Risk Management and Audit Committee

Friday, 16 October 2020
Arunta Room, Civic Centre/Zoom

Mr Iain Summers
(Chair)

(08) 8950 0500
alicesprings.nt.gov.au

ALICE SPRINGS TOWN COUNCIL

RISK MANAGEMENT AND AUDIT COMMITTEE AGENDA

FOR THE MEETING TO BE HELD ON FRIDAY 16 OCTOBER 2020 AT 12 NOON

IN THE ARUNTA ROOM, CIVIC CENTRE, ALICE SPRINGS AND BY ZOOM

1. APOLOGIES
2. DISCLOSURE OF INTEREST
3. MINUTES OF THE PREVIOUS MEETING
    - 3.1. UNCONFIRMED Minutes – Risk Management and Audit Committee – 25 August 2020
    - 3.2. Business Arising
        - 3.2.1. Action Items from Previous Minutes
4. REPORTS OF OFFICERS
    - 4.1. Risk Management and Audit Committee Terms of Reference
5. GENERAL BUSINESS

CONFIDENTIAL SECTION

6. APOLOGIES - CONFIDENTIAL
7. DISCLOSURE OF INTEREST - CONFIDENTIAL
8. MINUTES OF THE PREVIOUS MEETING – CONFIDENTIAL
    - 8.1. UNCONFIRMED CONFIDENTIAL Minutes – Risk Management and Audit Committee – 25 August 2020
    - 8.2. Business Arising
        - 8.2.1 Action Items from Previous Confidential Minutes
9. REPORTS OF OFFICERS - CONFIDENTIAL
    - 9.1. External audit – Audited financial statement, audit report and financial reflections
    - 9.2. Internal audit scope of work - Regional Waste Management Facility
    - 9.3. Internal audit report – Grants, Sponsorship and Donations
10. CLOSURE OF MEETING
11. NEXT MEETING: **TBD**

ALICE SPRINGS TOWN COUNCIL
RISK MANAGEMENT AND AUDIT COMMITTEE MEETING
MINUTES OF MEETING
HELD TUESDAY 25 AUGUST 2020 AT 12:00 NOON
VIA ZOOM, CIVIC CENTRE

1. ATTENDANCE:

PRESENT:

Mr Iain Summers (Chair)
Mayor Jamie De Brenni
Councillor Glen Auricht
Councillor Eli Melky

OFFICERS:

Mr Robert Jennings, Chief Executive Officer
Ms Sabine Taylor, Director Corporate Services
Ms Kim Sutton, Director Community Development
Mr Takudzwa Charlie, Acting Director Technical Services
Ms Jodie Summers, Manager Governance
Mrs Natasha Taylor, Risk and Compliance Officer
Ms Brooke Lang, Executive Assistant (Minutes)

13th Alice Springs Town Council RISK MANAGEMENT & AUDIT COMMITTEE	***29 Jul - 2019***	***4 Oct - 2019***	***13 Mar-2020***	***29 May - 2020***	***25 Aug - 2020***
Iain Summers	✓	✓	✓	✓	✓
Mayor Damien Ryan	✓	✓	✓	✓	
Deputy Mayor Matt Paterson	✓	✓	✓	✓	
Councillor Jamie de Brenni	✓				✓
Councillor Jimmy Cocking	*A*	*A*	✓	✓	A
Councillor Glen Auricht	✓	✓	✓	✓	✓
Councillor Eli Melky		✓	✓	✓	✓

✓	Attended
✓ Proxy	Proxy attended in place of committee member
A	Apology received
--	No attendance and no apology recorded
	Not a committee member

The meeting opened at 12:02

APOLOGIES:

Councillor Jimmy Cocking

2. CONFLICT OF INTEREST DECLARATION

Nil

3. MINUTES OF THE PREVIOUS MEETING

3.1 UNCONFIRMED Minutes – Risk Management and Audit Committee 29 May 2020

RESOLVED:

The Committee confirmed the minutes of the Risk Management and Audit Committee Open meeting held 29 May 2020 as a true and correct record of the proceedings.

Moved: Councillor Glen Auricht
Seconded: Mayor Jamie De Brenni

3.2 Business Arising from the Previous Minutes

4. REPORTS FROM OFFICERS

4.1. Risk Management Framework Update

This report provides the revised Risk Management Framework for endorsement.

RECOMMENDATION

That it be a recommendation to Council that:

The updated Control Effectiveness Ratings in Appendix 1 of the Risk Management Framework as presented in Attachment A be approved.

Moved: Mayor Jamie De Brenni
Seconded: Councillor Glen Auricht

4.2. Risk Management and Audit Committee Terms of Reference

This report provides the revised Risk Management and Audit Committee Terms of Reference for endorsement.

RECOMMENDATION

That it be a recommendation to Council that:

The revised Risk Management and Audit Committee Terms of Reference be adopted.

DEFERRED

This recommendation has been deferred as more work on the membership requirements are to be undertaken by officers.

ACTION – Officers to review Membership criteria and highlight where the committee must comply as per General instruction 3. Presented at the next RMAC Meeting.

RECOMMENDATION

That it be a recommendation to Council that:

That Officers commence advertising for an Independent chair to commence as off January 2021.

Moved: Mayor Jamie De Brenni
Seconded: Councillor Glen Auricht

5. **GENERAL BUSINESS**

6. **NEXT MEETING: Wednesday 30 September 2020**

RESOLVED:

That the Risk Management and Audit Committee meeting stands adjourned and resumes in the Confidential Section.

Moved: Councillor Eli Melky
Seconded: Mayor Jamie De Brenni

The meeting adjourned at 12:46pm

Confirmed on: ______________________________

CHAIRPERSON ______________________________
Iain Summers

Agenda Item 3.2.2

TO: RISK MANAGEMENT AND AUDIT COMMITTEE MEETING – 5 OCTOBER 2020

SUBJECT: ACTION ITEMS FROM PREVIOUS MINUTES

AUTHOR: RISK & COMPLIANCE OFFICER, NATASHA TAYLOR

EXECUTIVE SUMMARY

This report provides an update on outstanding action items from previous minutes.

RECOMMENDATION

That the Risk Management and Audit Committee note this report.

DISCUSSION

The action resulting from the August RMAC meeting has been completed.

Two (2) actions from the March RMAC meeting remain on hold due to deferred legislation changes.

Minutes ref	Action	Assigned To	Due Date	Status
25 August 2020				
OPEN				
4.2	Officers to review Membership criteria and highlight where the committee must comply as per General instruction 3. Presented at the next RMAC Meeting	Jodie Summers	5/10/20	Completed - see report for agenda item 4.1.
13 March 2020				
OPEN				
4.2	Manager Governance to determine how confidentiality provisions will work in the Local Government Act 2019 (if RMAC meetings are held completely in CONFIDENTIAL) and report to the Committee.	Jodie Summers	01/05/21	On hold - LG Department have deferred the commencement of the Act for 12 months
4.2	Summary of Local Government Act changes that will impact the RMAC	Natasha Taylor	01/05/21	On hold - LG Department have deferred the commencement of the Act for 12 months

Agenda Item 4.1.

TO: **RISK MANAGEMENT AND AUDIT COMMITTEE – MONDAY 5 OCTOBER 2020**

SUBJECT: **RMAC TERMS OF REFERENCE**

AUTHOR: **RISK AND COMPLIANCE OFFICER, NATASHA TAYLOR**

EXECUTIVE SUMMARY

This report provides the Risk Management and Audit Committee with a revised Risk Management and Audit Committee Terms of Reference for endorsement to go to Council for adoption.

RECOMMENDATION

That it be a recommendation to Council that:

The revised Risk Management and Audit Committee Terms of Reference be adopted.

REPORT

1. BACKGROUND

The Terms of Reference have undergone extensive review with consideration of best practice principles contained in General Instruction No. 3 and the function of risk management, empowering a business with the necessary tools to adequately identify and manage potential risks, to ensure the effectiveness of the Committee and to add value and improve Council's operations.

Several drafts have been reviewed by the RMAC and at the last meeting, on 25 August 2020, the committee requested that officers review the membership requirements and carry out a further assessment to ensure compliance to the legislation.

At the 27 July Ordinary Council Meeting, Elected Members resolved to defer the Committee Elections to 28 September 2020 where Elected Members will be voted onto the RMAC under these terms of reference.

Additionally, Mr. Summers' current appointment concludes 31 December 2020 with the last meeting of his tenure scheduled for 16 October 2020.

2. DISCUSSION

General Instruction No. 3 issued by the Department of Local Government, pursuant to Regulation 7 of the *Local Government (Accounting) Regulations,* contains a number of requirements and recommendations, with the intent of ensuring compliance with the Local Government Act, the *Local Government (Accounting) Regulations,* and in line with good audit committee practices.

Council officers review of the existing Terms of Reference determined a number of deficiencies which we seek to rectify in the revised Terms of Reference, to ensure compliance and good practice. A table outlining this process is provided at Attachment A.

Further to the feedback received by committee members at the 25 August 2020 meeting, the revised Terms of Reference have been updated to include the Mayor as a member of the RMAC. The revised Terms of Reference are provided at Attachment B.

2. POLICY AND LEGISLATIVE IMPACTS

Section 10 (3) of the *Local Government (Accounting) Regulations* states that the CEO must establish and maintain an audit committee:

(a) to monitor:

(i) compliance by the council with proper standards of financial management; and

(ii) compliance by the council with these regulations and the Accounting Standards; and

(b) whose Chairperson must not be a member of council or a member of council's staff.

(c) these functions may be of an executive or advisory nature.

General Instruction No. 3 Audit Committees – pursuant to Regulation 7 of the *Local Government (Accounting) Regulations*

Section 54 of the *Local Government Act 2008* states:

- council appoints members to the committee.
- council determines the terms and conditions of membership.
- council may abolish a council committee.

Section 55 of the *Local Government Act 2008* states:

- council assigns the functions to the committee.

Alice Springs Town Council Strategic Plan 2018 – 2021

OBJECTIVE 4: A Dynamic Council

4.4: Governance excellence

4.4.3: Facilitate a regular risk management and compliance audit committee, with an independent chair

3. FINANCIAL IMPACTS

As advertising was expected to occur due to Mr. Summers' tenure ending 31 December 2020, no additional advertising costs are anticipated.

Remuneration for committee members is aligned with the NT Government statutory bodies classification structure, Class C2 Advisory and Review Bodies: Expert high impact. Annual financial impact relating to changes in membership requirements is detailed below, and considers the following assumptions:

- External Committee member, if located outside of Alice Springs, will not travel to attend every meeting due to the accessibility of teleconferencing

Under current Terms of Reference			Under new Terms of Reference		
Member	**Meeting fee**	**Travel cost**	**Member**	**Meeting fee**	**Travel cost (annual)**
External Chair	$719	$1,000	External Chair	$719	$1,000
			External Committee member ($405x2)	$810	$2,000
Total	**$6,876 per year**		**Total**	**$9,116 per year**	

The proposed new annual cost of approx. $9,116 is covered by a current budget of $9,500.

4. SOCIAL IMPACTS

Nil

5. ENVIRONMENTAL IMPACTS

Nil

6. PUBLIC RELATIONS

Nil

7. ATTACHMENTS

A. General Instruction No. 3 requirements and recommendations assessment

B. Draft RMAC Terms of Reference 2020

Natasha Taylor
RISK AND COMPLIANCE OFFICER

ATTACHMENT A

General Instruction No. 3 requirements and recommendations

General Instruction No. 3 *Audit Committees "*was developed to provide NT local governments with a guide to establishing and operating an audit in accordance with the Local Government Act, the *Local Government (Accounting) Regulations* and in line with good audit committee practices."

Dated 30 March 2015, the general instruction is pursuant to Regulation 7 of the *Local Government (Accounting) Regulations*.

Regulation 8 states that failure of a council to comply with a general instruction is an offence of strict liability.

Audit Committee membership related requirements and recommendations under General Instruction No. 3 are detailed in the table below along with an assessment against the current and proposed terms of reference.

Requirement/ recommendation	Current Terms of Reference compliance	Comments	Proposed Terms of Reference compliance
To be effective, the audit committee must be independent from management and free from undue influence from councillors and council staff.	No	The RMAC currently consists of 5 councillors and 1 external member (the independent Chair)	Yes
The audit committee is an advisory body and members of the audit committee cannot have any executive powers, management functions, or delegated financial responsibility	No	Councillors have executive decision-making power over functions of Council and its finances and make up the majority of the RMAC	Yes
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.	Deficient	The RMAC consists of 6 members however the number of members was not determined by the size of the council and scope of works to be undertaken by the committee, rather by the heads of the standing committees and the Mayor and Deputy Mayor as ex officio members. Standing committees have since been dissolved.	Yes
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	No	Currently there is currently an even number of members without a casting vote	Yes - 5
The committee is to be led by a chairperson who is not a member of council or a member of the council's staff	Yes	To be advertised and filled for next year	Yes

Requirement/ recommendation	Current Terms of Reference compliance	Comments	Proposed Terms of Reference compliance
Consideration should be given to the type of skills, personal attributes and practical experience each individual member must have before being nominated	No	Other than the independent Chair, members are all councillors for which there is no pre-requisite. There are no requirements for skills or experience relating to risk management, governance, financial management or audit for any members, including the independent Chair.	Yes
Factors to consider include the nominees: • 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 • Ability to maintain professional relationships particularly with council members, staff and other stakeholders	No	Other than the independent Chair, members are all councillors for which there is no pre-requisite. There are no requirements for skills or experience relating to risk management, governance, financial management or audit for any members, including the independent Chair.	Yes
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.	Partial	Members are all councillors who have knowledge of council however are not independent and other sections of the General Instruction indicate they not be members of the audit committee. There are no requirements in the Terms of Reference for skills or experience relating to local government, risk management, governance, financial management or audit for any members. The current Chair meets this requirement.	Yes

Requirement/ recommendation	Current Terms of Reference compliance	Comments	Proposed Terms of Reference compliance
Council must also agree to the period of 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	Deficient	The current Terms of Reference do not address the requirement although they may have been covered by other Council processes. Conditions upon which recruitment and termination are not formally stated.	Yes
If committee members will be paid, the council must agree to the conditions, rate of payment and ensure there is an appropriate allocation in the council's annual budget	Deficient	The current Terms of Reference do not address the requirements although they may have been covered by other Council processes.	Yes
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	No	The RMAC is comprised of the members of Council (except for 1 independent Chair) who have financial decision-making power. In meetings of the RMAC, members have vocalised their positions as elected members with phrases such as "as an elected member I need to know what the risks are…" and "(I) will block this recommendation when it is presented in the chamber…". This indicates that councillor responsibilities may be confused with RMAC member responsibilities at times.	Yes

ATTACHMENT B

TERMS OF REFERENCE

Risk Management and Audit Committee

Purpose

The Risk Management and Audit Committee (the Committee) is an advisory committee established in accordance with the *Local Government Act 2008* and section 10(3) of the Local Government (Accounting) Regulations.

Objective

The Committee's objective is to provide independent assurance and advice to Council and the Chief Executive Officer regarding:

- The integrity of Council's financial management
- Council's risk, internal control and compliance frameworks.

Functions

The Committee's functions include:

- Review and endorsement of the external audit plan
- Review and endorsement of the audited financial statements
- Meeting with the external auditor at least once per year to receive direct feedback about any key financial management issues and to provide feedback about the auditor's performance
- Monitoring of external audit outcomes, management responses and the implementation of agreed recommendations
- Advice to Council regarding appointment of the external auditor
- Endorsement of Council's Risk Management Framework and monitoring the performance of the framework
- Monitoring the adequacy of internal control policies, practices and procedures
- Oversight of the outsourced internal audit function, including:
    - adequacy and scope of audit coverage
    - monitoring of audit outcomes, management responses and the implementation of agreed recommendations
- Monitoring Council's compliance with Regulatory requirements, standards and best practice guidelines
- Recommendations to Council about any matters the Committee considers require Council's consideration as a result of the aforementioned functions.

Authority

With consideration of legal and confidentiality implications the Committee is authorised, within the capacity of its objective and functions, to:

- Make recommendations to the Chief Executive Officer and Council
- Endorse audit plans

ATTACHMENT B

- Obtain, via the Chief Executive Officer, information it requires from any employee and/or external party
- Discuss matters with the external auditor, or other external parties
- Request, via the Chief Executive Officer, the attendance of any employee at Committee meetings
- The Committee has no powers with regard to its findings and recommendations, such powers are reserved to the Chief Executive Officer and Council

Confidentiality and use of information

Committee members will from time to time deal with confidential reports and sensitive information. All information obtained during the course of Committee meetings must be handled in compliance with the *Local Government Act 2008* and Regulations, and Council's Code of Conduct and Conflict Management policies.

Section 75 of the *Local Government Act 2008* outlines the penalties applicable to people who disclose confidential information acquired as a member of a Council committee.

Section 76 of the *Local Government Act 2008* states that a person who makes improper use of information acquired as a member of a Council committee is guilty of an offence.

Due diligence and induction

All proposed and new members of the Committee will be entitled to receive relevant information and briefings prior to, and shortly after, their appointment.

Council will provide an induction to all new members specifically relating to the Committee's functions and Terms of Reference.

Membership

Committee Members

Maximum of (five) 5 members including:

- Up to two (2) Elected Members of Council, one (1) of which is the Mayor
- Three (3) external members, one (1) of whom is the independent Chairperson

The Chief Executive Officer will attend all meetings.

Terms and conditions of membership

Membership requirements

Membership consideration will be given to skills, personal attributes and practical experience, including:

- 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 risk management, governance and financial management practices
- depth of knowledge of regulatory and legislative requirements
- one (1) external member of the Committee must be a CPA or CA, or can demonstrate significant financial experience in absence of those qualifications
- one (1) external member of the Committee must have formal Risk Management qualifications, or can demonstrate significant experience in risk management and/or governance
- capacity to dedicate adequate time on the Committee.

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Term of office

The CEO will recommend Committee nominees to Council for appointment. Appointment to the Committee is for a 2-year term.

Membership of the committee ceases either:

- upon completion of 2 years;
- at any time if the person no longer holds office by virtue of which the person became a member.

Termination of membership

Membership may be terminated with 14 days' written notice by:

- recommendation of the CEO, to Council if:
  - a member is absent for 3 consecutive meetings without prior approval by the CEO
  - a member's contribution to the functions of the Committee is determined by the CEO and one (1) other Committee member, to be unacceptable
  - a member is determined by the CEO to have insufficiently maintained confidentiality of information obtained in the course of their membership
  - a member is determined by the CEO to have compromised the committee and council due to an undeclared actual, potential or perceived conflict of interest in the course of their membership.

Meetings

Attendance

Should a member be unable to attend a Committee meeting, an apology shall be provided to the meeting organiser at least 2 hours prior to the scheduled meeting time.

Relevant Council officers may attend Committee meetings in an administrative capacity.

Quorum

A quorum is achieved by attendance of over 50% of the appointed members.

If the Chairperson is absent, the members present shall elect a person to chair the meeting.

Frequency

The Committee will meet at least 4 times per year. Additional meetings may be convened by the CEO if required.

A meeting plan will be agreed to by the Committee each year.

Remuneration

Elected Members may be eligible for Extra Meeting Allowance as per Council policy.

External members are eligible for remuneration per meeting at the 'Daily rate' for Class C2 of the "NTG statutory bodies classified for remuneration purposes" as per *Assembly Members and Statutory Officers (Remuneration and Other Entitlements) Act 2006* (FY20: $719 Chair, $405 other members). Payment of the Daily rate (4 hours or more) is to account for meeting preparation and the 2-hour meeting.

Evaluation and Review

The Committee's performance and Terms of Reference will be externally evaluated after a period of 2 years. Performance will be assessed against the functions of the Committee to determine if its objectives have been met at an acceptable level.

ATTACHMENT B

Evaluation will be facilitated by the Chief Executive Officer, with a report provided to Council including any recommendations. The Terms of Reference will also be assessed at this time and recommendations for revision also included in the report to Council.

Responsible Directorate

Corporate Services

Reporting to

Ordinary Council

Version	Date	Action/Description of changes made	By
1.0	15 June 2015	Adopted	Council
1.1	October 2017	New Charter template adopted	Council Solicitor
1.2	28 May 2018	Internal Audit responsibilities added	Governance
2.0	August 2020	New Terms of reference developed in line with new Local Government Act 2019	Governance

Adopted by Council - Date		*Resolution #*	
Document Owner	Chief Executive Officer	*Controller*	Governance Unit