RISK MANAGEMENT AND AUDIT COMMITTEE TERMS OF REFERENCE

PURPOSE

The Risk Management and Audit Committee (the Committee) is established in accordance with section 86 of the *Local Government Act 2019* (NT) (the Act) with the following functions pursuant to section 87 in relation to Council:

(a) To monitor and review the integrity of Council's financial management;

(b) to monitor and review internal controls; and

(c) to make recommendations to Council about any matters the Committee considers require Council's consideration as a result of the Committee's functions under paragraph (a) or (b).

The Committee monitors and reviews the integrity of Council's financial management and discharges its functions under section 87 of the Act through the responsibilities set out in this Terms of Reference, including oversight of audit functions, internal controls, risk management, financial reporting and other assurance activities. Council has expanded the role of the Committee beyond its statutory functions to include oversight of enterprise risk management, including the Risk Management Framework, strategic risk profile, risk appetite, and other assurance activities.

The purpose of this document is to define the terms of reference for the Committee, including responsibilities, membership and appointment, remuneration, meetings and meeting procedures, and performance.

PRINCIPLES

The Committee provides independent assurance, advice and oversight to Council in relation to:

- performance of internal and external audit functions
- effectiveness of internal controls
- management of risk
- integrity of financial and performance reporting
- adequacy of Council's insurance program
- any matters requiring Council's attention arising from the Committee's work
- any other matters directed to the Committee by Council.

The Committee acts in an advisory capacity and has no delegated authority. It makes recommendations to Council for consideration.

DEFINITIONS

For the purposes of this document, the following definitions apply:

TERM	DEFINITION
Committee	This term refers to the Risk Management and Audit Committee.
Elected Member	A person who has been elected to serve as an Elected Member for Council.
Independent Member	A member who is not an Elected Member of Council or an employee of City of Palmerston.
Mayor	The Principal Member of City of Palmerston Council.
Member	A person who is on the Risk Management and Audit Committee.
the Act	The *Local Government Act 2019* (NT).
the Regulations	The *Local Government (General) Regulations 2021* (NT).

STATEMENT

1. Functions and responsibilities

The key functions of the Committee are achieved by performing the following roles and carrying out the following responsibilities:

1.1. Risk management

1.1.1. Provide oversight and advice in relation to Council's strategic risk profile, including the appropriateness of its risk appetite and tolerance, and the effectiveness of risk management arrangements in supporting the achievement of Council's objectives.

1.1.2. Undertake periodic review of key strategic risks, including adequacy of mitigation strategies and alignment with Council priorities.

1.1.3. Oversee the development, review and monitoring of risk management practices and frameworks.

1.1.4. Monitor the effectiveness and performance of City of Palmerston's Risk Management Framework, including its application to strategic, operational and project risks.

1.1.5. Review the effectiveness of the operationalisation of Council's Risk Management Framework, including how risk management is embedded across the organisation and supported by appropriate internal controls.

1.1.6. Identify and prioritise significant or emerging risks for further review and discussion and, where appropriate, recommend enhancements to risk controls or mitigation strategies.

1.1.7. Oversee assurance activities and review reporting on significant risks, major projects and key governance, operational, ICT and cybersecurity matters, to assess the adequacy of oversight, assurance arrangements and alignment with Council's risk profile.

1.2. External audit

1.2.1. Review and recommend to Council the appointment of the external auditor, ensuring the proposed provider demonstrates appropriate independence from the operations of City of Palmerston.

1.2.2. Review, with management and the external auditors, the results of the external audit including but not limited to:

- The pro forma, draft and final financial statements, to assess whether they are complete, consistent with information available to the Committee, and compliant with applicable accounting standards, regulatory requirements and Council policies.
- The appropriateness of significant judgements and estimates made by management in preparing the financial statements.
- Significant accounting, reporting, control or other issues identified during the audit, including any difficulties encountered.
- Explanations for complex or unusual transactions, and significant trends or variances from expectations (including budget and prior year).
- Asset valuation methodologies and outcomes, including review of the annual asset valuation report.

1.2.3. Meet with the external auditor at least annually, without management present where appropriate, to obtain independent feedback on key audit, risk, control, and compliance matters.

1.2.4. Ensure the Committee maintains open communication with the external auditor.

1.3. Internal audit

1.3.1. Review and endorse the internal audit plan and program to ensure it is risk-based and aligned with Council's strategic and operational priorities.

1.3.2. Provide oversight to the internal audit function to ensure it operates effectively, is suitably resourced, and maintains appropriate independence and objectivity.

1.3.3. Review the scope of internal audits to ensure the audit objectives and activities are clearly linked to the risks identified in the internal audit plan.

1.3.4. Review internal audit reports, including findings and recommendations, and monitor management responses.

1.3.5. Monitor the timely implementation of audit recommendations, including reporting on progress and any overdue actions.

1.3.6. Meet with the internal auditors following presentation of audit reports, without management present where appropriate, to obtain direct feedback on key risk, control and compliance matters.

1.3.7. Ensure the Committee maintains open communication with the internal auditors.

1.4. Internal controls

1.4.1. Monitor the effectiveness of Council's system of internal controls, including financial controls, fraud and corruption prevention, compliance, ICT and governance processes.

1.4.2. Review reports on internal control weaknesses, breaches, fraud risks and control failures, including management responses and the timely implementation of corrective actions.

1.4.3. Assess whether appropriate processes are in place to identify, evaluate and manage risks of fraud and corruption.

1.4.4. Seek assurance that internal control systems are regularly reviewed and improved, including through internal and external audit activities.

1.5. Financial and performance reporting

1.5.1. Recommend the adoption of the annual financial statements to Council prior to finalisation.

1.5.2. Review financial reports and information provided to the committee to assess the effectiveness of Council's financial management frameworks, including accounting policies, processes and controls supporting financial reporting.

1.5.3. Review the Annual Report prior to its adoption by Council to ensure it meets the requirements of section 291 of the Act and regulation 12 of the Regulations, including that it presents a reliable and transparent account of Council's performance, achievements and accountability against its adopted plans, objectives and statutory obligations.

1.6. Insurance

1.6.1. Review the annual insurance program to assess whether it is appropriate and aligned with Council's risk profile and identified and emerging risks.

1.6.2. Assess the adequacy of insurance coverage across key exposure areas, including property, liability, professional indemnity, cyber, environmental and other relevant risks.

1.7. Other

1.7.1. Consider and, where appropriate, provide advice on matters referred to the Committee by the Council or the Chief Executive, where such matters fall within the scope of this Terms of Reference.

1.7.2. Periodically review this Terms of Reference and recommend amendments to Council where necessary to ensure it remains effective, relevant and aligned with the Committee's responsibilities.

1.7.3. The Committee will adopt a risk-based approach to its work program, prioritising areas of highest risk, strategic importance or emerging concern.

2. Authority

2.1. The Committee is an Audit Committee and is subject to control and direction by Council.

2.2. The Committee is authorised, within the scope of this Terms of Reference, to request, through the Chief Executive Officer:

2.2.1. Any information it requires from management, internal auditors and external auditors.

2.2.2. The attendance of management at Committee meetings, as required.

2.2.3. To meet with internal and external auditors, including in the absence of management where appropriate.

2.3. The Committee may recommend to Council, within the scope of this Terms of Reference, that Council seek external legal or other independent professional advice where necessary to fulfil the Committee's responsibilities.

3. Membership

3.1. Members of the Committee are appointed by Council.

3.2. Membership will consist of a minimum of four members, consisting of:

3.2.1. Up to two Elected Members.

3.2.2. The Mayor as an ex-officio member.

3.2.3. Minimum of two Independent Members, of whom at least one should be a member of a professional accounting body; and at least one possesses qualifications or experience in risk management.

3.3. In appointing Independent Members, Council will have regard to local representation; however, appointments may be made from outside the Palmerston local government area to ensure an appropriate balance of skills and expertise.

3.4. Council will seek to ensure the Committee's membership reflects diverse backgrounds and supports principles of inclusivity and accessibility.

4. Chairperson

4.1. In accordance with section 86(4) of the Act, the Chairperson must not be a member of Council or a member of Council's staff.

4.2. The Committee Chairperson is responsible for:

4.2.1. Promoting and maintaining the independence and objectivity of the Committee.

4.2.2. Ensuring the effective and orderly conduct of meetings in accordance with the Committee's role and responsibilities.

4.2.3. Facilitating open and constructive discussion and ensuring relevant matters are appropriately considered by the Committee.

4.2.4. Ensuring that the Committee's recommendations and actions are consistent with this Terms of Reference.

4.3. The Chairperson may represent the Committee in reporting to the Council, as required.

5. Terms and vacancies

5.1. The Chairperson will be appointed by Council for a term of up to two years and may be reappointed for further terms up to a maximum of eight years.

5.2. Independent Members will be appointed by Council for terms of up to two years and may be reappointed for further terms up to a maximum of eight years.

5.3. In appointing Independent Members, Council will have regard to staggering terms, including commencement part-way through an election cycle, to support continuity of Committee membership.

5.4. The appointment of Independent Members may be terminated by the Council in accordance with the conditions set out in their letter of appointment.

5.5. Elected Members will be appointed for a term of one year, based on nomination at an Ordinary Council meeting, up to a maximum of eight consecutive years.

5.6. An Elected Member's appointment automatically ceases when they cease to hold office as an Elected Member.

6. Remuneration

6.1. Independent Members will be remunerated in accordance with the classification structure for statutory bodies pursuant to the *Assembly Members and Statutory Officer (Remuneration and Other Entitlements) Act 2006* (NT).

6.2. Elected Members are entitled to Extra Meeting/Activity allowance in accordance with Council's Elected Member Allowances and Expenses Policy.

7. Code of conduct

7.1. All Members must comply with the Code of Conduct prescribed by section 120 of the Act, being Schedule 1A of the Regulations, including requirements relating to the declaration of gifts and benefits.

7.2. Members must maintain the confidentiality of all information obtained in the course of their duties, except where disclosure is authorised by the Council or required by law.

8. Conflict of interest

8.1. Members must declare any actual, potential, or perceived conflicts of interest:

8.1.1. Upon appointment to the Committee.

8.1.2. Annually in alignment with legislated declarations by Elected Members.

8.1.3. As soon as they arise.

8.1.4. At the commencement of each meeting.

8.2. The Chairperson will determine the appropriate management of disclosed conflicts of interest, having regard to legislative requirements and best practice.

8.3. Where the Chairperson declares a conflict of interest, responsibility for managing the conflict shall rest with the Mayor.

9. Meetings

9.1. Pursuant to section 99(4) of the Act, Risk Management and Audit Committee meetings are conducted in private.

9.2. The Chief Executive Officer will convene meetings and will distribute business papers no later than three business days prior to a meeting.

9.3. Notices of meetings shall comply with the requirements outlined in the Act.

9.4. A quorum at a meeting consists of a majority of the members holding office at the time of the meeting and must include a minimum of one Independent Member.

9.5. Other individuals such as the Chief Executive Officer, Council staff, external auditors and internal auditors may attend meetings, as relevant, as observers.

9.6. The Chief Executive Officer or delegate will respond to questions from Members at the meetings.

10. Voting

10.1. Only Members are entitled to vote in Committee meetings.

10.2. All Committee Members have equal voting rights.

10.3. Each Member must vote on every matter that is before the Committee for decision.

10.4. A decision must be made by majority vote of the Members present at each meeting.

10.5. Where a vote is taken and the result is undecided, the Chairperson has a casting vote in accordance with Council's Casting Vote Policy.

11. Performance

11.1. The Chairperson will initiate an assessment of the Committee's performance annually to evaluate the effectiveness of the Committee in fulfilling its responsibilities under this Terms of Reference.

11.2. Prior to the commencement of the Caretaker Period for each Local Government General Election, a comprehensive review of the Committee's performance will be undertaken.

11.3. Following the comprehensive review, a report will be prepared and presented to Council summarising the Committee's activities, key findings, achievements, effectiveness and any recommendations to enhance the Committee's performance.

11.4. The report will be reviewed by the Committee prior to presentation to Council.

ASSOCIATED DOCUMENTS

- Breach of Code of Conduct by Member Policy
- Casting Vote Policy
- Code of Conduct for Members
- Elected Members Allowances and Expenses Policy

REFERENCES AND RELATED LEGISLATION

- *Local Government Act 2019* (NT)
- *Local Government (General) Regulations 2021* (NT)
- *Assembly Members and Statutory Officer (Remuneration and Other Entitlements) Act 2006* (NT)
- *Palmerston (Procedures for Meetings) By-laws 2003*

DOUCMENT DETAILS

OWNER	Chief Executive Officer	RESPONSIBLE OFFICER	General Manager Finance & Governance
APPROVAL DATE	15 September 2026	NEXT REVIEW DUE	15 September 2028
RECORDS NUMBER	693603	COUNCIL DECISION	11/0610