

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 networks 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 established by section 85(1) of the *Local Government Act 1993* (Tas) and is subject to the provisions of the *Local Government (Audit Panels) Order 2014*.

Objectives

The Audit Panel is an advisory committee with responsibilities as detailed in this Charter. 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
- (e) review the accounting, internal control, anti-fraud, anti-corruption and risk management policies, systems and controls that the Council has in relation to safeguarding its long-term financial position.

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* (Tas).

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 Audit Panel's role is to advise and make recommendations to the Council on matters relevant to the Audit Panel's objectives.

The Audit Panel does not have authority to instruct management or authorise expenditure. However, the Audit 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 to support the Council in the oversight of those activities necessary to progress and achieve organisational objectives.

Following are some of the duties of the Audit Panel related to the key objectives:

Financial and management reporting

- (a) Review the Council's 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) Review draft quarterly financial reports; and
- (c) Review any business unit or special financial reports.

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

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 support the final resolution of these matters.

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 Chief Executive Officer) 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 Audit 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
- (b) requirements for independent members
- (c) eligibility for membership.

The membership of the Audit Panel will be:

- (a) two councillors appointed through the process for the Council's committees, and
- (b) at least three external independent members, one of whom will be the Chair.

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 Audit Panel.
- (d) The Chair must be available to attend meetings subject to the usual meeting schedule, as determined by the Audit Panel from time to time.
- (e) Remuneration will be paid to each external member of the Audit 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 Chief Executive Officer with a recommendation for appointment 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 Audit 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

Consistent with the *Local Government (Audit Panels) Order 2014*:

- (a) the Panel shall meet at least quarterly, to coincide with reporting requirements. Clause 11(2) requires a minimum of four meetings per year. Given the responsibilities of the Audit Panel it is expected that there will be six to eight meetings per year
- (b) additional meetings shall be convened at the discretion of the Chair or the written request of:
 - Mayor
 - Chief Executive Officer
 - Audit Panel Member
 - Auditor
- (c) an external member of the Audit Panel shall be appointed as Chair (clause 6). In the absence of the Chair, Audit 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 Chief Executive Officer or his delegate and the internal auditor should attend all meetings, except where the full Audit Panel chooses to meet in camera
- (f) Council employees and Councillors may be invited to attend at the discretion of the Audit Panel
- (g) secretarial and administrative support shall be provided through the Organisational Services Network
- (h) meetings shall be minuted and an agenda prepared and distributed at least four days prior to the meeting. The agenda will be structured around the functional areas of responsibility, being reporting, audit and risk
- (i) the agenda will be available to Councillors, the Chief Executive Officer, General Managers and employees involved in the meeting.

PRINCIPLES:

- The Audit Panel is to be independent and is to act independently of management and the Council.
- The Audit Panel has 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 Audit Panel will discharge its role in a constructive way that improves the operation of the Council in the area of Audit 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
14-HLPrx-012 Committee Representation Details
14-Plx-032 Code of Conduct for Councillors
22-PI-030 Code of Conduct Policy

RELATED LEGISLATION:

Local Government Act 1993 (Tas)
Audit Act 2008 (Tas)
Local Government (Audit Panels) Order 2014

REFERENCES:

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

DEFINITIONS:

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 three years after the date of approval (version) or more frequently, if dictated by operational demands and with Council's approval.