



# **AGENDA**

## **AUDIT AND RISK COMMITTEE MEETING**

### **THURSDAY, 7 MAY 2015**

The Audit and Risk Committee Meeting of the Central Desert Regional Council will be held in the on Thursday, 7 May 2015 at 11:00am.

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**CONFIRMATION OF PREVIOUS MINUTES**

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<b>ITEM NUMBER</b>	4.1
<b>TITLE</b>	Confirmation of Previous Minutes
<b>REFERENCE</b>	\\COUNCIL AGENDAS AND MINUTES\\AUDIT AND RISK COMMITTEE MEETING\\2015\\2015 - 2 AUDIT AND RISK COMMITTEE MEETING 7 MAY - 267005
<b>AUTHOR</b>	Edward Fraser, Director Finance and Corporate Services
<b>DUE DATE</b>	Every meeting

**LINKS TO STRATEGIC PLAN**

Goal 05: Management and Governance

**RECOMMENDATION:**

**That the Audit and Risk Committee confirms the unconfirmed minutes of 5 March, 2015**

**SUMMARY:** The Audit and Risk Committee reviews the previous minutes to ensure that they are a true and correct record of the meeting.

**BACKGROUND**

The Audit and Risk Committee needs to consider the unconfirmed minutes of the previous meetings before they decide that they are a true and correct record.

**ISSUES, CONSEQUENCES AND OPTIONS**

Nil

**FINANCIAL IMPLICATIONS**

Nil

**ATTACHMENTS:**

1 Minutes - March, 2015



MINUTES OF THE AUDIT AND RISK COMMITTEE MEETING HELD IN  
THE COUNCIL CHAMBERS AT CENTRAL DESERT REGIONAL  
COUNCIL OFFICES, ALICE SPRINGS ON THURSDAY, 5 MARCH  
2015 AT 11:00AM

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**PRESENT**

**Members**

Paul Della (Chairperson) via telephone  
President Adrian Dixon  
Cr James Glenn

**Ex Officio**

Cathryn Hutton – Chief Executive Officer  
Edward Fraser – Director Finance and Corporate Services  
Elizabeth Dashwood – Finance Manager  
Leslie Manda – Corporate Projects Manager

**APOLOGIES**

Nil

**CONFLICT OF INTEREST**

Nil

**CONFIRMATION OF PREVIOUS MINUTES**

**4.1 CONFIRMATION OF PREVIOUS MINUTES**

**SUMMARY:** The Audit and Risk Committee reviews the previous minutes to ensure that they are a true and correct record of the meeting.

**AR001/2015 RESOLVED (Adrian Dixon/James Glenn)**  
**That the Audit and Risk Committee confirms the unconfirmed minutes of 13 November 2014.**

**4.2 AUDIT AND RISK COMMITTEE ACTION ITEMS**

**SUMMARY:**

Attached is the running list of the Committee action items as reported in previous meetings.

**AR002/2015 RESOLVED (Paul Della/Adrian Dixon)**  
**That the Committee note the progress reports on actions from the minutes of previous meetings as received.**

**AUDIT AND RISK COMMITTEE REPORTS****5.1 AUDIT COMMITTEE SCHEDULE PROGRESS REPORT**

**SUMMARY:** The CDRC Audit and Risk Schedule has been prepared highlighting various work that relates to the Audit and Risk Committee for 2014/2015.

**AR003/2015 RESOLVED (Paul Della/Adrian Dixon)**

**That the Committee note and receive the update on the CDRC Audit and Risk Schedule.**

**5.2 INTERNAL AUDIT PLAN**

**SUMMARY:** The priorities for the Internal Audit Plan have been developed. Once established a plan which details internal audit activities, frequency and timeframes for completion of work will be presented.

**AR004/2015 RESOLVED (James Glenn/Adrian Dixon)**

**That the Committee approve the priorities for the Council's Internal Audit Plan.**

**5.3 REVIEW OF THE FINANCIAL REPORTING TIMETABLE/PLAN**

**SUMMARY:** The finance timetable and plans are reviewed annually to ensure that the required financial information will be available when required.

**AR005/2015 RESOLVED (James Glenn/Adrian Dixon)**

**That the Committee note the review of the financial timetable/plan.**

**5.4 RISK MANAGEMENT PLAN UPDATE**

**SUMMARY:** The Risk Management Plan covers the period 2014-2015 and is updated annually. A Directorate will provide an update at each Committee meeting.

**AR006/2015 RESOLVED (Paul Della/Adrian Dixon)**

**That the Committee note and receive an update on the Risk Management Plan for 2014-15.**

**5.5 EXTERNAL AUDITOR MANAGEMENT LETTER**

**SUMMARY:** The External Auditor prepared a Management Letter with recommendations to Council following the 2013/14 Financial Statements Audit which is attached.

CDRC has provided a response and action plan to address the risks raised by the external auditor.

**AR007/2015 RESOLVED (James Glenn/Adrian Dixon)**

**That the Committee;**

- 1. Review and note the recommendations from the External Auditor following the 2013/14 Financial Statements Audit.**
- 2. Recommend the presentation of the Management Letter to**

**Council.****5.6 REVIEW OF FINANCIAL REPORTS FOR COMPLIANCE**

**SUMMARY:** A review of Finance Reports was conducted as part of the March focus of the Audit and Risk Committee by the Director Finance and Corporate.

The Director Finance and Corporate is satisfied with the finance reports and proposes the inclusion of a table for Uncommitted Cash Reserves.

**AR008/2015 RESOLVED (James Glenn/Adrian Dixon)**

**That the Committee:**

- 1. Note the report on the review of Finance Reports.**
- 2. Approve the inclusion of a table for Uncommitted Cash Reserves in the Finance Reports.**
- 3. Endorse the financial variance tolerance limit for Council at 10% or \$50,000 which ever is higher.**

**DECISION TO MOVE TO CLOSED SESSION**

**AR009/2015 RESOLVED (Adrian Dixon/James Glenn)**

Members of the press and public be excluded from the meeting of the Closed Session and access to the correspondence and reports relating to the items considered during the course of the Closed Session be withheld. This action is taken in accordance with Section 65(2) of the Local Government Act, 2008 as the items lists come within the following provisions:-

- 7.1 Assess the effectiveness of external auditor -** *The report will be dealt with under Section 65(2) of the Local Government Act 2008 and Regulation 8 (ci) of the Local Government (Administration) Regulations 2008. It contains information that would, if publicly disclosed, be likely to cause commercial prejudice to, or confer an unfair commercial advantage on any person.*
- 7.2 External Auditor Presentation -** *The report will be dealt with under Section 65(2) of the Local Government Act 2008 and Regulation 8 (ci) of the Local Government (Administration) Regulations 2008. It contains information that would, if publicly disclosed, be likely to cause commercial prejudice to, or confer an unfair commercial advantage on any person.*
- 7.3 Appointment of External Auditor -** *The report will be dealt with under Section 65(2) of the Local Government Act 2008 and Regulation 8 (ci) of the Local Government (Administration) Regulations 2008. It contains information that would, if publicly disclosed, be likely to cause commercial prejudice to, or confer an unfair commercial advantage on any person.*

**RESUMPTION OF MEETING**

**AR010/2015 RESOLVED (Adrian Dixon/James Glenn)  
That the Committee decisions of Closed Session be noted.**

The meeting terminated at 13:07pm.

This page and the preceeding 3 pages are the minutes of the Audit and Risk Committee meeting held on Thursday, 5 March 2015 and to be confirmed Thursday, 7 May 2015.

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Chairperson

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**CONFIRMATION OF PREVIOUS MINUTES**

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**ITEM NUMBER** 4.2  
**TITLE** Audit and Risk Committee Action Items  
**REFERENCE** \COUNCIL AGENDAS AND MINUTES\AUDIT AND RISK COMMITTEE MEETING\2015\2015 - 2 AUDIT AND RISK COMMITTEE MEETING 7 MAY - 263956  
**AUTHOR** Edward Fraser, Director Finance and Corporate Services



**COMPLETION DATE** Every Meeting  
**LINKS TO STRATEGIC PLAN**

Goal 05: Management and Governance

**RECOMMENDATION:**

**That the Committee note the progress reports on actions from the minutes of previous meetings as received.**

**SUMMARY:**

Attached is the running list of the Committee action items as reported in previous meetings.

**BACKGROUND**

The attached report gives the Committee an opportunity to check that actions from previous meetings are being implemented.

The Committee has a running list of Action Items from each meeting.

**CONSULTATION**

Committee members.

**ATTACHMENTS:**

1 Action Items - May

COMPLETED ITEMS					
Finalised (Completed) Actions		Division: Committee: Audit and Risk Committee Officer:		Date From: Date To:	
Action Sheets Report		Printed: Monday, 27 April 2015 1:33:06 PM			
REF	ACTUAL COMPLETED DATE	TARGET COMPLETED DATE	ACTION	ACTION OFFICER	PROGRESS/COMMENTS

05 March 2015					
AR007/2015	10/04/2015	10/04/2015	External Auditor Management Letter <b>That the Committee;</b> <b>1. Review and note the recommendations from the External Auditor following the 2013/14 Financial Statements Audit.</b> <b>2. Recommend the presentation of the Management Letter to Council.</b>	Edward Fraser	27 Apr 2015 - 1:32 PM - Daniel Teudt Completed. Presented to Ordinary Council in April, 2015.
05 March 2015					
AR008/2015	10/04/2015	10/04/2015	Review of Financial Reports for Compliance <b>That the Committee:</b> <b>1. Note the report on the review of Finance Reports.</b> <b>2. Approve the inclusion of a table for Uncommitted Cash Reserves in the Finance Reports.</b> <b>3. Endorse the financial variance tolerance limit for Council at 10% or \$50,000 which</b>	Edward Fraser	1. Completed 2. In Process 3. Completed.

COMPLETED ITEMS					
Finalised (Completed) Actions		Division: Committee:     Audit and Risk Committee Officer:		Date From: Date To:	
Action Sheets Report				Printed: Monday, 27 April 2015   1:33:06 PM	
REF	ACTUAL COMPLETED DATE	TARGET COMPLETED DATE	ACTION	ACTION OFFICER	PROGRESS/COMMENTS

			ever is higher.		
05 March 2015					
AR004/2015	10/4/15	7/05/2015	Appointment of External Auditor AR004/2015 <b>RESOLVED</b> (James Glenn/Adrian Dixon) That the Committee approve Deloitte as the external auditor for 2 years to progress the external audit & recommend appointment to Council.	Edward Fraser	Completed.

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**AUDIT AND RISK COMMITTEE REPORTS**

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**ITEM NUMBER** 5.1  
**TITLE** Audit Committee Schedule Progress Report  
**REFERENCE** \COUNCIL AGENDAS AND MINUTES\AUDIT AND RISK COMMITTEE MEETING\2015\2015 - 2 AUDIT AND RISK COMMITTEE MEETING 7 MAY - 263957  
**AUTHOR** Edward Fraser, Director Finance and Corporate Services  
**DUE DATE** May 2015

**LINKS TO STRATEGIC PLAN**

Goal 05: Management and Governance

**RECOMMENDATION:****That the Committee:**

1. **Note and receive the update on the CDRC Audit and Risk Schedule.**

**SUMMARY:** The CDRC Audit and Risk Schedule has been prepared highlighting various work that relates to the Audit and Risk Committee for 2014/2015.

**BACKGROUND**

Attached is a progress report as of 24 April for the May 2015 meeting focus areas as per the approved CDRC Audit and Risk Schedule 2014-2015.

It is proposed a plan for 2015/16 will be developed.

**ISSUES, CONSEQUENCES AND OPTIONS**

Nil

**FINANCIAL IMPLICATIONS**

CDRC is currently developing its budget for 2015/16 to identify resources which can be used to support approach in 2015/16 but if not Audit & Risk will need to be undertaken within existing resources.

**ATTACHMENTS:**

- 1 CDRC Audit Risk Schedule 2014-15 Status April

CDRC Audit & Risk Schedule 2014-15 - April Status						
Key Responsibilities	Considerations	Who	Comments (April status)	Nov	Mar	May
<b>Financial Reporting</b>	Review of financial reports	DFC/FM				
	Review of management compliance/representations	DFC/FM	See Agenda item 5.3			
	Review of financial timetable/plan	FM/DFC				
	Review significant accounting and reporting issues	FM				
	Chair to meet with preparer of financial reports	Chair/FM	Plan to occur by end of May.			
	Update on significant issues Re: Commitments and Contingencies, unusual and/or material items/ trends	FM	See Agenda item 6.1			
	Update on audit findings regarding financials.	FM				
<b>External Audit (EA)</b>	Briefing from EA on review of financial reports, audit findings and follow up with management	CEO/DFC				
	Assess effectiveness of external audit	DFC/FM				
	Chair and independent member meet with EA	Chair/FM				
	Review EA "client service plan" including audit timetable, staffing and audit table	DFC/FM				
<b>Internal Audit (IA)</b>	Review Internal Audit Plan	DFC/FM				
	Review performance and resourcing of IA	CEO/DFC	To be discussed in September 2015 A&R committee			
	Review CDRC Annual Audit & Risk Schedule	DFC	See Agenda item 5.2			
<b>Risk Management</b>	Reports on significant risk	CEO / Dir	See Agenda item 5.6			
	Presentation on risk framework/ review risk registers	Dir	See Agenda item 5.6			
	Monitor implementation of EA/ IA recommendations	DFC	See Agenda items 5.2 & 6.1			
<b>Regulatory Compliance</b>	Review reports on legal and Regulatory matters	DFC	See Agenda item 5.4			
	Review DLG Act compliance	DFC	See Agenda item 5.4			
	Review DLG regulation compliance	DFC	See Agenda item 5.4			
<b>Internal Controls</b>	Review financial policy manual and issues register	DFC/FM	Overdue.			
	Review CDRC wide policy and procedures.	DFC	See Agenda item 5.4			
<b>Review A&amp;R Committee</b>	Review Committee and member performance	All	See Agenda item 5.5			
	Review/ Confirm audit committee terms of reference.	All A&R	To be discussed in September 2015 A&R committee			

Audit and Risk Committee meeting

Major Focus of meeting

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**AUDIT AND RISK COMMITTEE REPORTS**

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**ITEM NUMBER** 5.2**TITLE** Internal Audit Plan**REFERENCE** \COUNCIL AGENDAS AND MINUTES\AUDIT AND RISK COMMITTEE MEETING\2015\2015 - 2 AUDIT AND RISK COMMITTEE MEETING 7 MAY - 263958**AUTHOR** Edward Fraser, Director Finance and Corporate Services**DUE DATE** Ongoing**LINKS TO STRATEGIC PLAN**

Goal 05: Management and Governance

**RECOMMENDATION:****That the Committee note limited progress on the CDRC Internal Audit Plan.**

**SUMMARY:** CDRC has not progressed work on the Internal Audit plan and will await finalisation of DLGCS updated legislative compliance information planned in May before developing audit checklists for the High priority areas as a priority.

**BACKGROUND**

The priorities for the Internal Audit Plan have been determined as a response to key risk areas of the business and agreed at the last A&R Committee meeting.

Limited work has been progressed due to limited internal CDRC resources as a result of the resignation of a staff member that was assisting in the audit process.

An Internal Audit Program will be developed based on the Internal Audit Plan once resources, approach and workload have been further reviewed and updated legislative compliance information provided by the DLGCS is provided which is planned by the end of May.

It is planned various checklists will be developed to assist the development of an efficient and aligned internal audit approach with DLGCS legislative compliance checklists and also Council compliance priorities.

**ISSUES, CONSEQUENCES AND OPTIONS**

Nil

**ATTACHMENTS:**

**AUDIT AND RISK COMMITTEE REPORTS****ITEM NUMBER** 5.3**TITLE** Review of Management Compliance/Representations**REFERENCE** \COUNCIL AGENDAS AND MINUTES\AUDIT AND RISK COMMITTEE MEETING\2015\2015 - 2 AUDIT AND RISK COMMITTEE MEETING 7 MAY - 263965**AUTHOR** Edward Fraser, Director Finance and Corporate Services**DUE DATE** May 2015**LINKS TO STRATEGIC PLAN**

Goal 05: Management and Governance

**RECOMMENDATION:****That the Committee note the review of management compliance/representations.**

**SUMMARY:** The purpose of management representations to auditors is to impress upon management its primary responsibility for establishing and maintaining effective internal control over financial reporting and for the fairness of the financial statements.

**BACKGROUND**

A vital part of the financial statement process is the provision of a representation letter to the external auditor. To meet the external auditor's responsibilities, the Australian Auditing Standards require these representations to address the following matters:

- compliance with the applicable financial reporting framework
- the auditor has been provided with all relevant information and access to all data and records
- all transactions have been recorded and are reflected in the financial statements
- acknowledgement of responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud
- an assessment of the risk that the financial statements may be materially misstated as a result of fraud
- the entity's knowledge of fraud or suspected fraud affecting the entity
- details of allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others
- instances of non-compliance or suspected non-compliance with laws and regulations
- the effects of uncorrected misstatements, both individually and in aggregate, to the financial statements



- actual or possible litigation and claims
- significant assumptions used in making accounting estimates
- events occurring subsequent to the date of the financial statements, and
- details of the entity's related parties and all the related party relationships and transactions.

CDRC is currently compliant with the management representations above and this is an opportunity for CDRC management to confirm their primary responsibility for establishing and maintaining internal controls.

A draft management letter to be presented to the auditors at the end of the engagement is attached.

### **ISSUES, CONSEQUENCES AND OPTIONS**

It is recommended this item is removed from the Audit & Risk Plan for 2015/16.

### **FINANCIAL IMPLICATIONS**

Nil

### **ATTACHMENTS:**

- 1 Management Representation Letter

Deloitte  
9 Parsons Street  
Alice Springs NT 0870  
PO Box 1796  
Alice Springs NT 0871 Australia



two ways :: one outcome

Dear Sir/Madam

This representation letter is provided in connection with your audit of the financial statements of the Central Desert Regional Council (CDRC) for the year ended 30 June 2015 for the purpose of expressing an opinion as to whether the financial statements present fairly, in all material respects the financial position of CDRC as of 30 June 2015 and of the results of its operations and its cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the Chief Executive Officer's certificate in accordance with Australian Accounting Standards and the Northern Territory Local Government Act 2014.

We acknowledge our responsibility for the fair presentation of the financial statements in accordance with Australian Accounting Standards and the Northern Territory Local Government Act 2014.

We confirm, to the best of our knowledge and belief, the following representations:

- There have been no irregularities involving management or employees who have a significant role in internal control or that could have a material effect on the financial statements.
- We have made available to you all books of account and supporting documentation and all minutes of meetings of Council and its sub committees.
- We confirm the completeness of the information provided regarding the identification of related parties.
- The financial statements are free of material misstatements, including omissions.
- The Council has complied with all aspects of grant agreements that could have a material effect on the financial statements in the event of noncompliance. There has been no noncompliance with requirements of regulatory authorities that could have a material effect on the financial statements in the event of noncompliance.
- We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.
- The Council has satisfactory title to all assets and there are no liens or encumbrances on the Council's assets.
- We have recorded or disclosed, as appropriate, all liabilities, both actual and contingent.
- There have been no events subsequent to period end which require adjustment of or disclosure in the financial statements.

Yours sincerely,

Cathryn Hutton  
Chief Executive Officer  
November 2015

**AUDIT AND RISK COMMITTEE REPORTS**

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**ITEM NUMBER** 5.4  
**TITLE** Compliance Audit  
**REFERENCE** \COUNCIL AGENDAS AND MINUTES\AUDIT AND RISK COMMITTEE MEETING\2015\2015 - 2 AUDIT AND RISK COMMITTEE MEETING 7 MAY - 263978  
**AUTHOR** Edward Fraser, Director Finance and Corporate Services

**UE DATE** May 2015

**LINKS TO STRATEGIC PLAN**

Goal 05: Management and Governance

**RECOMMENDATION:**

**That the Committee note the status of the policy register.**

**SUMMARY:** Council aims to ensure all policies are updated. The current Policy Register is attached for consideration.

**BACKGROUND**

Attached is the list of Council policies and review dates of which four are overdue and being considered.

In addition the purpose of the CDRC internal Compliance Audit is to check that the Council is operating in accordance with its documented Policies, Codes of Practice, Guidelines and Procedures as well as adhering to legislative and regulatory prescripts.

When DLGCS provides the updated compliance templates, these will be reviewed by Council and reported to Audit and Risk committee.

**ISSUES, CONSEQUENCES AND OPTIONS**

Nil

**FINANCIAL IMPLICATIONS**

Nil

**ATTACHMENTS:**

1 Policy Register

Policy ID	POLICY #	FILE NAME	AREA RESPONSIBLE	ADOPTED	EXPIRY DATE	REVIEW DATE	RESOLUTION #	REVISED DATE
<b>1</b>		<b>GOVERNANCE AND ELECTED MEMBERS</b>						
1.1	P01	Code of Conduct	DF&C	11/10/2013	Oct-2016	every 4 yr	642/2013	Oct-13
1.2	P08	Presidents Work Requirements	CEO	12/04/2012	Apr-2016	every 4 yr	258/2012	Apr-12
1.3	P41	Council and Committee Meeting Procedures	DF&C	06/12/2011	Jun-2016	every 3 yr		Jun-13
1.4	P48	Councillor Access to Information	CEO	08/06/2012	Jun-2016	every 4 yr	339/2012	Jun-12
1.5	P10	Councillor Allowance Income Tax Liability Policy	CEO	03/02/2012	Apr-2018	every 3 yr	015/2015	Apr-15
1.6	P23	Councillor Facilities, Benefits and Allowances Policy	CEO	02/06/2010	Jun-2015	annually	088/2014	Jun-14
1.7	P19	Good Governance Policy	CEO	03/06/2009				Jun-09
1.8	P20	Local Authority Policy	DF&C	03/06/2009	Feb-2016	every 2 yr	708/2014	Feb-14
1.9	P02	Media Policy	CEO	03/02/2012	Feb-2016	every 4 yr	268/2012	Feb-12
1.10	P40	Asset Management Policy	CEO	13/09/2008	Oct-2017	every 4 yr	642/2013	Oct-13
1.11	P12	Professional Development Policy (for Councillors and LB)	CEO	10/12/2008	Apr-2018	every 3 yr	051/2015	Apr-15
1.12	P60	Caretaker Policy	DF&C	02/06/2015	Every Council term		18/2015	New
<b>2</b>		<b>COMMUNITY AND EXTERNAL RELATED POLICY</b>						
2.1	P07	Dog Management Policy	DW	08/10/2008	Feb-2015	annually	695/2014	Feb-14
2.2	P16	Donations and Sponsorship	CEO	04/02/2009	Feb-2016	every 4 yr	268/2012	Feb-12
2.3	P26	Engagement of Independent Contractors/ Consultant Policy	CEO	06/10/2010	Apr-2018	every 3 yr	015/2015	Apr-15
2.4	P18	External Complaints Policy	CEO	01/04/2010	Oct-2016	every 3 yr	642/2013	Oct-13
2.5	P37	Heritage Policy	DCOM	05/10/2011	Aug-2015	every 3 yr	379/2012	Aug-12
2.6	P39	Petition Policy	CEO	05/10/2011	Oct-2016	every 3 yr	642/2013	Oct-13
2.7	P45	Privacy Policy	CED	08/06/2012	Jun-2016	every 4 yr	339/2012	Jun-12
2.8	P28	Rates Hardship Policy	DF&C	01/02/2011	Apr-2016	every 3 yr	544/2013	Apr-13
2.9	P21	School Attendance Policy	CEO	04/04/2014	Aug-2016	every 2 yr	061/2014	Apr-14
2.10	P30	Use of Station and Private Roads Policy	DW	01/02/2011	Oct-2016	every 3 yr	642/2013	Oct-13
2.11	P51	Waste Collection Wheelie Bins and Car Body Removal Policy	DW	07/12/2012	Dec-2013	annually	472/2012	Dec-12

Policy ID	POLICY #	FILE NAME	AREA RESPONSIBLE	ADOPTED	EXPIRY DATE	REVIEW DATE	RESOLUTION #	REVISED DATE
<b>3</b>		<b>EMPLOYEE AND EMPLOYMENT RELATED POLICY</b>						
3.1	P15	Abandonment of Work Policy	CEO	04/02/2009	Jun-2017	every 3 yr	088/2014	Jun-14
3.2	P06	Criminal History Checks Policy	CEO	08/10/2008	Dec-2017	every 3 yr	143/2014	Dec-14
3.3	P11	Dispute and Grievance Resolution Policy	DF&C	10/12/2008	Aug-2016	every 4 yr	379/2012	Aug-12
3.4	P52	EEO Anti Discrimination Policy	DC&F	10/08/2012	Aug-2016	every 4 yr	379/2012	Aug-12
3.5	P54	Employee Training and Development Policy	DF&C	08/12/2010	Jun-2017	every 3 yr	088/2014	Jun-14
3.6	P43	Indigenous Employment Policy	DF&C	06/12/2011	Oct-2016	every 3 yr	642/2013	Oct-13
3.7	OD03	Mandatory Reporting	DCOM	27/10/2011	Oct-2013	annually		Jul-12
3.8	P56	Medical Examination Policy	DF&C	07/04/2013	Apr-2016	every 3 yr	544/2013	Apr-13
3.9								
3.10	P17	Performance Management and Development Policy	CEO	04/02/2009	Oct-2015	every 3 yr	424/2012	Oct-12
3.11	P53	Recognition of Years Service Policy	DF&C	01/04/2013	Apr-2017	every 3 yr	544/2013	Apr-13
3.12	P24	Recruitment and Selection	CEO	06/10/2010	Dec-2017	every 3 yr	143/2014	Dec-14
3.13	P33	Relocation policy	DF&C	06/04/2011	Dec-2017	every 3 yr	143/2014	Dec-14
3.14	P50	Smoke Free Workplace Policy	DF&C	01/10/2012	Dec-2017	every 3 yr	143/2014	Dec-14
3.15	OD02	Staff Housing Directive	CEO	08/11/2011	Nov-2012	annually		Nov-11
3.16	P36	Staff Housing Standard Policy	DF&C	06/04/2011	Apr-2018	every 3 yr	015/2015	Apr-15
3.17	OD01	Time Off in Lieu (TOIL)	CEO	08/11/2011	Nov-2013	every 2 yr	EMT Meeting	Nov-11
3.18	P42	Volunteer Policy	DC&F	06/12/2011	Dec-2016	every 3 yr	240/2011	Dec-13
3.19	P27	Wage and Salary Administration Policy	DF&C	08/12/2010	Oct-2016	every 3 yr	642/2013	Oct-13
3.20	P13	Work Health Safety Policy	DF&C	01/02/2012	Apr-2016	every 3 yr	544/2013	Apr-13
3.21	P35	Working with Children Clearance Policy	DF&C	06/04/2011	Apr-2016	every 3 yr	544/2013	Apr-13
3.22	P38	Anti Workplace Bullying and Violence Policy	DF&C	05/10/2011	Jun-2017	every 3 yr	088/2014	Jun-14
3.23	P14	Vehicle Use	CEO	01/02/2009	Dec-2017	every 4 yr	672/2013	Dec-13
3.24	P14 - A	Rules for Vehicle Use and Operation	DF&C	12/06/2013	Dec-2017	every 4 yr	672/2013	Dec-13
3.25	P57	Anti Sexual Harassment and Sexual Discrimination Policy	DF&C	06/06/2014	Jun-2017	every 3 yr	088/2014	Jun-14
3.26	P58	Non Council Events and Meetings Policy	DW	06/06/2014	Jun-2016	every 2 yr	092/2014	Jun-14
3.27	P59	Workers Compensation and Rehabilitation Policy	DF&C	12/05/2014	Dec-2014	every 3 yr	143/2014	Dec-14
3.28	P61	Records Management Policy	DF&C	01/04/2015	Apr-2015	every 3 yr	015/2015	new

Policy ID	POLICY #	FILE NAME	AREA RESPONSIBLE	ADOPTED	EXPIRY DATE	REVIEW DATE	RESOLUTION #	REVISED DATE
<b>4</b>		<b>FINANCE AND ADMINISTRATION POLICY</b>						
4.1	P47	Borrowing Policy	DF&C	08/06/2012	Aug-2015	annually	110/2014	Aug-14
4.2	P25	Fraud Protection Plan Policy	DF&C	06/10/2010	Apr-2015	every 3 yr	015/2015	Apr-15
4.3	P49	General Debtor Management Policy	DF&C	05/07/2012	Apr-2015	every 3 yr	015/2015	Apr-15
4.4	P46	Investment Policy	DF&C	08/06/2012	Jun-2013	annually	334/2012	Jun-12
4.5	P22	Tendering and purchasing	DF&C	01/10/2011	Oct-2012	annually	199/2011	Oct-11
<b>5</b>		<b>OTHER KEY DOCUMENTS</b>						
5.2	P32	Risk Management Policy and Framework	DF&C	04/06/2011	Apr-2016	every 2 yr	143/2014	Dec-14
5.3	P29	Community Engagement Strategy & Policy	CEO	02/06/2015	Feb-2018	every 3 yr	18/2015	Council Adoption
5.4	P31	Delegations Register	CEO	01/04/2013	Apr-2015	annually	2014	Council Adoption
5.5		Animal Management Plan	DW	07/02/2014	Feb-2015	annually	2014	Feb-14
5.6		Fees and Charges 2013	CEO	01/05/2012	May-2015	annually	May-14	at adoption of budget
5.7		Risk Management Plan	CEO	06/04/2011	Apr-2014	annually	2014/15	Feb-13
5.8		Customer Service Charter	DF&C	04/10/2015	Apr-2018	every 3 yr	015/2015	new

**AUDIT AND RISK COMMITTEE REPORTS**

**ITEM NUMBER** 5.5

**TITLE** Assess the performance of the Audit and Risk Committee

**REFERENCE** \COUNCIL AGENDAS AND MINUTES\AUDIT AND RISK COMMITTEE MEETING\2015\2015 - 2 AUDIT AND RISK COMMITTEE MEETING 7 MAY - 263982

**AUTHOR** Edward Fraser, Director Finance and Corporate Services

**DUE DATE** May 2015

**LINKS TO STRATEGIC PLAN**

Goal 05: Management and Governance

**RECOMMENDATION:**

**That the Committee:**

1. **Note the DLGCS General Instruction No. 3 in relation to Audit Committees.**
2. **Consider the assessment criteria and undertake a self assessment of the performance of the Audit and Risk Committee.**

**SUMMARY:** The DLGCS has provided advice and best practice guidance for establishment of Audit Committees which CDRC is reviewing and will report at the next meeting. In addition a structured self-evaluation of the Audit and Risk Committee's performance will be conducted.

**BACKGROUND**

The DLGCS has provided advice and best practice guidance in the General Instruction No. 3 Audit Committees as attached, which CDRC is reviewing and will report at the next meeting.

Council staff are in the process of reviewing the instruction against the current Terms of Reference of the Audit and Risk Committee and will be further discussed at the May meeting and formal advice prepared for consideration at the September meeting.

In addition the Audit & Risk Committee performance is dependent on factors such as its composition, member qualification, resources to support, systems and structure.

The diversity of skills and knowledge, size of the committee, rotation of members, attendance of meetings, professional development of members, organisational resources to support, independent

communication and the availability of information are key attributes in performance assessments of the Audit and Risk Committee.

CDRC has prepared a self-assessment form for the Audit and Risk Committee for members to complete to identify how the approach can be improved.

### **ISSUES, CONSEQUENCES AND OPTIONS**

The Committee may make recommendations to modify the checklist.

### **FINANCIAL IMPLICATIONS**

Nil

### **ATTACHMENTS:**

- 1** Audit and Risk Committee Assessment Questionnaire.pdf
- 2** Audit Committee General Instruction No 3 DLGCS.pdf



## Audit & Risk Committee Assessment Questionnaire

Circle the numbers that correspond with your assessment.

Rating scale

Ratings: 1 = Strongly disagree 2 = Disagree 3 = Agree 4 = Strongly agree

Audit & Risk Committee Assessment Questionnaire.

### Audit & Risk Committee Position

1. The Audit & Risk Committee has the confidence and support of the Council	1	2	3	4
2. The Audit & Risk Committee is part of the governance framework.	1	2	3	4
3. The Audit & Risk Charter/Terms of Reference is up to date and clearly articulates the roles and responsibilities of the Committee.	1	2	3	4
4. The Audit & Risk Committee members have knowledge and understanding of the organisation's risks both operational and strategic.	1	2	3	4
5. The Audit & Risk Committee has a defined structure and adequate resources to enable it to perform its duty to the organisation independent of management interference and guidance.	1	2	3	4
6. Does the Audit & Risk Committee have the influence to make strategic decisions or are decisions influenced by senior management.	1	2	3	4

### Planning

1. There is an internal audit work plan that is linked to the organisation's risk framework.	1	2	3	4
2. There are adequately trained or skilled individuals to perform the Internal audit work	1	2	3	4
3. Audit & Risk Committee members are adequately trained and do members undergo professional development training to grow their skills and aid in the execution of their roles as Committee members.	1	2	3	4
4. Internal audit takes adequate measures to inform management of identified weaknesses and ensures recommendations are implemented.	1	2	3	4
5. Is there an assessment conducted of actual audit work against planned audit work.	1	2	3	4
6. Does the Audit & Risk Committee have benchmarking standards for their work and does it adhere to professional standards.	1	2	3	4
7. Is Audit & Risk Committee member attendance monitored	1	2	3	4
8. Are members assessed individually for their active involvement and contribution to the Committee and its activities?	1	2	3	4

### Overall Comments

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DEPARTMENT OF LOCAL GOVERNMENT AND COMMUNITY SERVICES

# Audit Committees

## General Instruction No. 3

Issued on behalf of the Department of Local Government and Community Services by

Mike Chiodo

Chief Executive

Signed

Date

This is a general instruction pursuant to Regulation 7 of the *Local Government (Accounting) Regulations*. Failure of a council to comply with a general instruction is an offence of strict liability with a maximum penalty of 50 penalty units.

## General Instruction No. 3 Audit Committees

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## General Instruction No. 3    Audit Committees

# Audit committees

## Introduction

This General Instruction provides Northern Territory local governments with a guide to establishing and operating an audit committee in accordance with the *Local Government Act*, the *Local Government (Accounting) Regulations*, and in line with good audit committee practises.

This paper aims to:

- explain the purpose for which an audit committee is established;
- provides a guide on the roles and responsibilities of an audit committee; and
- outline good audit committee practices within a council.

## Overview

An Audit Committee provides an important role between a Council and its management and between a Council and its community.

One of the primary roles of these Committees is to provide suggestions and recommendations to Councils and/or management, about actions to be taken to enhance financial governance, considered to be in the best interests of local communities.

An Audit Committee plays a crucial role in the financial reporting framework of a Council, by overseeing and monitoring the participation of management and external auditors in the financial reporting process. An Audit Committee also addresses issues such as the approach being taken by Councils and management to address business risk, corporate and financial governance responsibilities and legal compliance. Councils may also refer issues of a strategic nature to their Audit Committees.

However, the existence of an Audit committee is only one step in a Council's approach to best practise financial governance and financial sustainability.

## Legislative Base

Pursuant to the *Local Government (Accounting) Regulations* (Regulations) councils are required to establish an audit committee as part of their internal control framework. Specifically the Regulations provide that an audit committee is to monitor compliance by the council to:

- *proper standards of financial management; and*
- *regulations and the Accounting Standards.*

## Role of Audit Committees

Audit committees are an independent advisory body which plays a central role in independently reviewing a council's internal control processes to provide councillors with a level of assurance on the effectiveness of the council's financial and corporate governance practices and compliance with legislative and regulatory requirements. An audit committee has no authority to act independently of council and can only act in areas covered by their charter and within their terms of reference.

Audit committees can assist in identifying areas where changes are required to reduce the risk of a council's exposure to fraud or unauthorised transactions by providing oversight and advice about the

### General Instruction No. 3    Audit Committees

CEO's fraud protection plan. An audit committee may also act as a conduit between council and its auditors to help improve financial reporting, accountability and transparency within council.

- The role of an audit committee may include:
  - monitoring the effectiveness of the audit function and the implementation of audit recommendations;
  - providing an independent line of reporting by the auditor to council;
  - reviewing compliance with legislative requirements, contracts, standards and best practice guidelines;
  - reviewing and, if appropriate, recommending council approve the financial statements (in conjunction with the auditor's report);
  - monitoring changes in accounting and reporting requirements;
  - provide oversight and monitoring of the CEO's fraud protection plan;
  - reviewing and endorsing a code of conduct; and
  - reviewing policies relating to conflicts of interest, misconduct and fraud.

To be effective, the audit committee must be independent from management and free from undue influence from councillors and council staff. The audit committee is an advisory body and members of the audit committee cannot have any executive powers, management functions, or delegated financial responsibility.

It is important for councillors to understand that an audit committee is established as an advisory body. It is the responsibility of the council, not the audit committee, to make decisions on how and what action(s) will be taken on matters brought to the attention of councillors by the audit committee.

## Audit Committee Membership

The *Local Government Act* provides that council committee members are appointed by the council. Council committees may have members who are not elected members of the council and all committee members are subject to the terms and conditions determined by the council.

Members of an audit committee are appointed by the council. Ideally the composition of an audit committee should comprise of at least 3 members but the number of appointments will vary depending on the size of the council and the scope of works to be undertaken by the committee. To avoid tied decisions an uneven committee member number is recommended otherwise the chairperson should be given the deciding vote to avoid such a situation arising.

The committee is to be lead up by a chairperson (who must not be a member of council or a member of the council's staff) and all appointed committee members are to have equal voting rights.

Before establishing an audit committee, the council must come to an agreement regarding the selection process for audit committee members. Consideration should be given to the type of skills, personal attributes and practical experience each individual member must have before being nominated. Factors to consider include the nominee's:

- level of understanding of local government and the council's operations and the environment in which it operates;
- 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

### General Instruction No. 3 Audit Committees

- ability to maintain professional relationships particularly with council members, staff and other stakeholders.

In order to ensure the work of the audit committee is value adding, collectively as a group, the audit committee should have the relevant skills and knowledge of council and an understanding of its finance and governance arrangements. There is no mandated requirement for audit committee members to be formally qualified in accounting or a related field.

The council must also agree to the period of audit committee appointment; the conditions upon which recruitment and termination of members is to occur and whether members will be paid or if the appointment will be on an honorary basis. If council decides audit committee members will be paid, then the council must agree to the conditions, rate of payment and ensure there is an appropriate allocation in the council's annual budget.

Individual council staff members and councillors observing an audit committee meeting are not entitled to be remunerated in addition to their normal councillor / staff entitlements.

As stated previously, when councillors are considering nominees for the audit committee, the chairperson of the audit committee must be independent, i.e. neither a councillor of the same council nor a council staff member. It is highly desirable the chairperson have audit, risk and/or financial management skills, knowledge and experience.

### Differences between a Finance Committee and an Audit Committee

The role of the finance committee is very different to an audit committee. A finance committee is established and given delegated powers to carry out, on behalf of the council, the financial functions that would normally be undertaken at an ordinary council meeting. This includes reviewing variance analysis of actual performance against budget, reviewing the debtor and creditor lists and ensuring sufficient funds are available to pay forthcoming debts.

In contrast, an audit committee provides advice to the council on financial reporting, accountability and transparency and the audit committee is neither accountable nor responsible for the financial affairs of the council.

As stated previously, an audit committee has no authority or power to act independently of council. A council's finance committee, including any other council committee with delegated powers, must not be combined or share roles and responsibilities with the audit committee. Ideally the audit committee should not comprise substantially of the same members as the finance committee, or any other council committee with council delegated powers, to avoid confusion and potential conflict of member responsibilities.

### Audit Committee with other council advisory responsibilities

It may be appropriate for the independent audit committee to also be charged with monitoring and advising council on related matters such as risk management.

Other responsibilities given to the audit committee must not compromise its 'no delegated power rule' set by the Regulations. For example it would be inappropriate (and against legislation) for the audit committee to have council's investment decision making powers.

## Audit Committee Roles

The role, responsibilities and functions of an audit committee are set out in the charter, terms of reference and the work plan.

### Audit Committee Charter

Councillors must agree on what roles and responsibilities will be assigned to its audit committee. Then specific roles and levels of authority of the audit committee must be issued in writing as the

### General Instruction No. 3 Audit Committees

audit committee's charter. Note, when councillors are considering the role of the audit committee they cannot assign any of their own powers, delegations and/ or responsibilities to the audit committee.

The audit committee has no power or authority to override, amend, contradict or act outside the roles and responsibilities issued by council under the audit committee's charter and, subsequently discussed, terms of reference.

Typically the contents of an audit committee charter will include:

- Roles and Responsibilities – details the objectives and purpose of the committee;
- Committee Membership – such as how many members are to be appointed, method of recruiting, terminating and changing members, how the chairperson is selected, period of appointment;
- Committee Meetings – details how meetings are convened, how often meetings are to be held, what makes a quorum, frequency of meetings;
- Attendance at meetings and quorums – details if members can attend over the phone or only in person, whether circular out of session decisions can be made, what constitutes a quorum (e.g. require more than 50% of members to attend for the meeting to proceed), how the secretariat function works with the committee, how and when minutes and agendas are distributed;
- Conflict of Interest – regular disclosure of each member's business and other committee appointments, set procedures where conflicts of interest arise (e.g. committee member abstains from discussions and decision making);
- Authority / Delegation / Powers / Limitations - details of the powers and authority the audit committee has to access information, records, systems and reports of the council, the procedure to obtain required information (e.g. request put to the council Chief Executive Officer);
- Reporting – detail the format, frequency and method of reporting audit committee responsibilities back to the council;
- Voting Rights – only officially appointed audit committee members have voting rights. This section should also include council's views on voting by proxy and postal / email / fax votes;
- Audit Committee Performance and Review – should detail how council will measure and assess the performance of the audit committee and its individual members;
- Charter Review and amendments – how frequently the council will review the audit committee's charter and activities; and
- Persons encouraged to attend meetings – details on individuals and organisations that should specifically be invited to attend audit committee meetings.

### Terms of Reference

Specific roles and levels of authority of the audit committee are to be issued through a Terms of Reference which has been formally endorsed by council members. This means audit committees can only act within their Terms of Reference which cannot in any way absolve councillors or Council staff from their roles and responsibilities.

Councillors must formally issue a terms of reference for its audit committee which sets out specific projects / responsibilities. Audit committees must be undertaken within the parameters set in its terms of reference and provide advice and recommendations within the scope of its terms of reference.

Audit committees have no authority to work outside the scope or change the provisions contained within the approved terms of reference.

## General Instruction No. 3    Audit Committees

### Work plan

An audit committee should have a plan that sets out the work of the committee over the short, medium and long term. This will ensure that members of the committee, council staff and elected members are all clear on the planned and current activities of the audit committee and how it plans to conduct its business.

The work program or plan should be reviewed on a regular basis (at least annually) to ensure the work of the audit committee remains relevant and reflects council's priorities.

Typical work plan priorities include:

- liaising with the council's auditor;
- reviewing financial statements to ensure that they fairly represent the state of affairs of a council;
- proposing, and contributing relevant information to a review of the Councils strategic and annual plans;
- reviewing the adequacy of the council's accounting, internal control, reporting and other financial management systems and practises on a regular basis; and
- providing advice to the council about rectifying any exceptions provided by the auditor through the annual audit of financial statements.

### Appointment of a Secretary

Councils should nominate a secretary for the audit committee who should, as a minimum, keep a record of the membership of and the dates of any changes to the membership of the audit committee. The position is also responsible for organising meetings, distributing the agenda and taking and distributing the minutes of all committee meetings.

## Council Reporting

### Annual Report Information

The council Annual Report should include information about the audit committee as part of reporting on the internal or corporate governance of the council. Information to be published in the council's Annual Report should include:

- audit committee membership, and details of background and qualifications of members;
- the committee's principal activities during the year;
- how many times the committee met and who attended;
- information on audits / reviews undertaken; and
- any other relevant information on the activities of the audit committee.

### What information should be on the council website?

The council website should include information on the audit committee so that the public can see how the committee works, who is on it and how often it meets. The information on the website should include:

- membership, and details of background and qualifications;
- charter or terms of reference;

**General Instruction No. 3    Audit Committees**

- description of the audit committee's role in risk management and internal control for the council; and
- any other relevant information on the activities of the audit committee.

Section 67(4) of the *Local Government Act* requires minutes of council committee meetings to be available on the council website within 10 business days after the meeting to which they relate. This means that the draft minutes, prior to confirmation at the next committee meeting, must be available on the website. Any confidential items considered at the meeting can be suppressed from the publicly available minutes under section 201 of the *Local Government Act*.

**Subsidiaries and related parties of councils**

Where one or more councils have a subsidiary, the subsidiary is required to establish its own audit committee. This is because the audit committee of the individual councils do not have a functional role in relation to the subsidiary.

## General Instruction No. 3    Audit Committees

### Literature References

Audit Committees: A Guide to Good Practice for Local Government, Victorian Department of Planning and Community Development, January 2011

Audit Committees in Local Government: Their Appointment, Function and Responsibilities, Local Government Operational Guidelines number 9 (revised March 2006), Department of Local Government and Regional Development, Government of Western Australia.

Financial Sustainability Program: Information Paper Three: Audit Committees, Local Government Association of South Australia, July 2006.

Internal Audit Guidelines, New South Wales Government Premier and Cabinet, Division of Local Government, September 2010.

Public Sector Audit Committees: Independent Assurance and Advice for Chief Executives and Boards, Better Practice Guide, Australian National Audit Office, August 2011.

### Relevant legislation references

Note Number	In relation to	Legislation	Section or Regulation
1	Requirement to establish and maintain an audit committee	Local Government (Accounting) Regulations	Reg 10
2	Establishing council committees	Local Government Act	Section 54
3	Requirement to have an independent Chairperson	Local Government (Accounting) Regulations	Reg 10
4	Establishing a committee to carry out financial functions	Local Government (Accounting) Regulations	Reg 11

## General Instruction No. 3    Audit Committees

## Example Audit Committee Charter

A council should agree on an audit committee charter as the framework within which the audit committee Terms of Reference operate.

As an example:

### 1. Introduction

This audit committee charter is to be read in conjunction with the audit committee Terms of Reference.

The audit committee is an independent advisory body formed to add value and improve the council's operations. This committee is to help the council accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of council's financial and corporate governance processes and compliance with legislative and regulatory requirements.

### 2. Independence

Independence is essential to the effectiveness of the audit committee.

The audit committee function has no direct authority or responsibility for the activities it reviews. The audit committee function has no responsibility for developing or implementing procedures or systems and it does not prepare records or engage in line processing functions or activities. The work of audit committee does not in any way relieve council staff of their responsibilities for the development, implementation and maintenance of management control systems in their area.

### 3. Authority and Confidentiality

Subject to compliance with the council's confidentiality policy, the audit committee is authorised to have full, free and unrestricted access to all council records, documents and information solely in the course of undertaking the committee's activities.

The audit committee members are responsible and accountable for maintaining the confidentiality of the information they receive during the course of their work on this committee.

### 4. Scope of Audit Committee Activities

The audit committee activities will encompass all areas of council including internal financial and operational controls, IT systems, asset management and information management.

### 5. Role and Responsibilities

The audit committee will play an active role in:

- 5.1. developing and maintaining a culture of accountability and integrity;
- 5.2. facilitating the integration of good financial and corporate governance practices into day-to-day business activities and processes;
- 5.3. promoting a culture of cost-consciousness, self-assessment and adherence to high ethical standards; and
- 5.4. promoting a culture of performance and achievement of outcomes.

**General Instruction No. 3    Audit Committees****6.     Standards**

The audit committee activities will also be conducted in accordance with intent of relevant professional standards deemed appropriate and applicable including:

- 6.1.    International Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors;
- 6.2.    Standards relevant to audit issued by the Australian Certified Practising Accountants and the Institute of Chartered Accountants in Australia;
- 6.3.    Standards relevant to IT Audit and Assurance issued by the Information Systems and Control Association; and
- 6.4.    Standards issued by Standards Australian and the International Standards Organisation.

**7.     Review of Charter**

The charter will be endorsed by the council. The audit committee charter shall be reviewed every two years or as deemed necessary by either the council or the Chief Executive Office.

## General Instruction No. 3    Audit Committees

## EXAMPLE Audit Committee Terms of Reference

Name:	Audit Committee		
Type:	Terms of Reference		
Ref No.:	xxxx		
Responsible Officer:	Chief Executive Officer		
Approved Date:	xx/xx/20xx	Review Date:	Xx/xx/20xx [usually bi-annually]

### 1. PURPOSE

**As an example:**

*This document is to define the composition, role and responsibilities of the audit committee.*

### 2. PRINCIPLES

**Council should agree on the audit committee's role.**

**An example:**

*The audit committee's role is to independently review the council's internal control processes over the revenue, expenses and assets of the council.*

### 3. RESPONSIBILITIES

**Council should agree on the responsibilities of the audit committee being mindful this committee is an advisory body to council and that it has no authority or power to act independently of council.**

**For example:**

*The audit committee has no authority to act independently of council.*

*The audit committee is responsible for acting as an advisory body to council on the following matters to:*

- 3.1. monitor the effectiveness of the audit function and the implementation of audit recommendations;*
- 3.2. provide an independent line of reporting by the auditor to council;*
- 3.3. review compliance with legislative requirements, contracts, standards and best practice guidelines;*
- 3.4. review and, if appropriate, recommending council approve the financial statements (in conjunction with the auditor's report);*

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### General Instruction No. 3    Audit Committees

- 3.5.    *monitor changes in accounting and reporting requirements;*
- 3.6.    *review and endorsing a code of conduct; and*
- 3.7.    *review policies relating to conflicts of interest, misconduct and fraud.*

#### 4.    COMPOSITION OF THE COMMITTEE

The council should decide on the number of audit committee members and the composition of the council having regard to the skills, personal attributes and practical experience required from the appointed members.

*As an example:*

*The members of the audit committee are to be appointed by the council.*

*The audit committee should comprise of 3 [or 5] members and with a chairperson who is not a councillor of the council nor one of council's staff members.*

#### 5.    QUORUM AT COMMITTEE MEETINGS

Council should agree on the audit committee's quorum number and acceptable member attendance rate being mindful of the size of the committee and complexity of the work being undertaken. Also, council should consider whether it is acceptable for members to attend an audit committee meeting via phone and / or video conferencing if unable to attend in person.

*For example:*

*At least 75%, or a minimum of three, audit committee members must be in attendance for the meeting to proceed.*

*The audit committee members should endeavour to attend at least 75% of the meetings.*

*Audit committee members may attend meetings by phone or video conferencing if they are unable to attend in person.*

#### 6.    VOTING RIGHT OF COMMITTEE MEMBERS

Council should decide on voting rights of the audit committee members.

*As an example:*

*All council appointed audit committee members have equal voting rights on the committee.*

*Where a vote is taken and the result is undecided the chairperson has the casting vote.*

#### 7.    TERM OF APPOINTMENT AND TERMINATION OF COMMITTEE MEMBERS

The council should agree on the terms of the audit committee appointment and termination of members.

*An example:*

*All audit committee members are appointed for one [two / three] year period.*

*Audit committee members, not being the chairperson, cease being a member of the committee if they are no longer a councillor of the council.*

*The chairperson, being an independent non-councillor, is appointed by council for a set period and can be terminated by the council subject to the appointment agreement.*

**General Instruction No. 3    Audit Committees****8. AUDIT COMMITTEE AND INDIVIDUAL MEMBER PERFORMANCE AND REVIEW**

The council should decide on the frequency and methodology of the audit committee and its member performance review.

As an example:

*The audit committee chairperson, in consultation with the council's Chief Executive Officer, will initiate a review of the performance of the committee and the individual member's performance at least once every two years.*

*The review will be conducted on a self-assessment basis (unless otherwise determined by the council) with appropriate input sought from the Chief Executive Officer, the auditors, management and any other relevant stakeholders, as determined by the Chief Executive Officer.*

**9. REMUNERATION OF THE COMMITTEE MEMBERS**

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

**10. FREQUENCY OF COMMITTEE MEETINGS**

Council should agree on the frequency the audit committee should meet.

Example as follows:

*The audit committee should meet at least four times a year to:*

- 10.1. review the unaudited financial statements at year end; set the audit agenda and the committee's work plan, including the meeting dates, for the coming financial year [usually June/July];*
- 10.2. meet with the auditors, discuss findings and review the draft audited financial statements to consider recommending for council approval [usually October];*
- 10.3. review the council's November financial statements as against budget; monitor the implementation of any audit recommendations accepted by the council; and undertake matters the audit committee is responsible for (e.g. review policies, compliance etc.) [usually December]; and*
- 10.4. review the council's March financial statements as against budget; review the council's draft budget for the following financial year; and undertake matters the audit committee is responsible for (e.g. Review compliance to legislation, contracts, accounting practices etc.) [usually April].*

*On setting the audit committee meeting dates the committee must have regard to the date of council meetings to ensure the audit committee report, including draft unapproved minutes of the most recent prior meeting, is reported to council on a timely basis.*

### General Instruction No. 3    Audit Committees

#### 11. REPORTING BY THE COMMITTEE TO COUNCIL

Council should agree on the method the audit committee should report to council.

For example:

*After meeting the audit committee should report to council at the nearest council meeting and include the committee's draft unapproved minutes.*

#### 12. SECRETARIAT SUPPORT OF THE COMMITTEE

The council should decide on the secretary support required by the audit committee and who should undertake that service / responsibility.

For example:

*The council will ensure audit committee members have access to the agenda, meeting papers and prior unapproved minutes 5 [or 3] business days before the audit committee meeting is held.*

*The council will provide secretariat support to audit committee to ensure minutes taken are provided to committee members within 5 [or 3] business days of the meeting being held.*

*The secretariat is to ensure the minutes of committee meetings are available on the council's website within 10 business days after the meeting to which they relate to comply with section 67(4) of the Local Government Act.*

#### 13. COMMITTEE ACCESS TO COUNCIL RECORDS AND RESOURCES

The council should agree on what path the audit committee should undertake to access required council records and information including council resources such as third party financial advice or training.

As an example:

*The council, via the council's 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.*

*The audit committee should approach the council requesting required resources being mindful of the finite nature of such resources.*

*The audit committee has no authority to procure resources independently of council.*

#### 14. CONFLICT OF INTEREST

The council should agree the disclosure and treatment of any audit committee member conflicts of interest.

For example:

*Audit committee members must declare any real or perceived conflicts of interest when joining the committee, annually and at the start of each meeting or before discussion of the relevant agenda item or topic. Details of any conflicts of interest should be appropriately minuted.*

*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.*

**General Instruction No. 3    Audit Committees****15. REVIEW OF TERMS OF REFERENCE**

The council should agree on the method and frequency of reviewing the audit committee's Terms of Reference.

As an example:

*Bi-annually the audit committee will review its Terms of Reference to ensure it is consistent with the perceived needs of the council. This review will be in consultation with the Chief Executive Officer.*

*The outcome and recommendations will be given to council to consider.*

*The audit committee has no power or authority to amend or alter the audit committee's Terms of Reference.*

**General Instruction No. 3    Audit Committees****Enquiries**

For queries regarding this procedure please contact Local Government Sustainability on [lg.compliance@nt.gov.au](mailto:lg.compliance@nt.gov.au) or phone 08 8999 8868

**Related  
legislation  
and policies:**      *Local Government Act*  
                              *Local Government (Accounting) Regulations*

**Related  
documents:**

**AUDIT AND RISK COMMITTEE REPORTS**

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**ITEM NUMBER** 5.6  
**TITLE** Risk Management Plan Update  
**REFERENCE** \COUNCIL AGENDAS AND MINUTES\AUDIT AND RISK COMMITTEE MEETING\2015\2015 - 2 AUDIT AND RISK COMMITTEE MEETING 7 MAY - 264442  
**AUTHOR** Edward Fraser, Director Finance and Corporate Services

**DUE DATE** May 2015

**LINKS TO STRATEGIC PLAN**

Goal 05: Management and Governance

**RECOMMENDATION:**

**That the Committee note and receive an update on the Risk Management Plan for 2014-15.**

**SUMMARY:** The Risk Management Plan covers the period 2014-2015 and is updated annually. A Directorate will provide an update at each Committee meeting.

**BACKGROUND**

It has been agreed that an update will be provided by one Director at each Audit & Risk Committee based on current issues and status for the Directorate presenting as per the Risk Management Plan.

The Director Works will give a presentation and provide an update on risk management work being progressed that will be tabled at the meeting.

**ISSUES, CONSEQUENCES AND OPTIONS**

The Risk Management Plan is used to document key risks and may result in specific actions or projects to address current and identified risks.

**ATTACHMENTS:**

**GENERAL BUSINESS**

**ITEM NUMBER** 6.1  
**TITLE** Finance Manager Presentation  
**REFERENCE** \COUNCIL AGENDAS AND MINUTES\AUDIT AND RISK COMMITTEE MEETING\2015\2015 - 2 AUDIT AND RISK COMMITTEE MEETING 7 MAY - 263976  
**AUTHOR** Edward Fraser, Director Finance and Corporate Services

**DUE DATE** May 2015

**LINKS TO STRATEGIC PLAN**

Goal 05: Management and Governance

**RECOMMENDATION:**

**That the Committee receive the presentation from the Finance Manager.**

**SUMMARY:** The Finance Manager will present to the Audit and Risk Committee members the status of the financial reports, update on responses to management letter, and the preparation for the external auditors.

**BACKGROUND**

Financial statements are the means by which management or Council discharge their accountability to the users of the reported financial information.

The timely finalisation of the financial statements, accompanied by an unmodified audit opinion is the desired outcomes of this review. The Finance Manager will also report to the Audit and Risk Committee if there are any Commitments and Contingencies that they are to be aware of and how these are to be treated in the financial statements.

In addition an update on the status of responses to management letter concerns will be provided and also an update on the preparation for the external auditors.

**ISSUES, CONSEQUENCES AND OPTIONS**

Nil

**FINANCIAL IMPLICATIONS**

Nil

**ATTACHMENTS:**