

Audit Panel Charter

PURPOSE:

To set out the role, responsibilities, structure and processes of the Audit Panel.

SCOPE:

Applies to the oversight of all the Council's policies and processes (used in all the directorates and entities that are subject to the Council's control) that manages, administers or operates the systems of:

- a) Financial control and reporting, or
- b) Audit, or
- c) Risk

POLICY:

Legislative Framework

The Audit Panel is a special committee formed under section 24 of the *Local Government Act 1993*.

Local Government (Audit Panel) Order 2014

The Order includes the following clauses:

3. Interpretation
4. Functions of audit panel
5. Membership of audit panel
6. Chairperson of audit panel
7. Terms and conditions of appointment of audit panel members
8. Notification of appointment of members of audit panel
9. Charter of audit panel
10. Annual work plan
11. Meetings of audit panel
12. Recommendation of audit panel
13. Resources of audit panel

Objectives

The Audit Panel is an advisory committee of the Council with delegated responsibilities as detailed in this Policy. The key objectives of the Audit Panel are:

- (a) To assist the Council in the effective conduct of its financial reporting responsibilities
- (b) The management of risk
- (c) Maintaining a reliable system of internal controls
- (d) Facilitating the conduct of the Council's activities in an ethical and responsible manner.

The Audit Panel is to:

- (a) Assist with the coordination of the internal and external audit functions to achieve overall organisational objectives in an efficient and effective manner.
- (b) Oversee changes to the Council estimates in accordance with section 82 of the *Local Government Act (1993)*.

Outcomes sought for the Council and the community through the activities of the Audit Panel include:

- (a) Enhanced internal and external financial reporting.
- (b) Effective risk (financial and operational) management.
- (c) Compliance with best practice guidelines, legislation and regulation.
- (d) An effective internal audit function.
- (e) Facilitation of effective communication between the auditors (internal and external), management and the Council.

Role and Authority

The Panel's role is to advise the Council, including recommendations, on matters relevant to the objectives and to make decisions on behalf of the Council through its delegated authority.

Subject to the specific delegations, the Audit Panel does not have authority to instruct management or authorise expenditure. However, the Panel can request management take action or provide information and as part of its reporting to the Council, advise of any circumstances where these requests have not been agreed to.

Responsibilities

The Audit Panel is appointed by and responsible to the Council for the oversight of those activities necessary to progress and achieve its objectives.

The following are some of the duties of the Panel related to the key objectives.

Financial and Management Reporting

- (a) Review the Council's draft annual financial report, including:
 - Accounting policies and practices (including changes),
 - The process used to make significant accounting estimates,
 - Significant adjustments (if any) arising from audit process,
 - Compliance with reporting requirements, and
 - Significant variances from estimates or prior years.
- (b) Recommend adoption of the annual financial statements to the General Manager.
- (c) Review draft quarterly reports and recommend their adoption to the Council.
- (d) Review any business unit or special financial reports.

Integration of plans under Part 7 of the *Local Government Act 1993*

Review the Council's performance, whether and how the strategic plan, annual plan, long-term financial management plan and long-term strategic asset management plan are integrated and the processes by which, and assumptions under which, those plans are prepared.

Risk Management

- (a) Monitor any significant issues relating to risk management, management's response and the actions taken as a result.
- (b) Monitor the risk exposure of the Council by determining if management has appropriate risk management processes and adequate management information systems.

Internal Audit

- (a) Review and approve the scope of the internal audit plan and program and the effectiveness of the function. The review should consider whether the plan systematically addresses:
 - Internal controls over significant areas of risk,
 - Internal controls over revenue, expenditure, assets and liability processes,
 - 'Value for money' of significant Council programs, and
 - Compliance with legislation, policies and contractual terms.
- (b) Review the appropriateness of special internal audit assignments.
- (c) Review internal audit reports and monitor the performance of management in responding to recommendations.
- (d) Facilitate the interaction between the internal and external auditor to achieve optimal audit efficiency.
- (e) Monitor ethical standards and any related party transactions to determine whether the systems of control are adequate.

External Audit

- (a) Review and approve the scope and planning of the external audit with the auditor.
- (b) Discuss any issues including those raised in the management letter and authorise the final resolution.

Other

- (a) Review tendering arrangements and advise the Council.
- (b) Review issues relating to National Competition Policy.
- (c) Review performance indicators.
- (d) Consider any performance audit reports presented by the Auditor General and the implications for the Council.
- (e) Identify or oversee the investigation (including issues referred by the Council or the General Manager) and reporting of any areas or issues requiring review.
- (f) Oversee the investigation of any suspected cases of fraud.
- (g) Monitor any major claims or lawsuits by or against the Council.
- (h) Report to the Council after each meeting and as necessary on the issues considered and the Panel's performance indicators.

Membership and Remuneration

The membership of the Panel will be consistent with the requirements of clause 5 of the *Local Government (Audit Panels) Order 2014* in particular:

- (a) Minimum of three and a maximum of five members (clause 5(1))
- (b) Requirements for independent members
- (c) Eligibility for membership

The membership of the Panel will be:

- (a) Two aldermen appointed through the process for the Council's committees, and
- (b) At least three external independent members one of whom will be the Chair of the Panel. Additional members may be approved by the Council.

The Council's Community Appointments to Advisory Committees Policy (14-Plx-029) provides a framework for the appointments of members of the public to committees.

In regard to this Policy these provisions are extended as follows:

- (a) The Chair is required to have relevant business or commercial experience and preferably qualifications,
- (b) The Chair must meet requirements commonly referred to as the 'fit and proper person test',
- (c) The Chair must not have any conflict of interest or conflict of duty in the matters that are likely to be considered by the Panel,
- (d) The Chair must be available to attend meetings subject to the usual meeting schedule, as determined by the Panel from time to time,
- (e) Remuneration will be paid to each external member of the Panel on a set fee per annum, or another basis as appropriate.
- (f) The evaluation of any external persons will be undertaken by the Mayor and General Manager with a recommendation for appointment then to be made to the Council.
- (g) Appointments of external persons are for a period of up to four years, subject to a maximum term of eight years.
- (h) If the Council proposes to remove a member of the Panel it must give written notice to the member and provide that member with the opportunity to be heard at a Council meeting which is open to the public.

Meetings

- (a) The Panel shall meet at least (minimum of four meetings per year clause 11(2) *Local Government (Audit Panels) Order*) quarterly, to coincide with reporting requirements. (Given the responsibilities of the Panel it is expected that there will be six to eight meetings per annum.)
- (b) Additional meetings shall be convened at the discretion of the Chairperson or the written request of:
 - Mayor
 - General Manager
 - Panel Member
 - Auditor
- (c) An external member of the Audit Panel shall be appointed as Chair (clause 6 *Local Government (Audit Panels) Order*). In the absence of the Chair, the Panel members will appoint an acting Chair for the meeting.
- (d) A quorum shall be consistent with the requirements of clause 11(3) and (4) namely:
 - i. Majority of the total number of members, and
 - ii. At least two members who are independent members.
- (e) The General Manager, or his delegate, and the internal auditor should attend all meetings, except where the full Panel chooses to meet in camera.
- (f) Council staff and aldermen may be invited to attend at the discretion of the Panel.
- (g) Secretarial and administrative support shall be provided through the Corporate Services Directorate.
- (h) Meetings shall be minuted and an agenda prepared and distributed at least 4 days prior to the meeting. The agenda will be structured around the functional areas of responsibility, ie. reporting, audit and risk.
- (i) The agenda will be available to all Aldermen, Directors and Staff involved in the meeting.

DELEGATIONS:

The Council authorises the Audit Panel, in accordance with the provisions of Sections 22 (Delegations) and 82 (Estimates) of the *Local Government Act 1993* to determine the following matters:

- (a) Minor budget adjustments up to \$500,000 (approximately 1 percent of the total rate revenue) to individual items within any estimate referred to in Section 82(2)). (See policy definition section for explanation)
- (b) Changes to the Council's risk register.
- (c) Approve internal and external audit plan.
- (d) Authorise the final resolution of issues raised in management letters from audits.
- (e) Make recommendations to the Council on matters reasonably within the responsibilities of the Panel.

PRINCIPLES:

- The Panel is to be and act independently of management and the Council.
- The Panel has delegated decision making power within the scope of its role and expertise to assist with the effective governance of the Council. Management are required to ensure that all reasonable requests are complied with and that reasonable financial resources are provided, within the budget framework.
- The Panel will discharge its role in a constructive way that improves the operation of the Council in the area of panel responsibility.

RELATED POLICIES & PROCEDURES:

[11-Plx-001 Procurement Policy](#)

[11-PI-002 Tender Review Committee Policy](#)

[12-PI-001 Budget Management Policy](#)

[14-Plx-029 Community Appointments to Advisory Committees Policy](#)

RELATED LEGISLATION:

Section 22 of *Local Government Act 1993* (Delegations)

Section 24 of *Local Government Act 1993* (Special Committees)

Section 82 of *Local Government Act 1993* (Estimates)

Audit Act 2008

Local Government (Audit Panels) Order 2014

REFERENCES:

Audit Committees - A Guide to Good Practice ISBN 978-1-876604-03-05 (AICD)

DEFINITIONS:

Estimates (section 82 of *Local Government Act 1993*)

- (2) Estimates are to contain details of the following:
 - (a) the estimated revenue of the council;
 - (b) the estimated expenditure of the council;
 - (c) the estimated borrowings by the council;
 - (d) the estimated capital works of the council;
 - (e) any other detail required by the Minister.
- (4) A council may alter by absolute majority any estimate referred to in subsection (2) during the financial year.
- (5) A council may make adjustments to individual items within any estimate referred to in subsection (2) by a simple majority so long as the total amount of the estimate is not altered.
- (6) A council, by absolute majority, may authorise the general manager to make minor adjustments up to specified amounts to individual items within any estimate referred to in subsection (2) so long as the total amount of the estimate is not altered.
- (7) The general manager is to report any adjustment and an explanation of the adjustment at the first ordinary meeting of the council following the adjustment.

Delegations (Section 22 of *Local Government Act 1993*)

- (3) A council must not delegate any of its powers relating to the following:
- (d) the revision of the budget or financial estimates of the council.

The critical concept is 'estimate', this is a total or high level summary of revenue or expenditure (etc) it is not the individual or detailed item. Thus, the legislation provides considerable scope for the delegation of authority to manage day to day budget changes.

Fit and Proper Person Test

Refers to assessing the capability of a person in terms of their qualifications and experience (Fit) and ethical standards (Proper).

REVIEW:

This policy will be reviewed no more than two years after the date of approval (version) or more frequently, if dictated by operational demands and with Council's approval.