit an annual return of interests within 60 days of the elected member's election, and no later than 30 September each year. The submission must be in the prescribed form as outlined in regulation 106 of the Regulations. Independent members of the Committee should submit an annual return of interests by 30 September each year. The submission must be in the prescribed form as outlined in regulation 107 of the Regulations.

11. Review of Terms of Reference

The Committee shall review its terms of reference every two (2) years to provide assurance that it remains consistent with Council's objectives and responsibilities. The Committee shall also review its terms of reference to ensure compliance with any legislative changes.

Appendix 1: Detailed Responsibilities of the Risk Management and Audit Committee

The timelines and due dates for the following responsibilities will be outlined in the Committee's work plan.

1.1 Internal Control and Risk Management

- Assess the internal processes for determining and managing key risk areas, particularly:
 - i. compliance with laws, regulations, standards and best practice guidelines, including industrial relations laws;
 - ii. important judgements and accounting estimates;
 - iii. litigation and claims;
 - iv. fraud and theft; and
 - v. relevant business risks other than those that are dealt with by other specific Council committees.
- Based on the risk assessment undertaken by the Council, ensure that the areas of the region that are under WARC's jurisdiction have an effective risk management system and that significant or material risks are reported back at least annually to the Council.
- Whenever applicable, obtain and assess management reports on any suspected or actual fraud, theft or breaches of laws, and recommend appropriate actions.
- Address the effectiveness of the internal control, risk management and performance management systems with management and the internal and external audit providers.
- Evaluate the process WARC has in place for assessing and continuously improving internal controls, particularly those related to areas of significant risk.
- Assess whether management has controls in place for unusual types of transactions and/or any potential transactions that may involve an unacceptable degree of risk.
- Assess the effectiveness of and compliance with the corporate ethical conduct as per Council's policies .
- 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 compliance with internal policies, plans and procedures.
- Review the delegations of Council staff members.

1.2 Internal Audit

- Make recommendations to Council on the appointment, remuneration and monitoring of the effectiveness and independence of internal audit.
- Be satisfied that sufficient funds are available to enable an effective, comprehensive and complete audit to be conducted for the areas identified for internal audit review.
- Communicate the Committee's expectations to the internal auditor in writing, via the Office of the CEO.

- Ensure the internal audit function (whether internal or external) reports directly to the Committee.
- Review the internal auditor's charter and resourcing (including qualifications, skills, experience, funding and equipment).
- Review and approve the scope of the internal audit strategic plan and annual work program.
- Monitor the progress of the internal audit plan and work program and consider the implications of internal audit findings for the control environment.
- Monitor and assess management's responsiveness to internal audit findings and recommendations.
- Evaluate the process for monitoring and assessing the effectiveness of the internal audit function.
- Ensure that the internal audit and the external audit programs are appropriately coordinated to achieve maximum effectiveness; and avoid duplication.
- Provide the opportunity for Committee members to meet with the internal auditor and external auditor without management personnel being present at least once a year.

1.3 External Reporting

- Consider the appropriateness of accounting policies and principles and any amendments thereto, as well as the methods of applying those policies/principles, ensuring that they are in accordance with the stated financial reporting framework.
- Assess significant estimates and judgements in financial reports by enquiring of management about the process used in making material estimates and judgements and then enquire of the 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 prior year results or current year budget.
- Review management's processes for ensuring and monitoring compliance with laws, regulations and other requirements (including Australian Accounting Standards and the Local Government Act and its Regulations) relating to external reporting of Council's financial and non-financial information.
- Assess information from internal and external auditors that affects the quality of financial reports (for example, actual and potential material audit adjustments, financial report disclosures, non-compliance with the laws and regulations, internal control issues).
- Ask the external auditor for an independent judgement about the appropriateness, not just the acceptability, of the accounting principles used and the clarity of the financial disclosure practices used or proposed to be used by Council as put forward by management.
- Assess the management of non-financial information in documents (both public and internal) to ensure the information does not conflict with the financial statements or other documents.
- Recommend to Council whether the statutory audited financial and non-financial statements should be signed by the CEO based on the Committee's assessment of them.
- Monitor disclosures of related-party transactions.

1.4 External Audit

- Make recommendations to Council on the appointment, remuneration and monitoring of the effectiveness and independence of the external audit provider.
- Review the external audit provider's fee and be satisfied that an effective, comprehensive and complete audit can be conducted for the set fee.
- At the start of each audit, agree the terms of the engagement with the external audit provider. Review the external audit provider's annual engagement letter.
- Invite the external audit provider to attend Committee meetings to review the audit plan, discuss audit results, consider the implications of the external audit findings and otherwise discuss management and the control environment issues.
- Together with the external audit provider, review the scope of the external audit (particularly the identified risk areas) and any additional agreed-upon procedures on a regular and timely basis.
- Enquire of the external audit provider if there have been any significant disagreements with management irrespective of whether or not they have been resolved.
- Monitor and critique management's responsiveness to the external audit provider's findings and recommendations.
- Review all representation letters signed by management and ensure that the information provided is complete and appropriate.
- Provide the opportunity for the Committee members to meet with the external audit providers without management personnel being present at least once a year.
- Review the external audit provider's independence based on the external auditor's relationships and services with the Council and other organisations that may impair or appear to impair the external audit provider's independence.
- Advise Council on the rotation of the external audit provider at intervals of approximately each five years or otherwise as the need may arise.

1.5 Compliance with Standards

All activities and responsibilities of the Committee are to be performed to the standards published by the Council, relevant accounting and auditing standards and relevant legislation.

Appendix 2: Risk Management and Audit Committee Work Plan (Insert Year)

Action	Link to Terms of Reference	Quarter 1 (July Meeting)	Quarter 2 (October Meeting)	Quarter 3 (March Meeting)	Quarter 4 May (May Meeting)	Officer/ Team Responsible for Committee Report
Audit Committee Performance						
Committee self-assessment						
Setting of annual meeting dates						
Review of Charter and Terms of Reference (every two years)						
Training and development plan						
Review of annual work plan						
External Audit						
Appointment of external auditor						
External audit letter						
Annual financial statements						
Confidential meeting with auditors						
Internal controls						



Internal Audit						
Confidential meeting with internal auditors						
Internal audit action plan update						
Strategic internal audit plan						
Risk Management						
Review of strategic and operational risk register						

TEMPLATE

