

Burnie City Council



Audit Panel

Terms of Reference

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The Council has approved the establishment of the Audit Panel to, among other things, act as the Audit Panel established pursuant to section 85 of the *Local Government Act 1993*.

An Audit Panel is responsible for the effective application of its responsibilities in accordance with sections 85, 85A and 85B of the *Local Government Act 1993* and the *Local Government (Audit Panels) Order 2014* and the applicable Terms of Reference. The Audit Panel is not a special committee of the Council for the purposes of the Act.

The Terms of Reference set out the Panel's objectives, authority, composition, and tenure, roles and responsibilities, reporting and administrative arrangements. The *Local Government (Audit Panels) Order 2014* sets out the compliance requirements for the operations of an Audit Panel.

1. Objective

1.1. The Panel's objective is to provide assurance and advice to the Council in relation to the assessment, management and review of risk across all Council activities and services in accordance with a contemporary governance and risk management framework.

1.2 The Panel exists to:

- a) Provide an independent mechanism to review Council processes and decision-making;
- b) Provide assurance that Council decisions are effective and reasonable;
- c) Act as an advisory body;
- d) Review and provide recommendations;
- e) Monitor the integrity of Council's activities; and
- f) Review Council's performance.

1.3 In accordance with section 85A of the *Local Government Act 1993*, the Panel is to undertake reviews of performance in relation to:

- a) The Council's financial system, financial governance arrangements and financial management arrangements;
- b) All plans of the Council under Part 7 of the *Local Government Act 1993* (the strategic plan, annual plan, long term financial management plan, financial management strategy and long term strategic asset management plan);
- c) The policies, systems and controls the Council has in place to safeguard its long term future;
- d) Any matters referred to it by the Council; and
- e) Any other matters specified in an order under section 85B of the *Local Government Act 1993* or *Local Government (Audit Panels) Order 2014*.

2. Panel composition

- 2.1. The Council is responsible for the appointment of Panel members.
- 2.2. The Panel shall consist of five (5) members, being two elected members and three independent members.
- 2.3. An independent member of the Panel shall be appointed by the Council as Chairperson of the Panel.
- 2.4. An employee, or contractor who has a longstanding contract with the Council, is not eligible to be a member of the Panel.
- 2.5. A person who is a current General Manager or Mayor of another Council, is not eligible to be an independent member of the Panel.

3. Tenure of appointment

- 3.1. The two elected member positions will become vacant every four (4) years directly following a Council election.
- 3.2. Subsequent appointments shall be for a period of four (4) years to the following election, and may be an elected member who has served on the Panel previously.
- 3.3. If an elected member resigns from the Panel prior to the election the Council will appoint a replacement at the earliest opportunity.
- 3.4. The three independent positions on the Panel shall be appointed for a fixed term period of not less than one year and not more than four years, and may be reappointed.
- 3.5. The Mayor, following resolution by the Council, has the power to end the term of the Chairperson or independent member of the Panel.

4. Authority

- 4.1. The Council authorises the Panel within the scope of its role and responsibilities to:
 - a) Obtain information it needs from any employee or external party (subject to their legal obligations to protect information);
 - b) Discuss any matters with the external auditor or other external parties (subject to confidentiality considerations);
 - c) Request the attendance of any employee or elected member at Panel meetings;
 - d) Obtain external legal or other professional advice considered necessary to meet its obligations.
- 4.2. The Panel has an advisory role only and holds no executive powers.
- 4.3. The Panel is directly responsible and accountable to the Council for the exercise of its responsibilities.
- 4.4. In carrying out its responsibilities, the Panel at all times recognises the primary responsibility for management of the Council resides with the General Manager.

- 4.5. The responsibilities of the Panel may be revised or expanded in consultation with, or as requested by the Council, from time to time.
- 4.6. Any specific recommendations of the Panel will be forwarded to the Council as soon as possible after each meeting.
- 4.7. The Panel's role relates to system issues and process improvements rather than individual complaints.

5. Selection of Independent Members

- 5.1. The independent members, taken collectively, are to possess a broad range of skills and experience and strong business acumen relevant to the operations of the Council.
- 5.2. Calls for independent members to apply for a position on the Panel shall be publicly advertised.
- 5.3. The selection process for independent members will be determined and undertaken by the two elected members appointed by the Council and the Mayor.

6. Meetings of the Panel

- 6.1. The Panel will meet at least four times per year.
- 6.2. The Panel is to develop a program of meetings and provide this to the Council on an annual basis.
- 6.3. The Chairperson is able to call additional meetings and is required to, if asked to do so by the Council or at least two other members of the Audit Panel.
- 6.4. A quorum will consist of an absolute majority of members (3 members), two of which must be independent members.
- 6.5. Elected members of the Council are to be invited to each meeting of the Audit Panel.
- 6.6. The public and non-essential staff will not be invited to attend meetings of the Audit Panel.
- 6.7. The two elected member positions may be represented by a nominated proxy. The nomination is to be made and the Chairman is to be advised in a reasonable timeframe prior to the meeting. The proxy must be an elected member of the Council. It is the responsibility of the elected member to make contact and ensure that their proxy is available to attend the meeting in their absence.
- 6.8. The Panel may regulate its own meeting procedures with the aim of ensuring:
 - a) Free and open discussion is encouraged;
 - b) Independence, and ensuring ethical standards are applied and maintained;
 - c) Conflicts of interest are avoided or disclosed; and
 - d) Members are reliable and professional in the discharge of their duties.

7. Ex-Officio Members

- 7.1. The General Manager, Director Corporate and Commercial Services, and Chief Financial Officer are ex officio members of the Panel and required to be in attendance unless excused by the Chairperson.
- 7.2. Ex officio members are not entitled to vote at Panel meetings.

8. Functions of the Audit Panel

- 8.1 Section 85A(1)(d) specifies the matters that an Audit Panel is to consider in reviewing Council's performance:
 - a) Whether the annual financial statements of the Council accurately represent the state of affairs of the Council;
 - b) Whether and how the Part 7 plans are integrated and the processes by which, and assumptions under which, those plans were prepared;
 - c) 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;
 - d) The Panel is to consider whether the Council is complying with the provisions of the Act and any other relevant legislation; and
 - e) The Panel is to consider whether the Council has taken any action in relation to previous recommendations provided by the Panel to the Council, and if it has so taken action, what that action was and its effectiveness.
- 8.2 In fulfilling its functions, the Audit Panel works across the following key operational areas of the Council:
 - a) corporate governance;
 - b) systems of internal control;
 - c) risk management frameworks;
 - d) human resource and work health and safety management, including policies, procedures and Enterprise Agreements;
 - e) information and communication technology governance;
 - f) management and governance of data, information and knowledge systems; and
 - g) internal and external reporting requirements (both financial and non-financial).
- 8.3 To review the General Manager's corporate credit card expenditure including the relevance and integrity of transactions and the evidence of appropriate and independent authorisation of that expenditure.

9. Annual Work Program Principles

9.1 It is recommended that the Audit Panel develop a three year program of works that takes account of the range of operational risks of the Council, in keeping with their roles and responsibilities, as a means of ensuring attention to the diverse range of risks that exist.

9.2 From this program the Annual Work Plan is determined. In compiling the Annual Work Plan, the Panel should also ensure that the following considerations are made each year:

9.2.1 Risk management

- a) Review and provide any comment on the Strategic Risk Register;
- b) Actively review the Council's risk management processes and their effectiveness in identifying and managing the Council's financial and business risks;
- c) Monitor strategic risks with a residual rating of Extreme or High and the progress of the implementation of respective risk treatments;
- d) Monitor emerging risks that may have an impact on the sustainability of the organisation.

9.2.2 Internal Audit

- a) Review and provide advice on the annual internal governance and compliance work program;
- b) Investigate the merits of Council engaging an internal auditor;
- c) Oversee the coordination of audit programs conducted by the finance department and external audit functions;
- d) Provide advice to Council on actions taken on significant issues identified in audit reports and better practice guidelines; and
- e) If considered necessary to engage internal auditors, recommend to Council the appointment of the internal audit services contract.

9.2.3 External Audit

- a) Provide input and feedback on the performance audit coverage proposed by external auditor and provide feedback on the audit services provided;
- b) Provide feedback on the financial statements and the management representation letter;
- c) Review all external plans and reports in respect of planned or completed audits and monitor management's implementation of audit recommendations; and
- d) Provide advice to Council on action taken on significant issues raised in relevant external audit reports and better practice guides.

9.2.4 Integrated Planning Process

- a) Review Council's performance in relation to how Part 7 Plans are integrated, the assumptions underpinning them and the processes undertaken in preparing these plans:
 - i) Strategic Plan;
 - ii) Long Term Financial Management Plan;
 - iii) Long Term Asset Management Plan;
 - iv) Annual Plan; and
 - v) Annual Report

9.2.5 Financial management

- a) Review and endorse the financial statements and be satisfied that they accurately represent the state of affairs of the Council and are supported by the Management Representation Letter, prior to submission to the Tasmanian Audit Office;
- b) Provide advice to the Council on the adoption of the audited financial statements taking into account Tasmanian Audit Office recommendations and adjustments; and
- c) Review the Tasmanian Audit Office report to Parliament on local government performance.

9.2.6 Long Term Financial Sustainability

- a) Review the Financial Management Strategy and monitor Council's compliance with the Plan and whether it is consistent with, and reflects the Council's Strategic Plan.
- b) Provide advice to the Council in preparation of the annual budget and its alignment with the objectives of the Financial Management Strategy and the explanations of the impacts of changes to both documents.
- c) Review the accounting, internal controls, anti-fraud, anti-corruption and risk management policies, systems and controls that the Council has in relation to safeguarding its long term financial position.

9.2.7 Asset management

- a) Review the Long Term Strategic Asset Management Plan and monitor Council's compliance with the Plan and whether it is consistent with the Council's Strategic Plan.
- b) Ensure the Asset Management Policy is consistent with and guides the development of Long Term Strategic Asset Management Plans.

10. Remuneration

- 10.1. Each independent member of the Panel is to be paid a sitting fee of \$482.93 (excluding GST) per sitting.
- 10.2. The Chairperson will be paid an additional fee of \$2,441.66 (excluding GST) per annum.
- 10.3. Fees will increase in line with CPI (Hobart March Quarter Annual Figure) on 1 July each year.
- 10.4. If there are more than five meetings in a calendar year, sitting fees will be at the discretion of the Council.
- 10.5. The Council will include independent members of the Audit Panel in its professional indemnity insurance coverage for the services they provide to the Council.
- 10.6. The Council will include an allocation in its Annual Plan and Budget Estimates to allow the Panel to conduct investigations as deemed necessary and important.

11. Reporting Requirements

- 11.1. The Panel should develop a three year work program addressing the inherent risks of the Council.
- 11.2. The Panel shall develop an annual work plan, from the three year program, that includes the known objectives for each scheduled meeting and provide this to the Council by 1 July each year for adoption.
- 11.3. The Panel shall within ten days of a meeting provide a copy to the Mayor to allow inclusion in the next ordinary meeting of the Council a copy of the minutes and a report from the Chairperson explaining any specific recommendations and key outcomes.

12. Secretariat and Technical Support

- 12.1. The Council will provide the Panel with the necessary secretariat support to allow the Panel to function effectively.
- 12.2. The Director Corporate and Commercial Services will be available to provide information for the Panel.

13. Confidentiality

- 13.1. Elected members, council staff and members of the Panel must comply with the applicable provisions of Council's Code of Conduct in carrying out the functions as Council officials. It is the personal responsibility of Panel members to comply with the standards in the Code of Conduct and regularly review their personal circumstances with this in mind.
- 13.2. Independent Panel members must complete a Confidentiality Undertaking (Form FO-CCS-CG-035) upon appointment and submitted to the Council Governance Officer. Elected members and council staff are bound by the same agreement which

will have been completed upon their respective appointments. All elected members, staff and members are bound by the terms stated in the Undertaking.

- 13.3. Once distributed, Panel papers including but not limited to Agendas and Minutes and the confidentiality of such documents (including the disposal process) are the personal responsibility of the members.

14. Conflict of Interest

- 14.1. Elected members, council staff and members of the Panel must comply with the applicable provisions of Council's Code of Conduct in carrying out the functions as Council Officials. It is the personal responsibility of Panel members to comply with the standards in the Code of Conduct and regularly review their personal circumstances with this in mind.
- 14.2. Panel members must declare any conflict of interests at the start of each meeting or before discussion of a relevant agenda item or topic. The declaration should be made using Council Form FO-CBS-SG-019 – Declaration of Interest by Special Committee Members and submitted to the Council Governance Officer. Details of any conflicts of interest should be appropriately minuted.
- 14.3. Where members or invitees at Panel meetings are deemed to have a real or perceived conflict of interest, it may be appropriate they be excused from Panel deliberations on the issue where the conflict of interest may arise. The final arbiter of such a decision is the Chair of the Panel.

15. Alteration to Terms of Reference

- 15.1. The Panel is to conduct a review of the terms of reference contained in this document providing Council with a recommendation for any changes, in the first instance after twelve months of operation, with subsequent reviews to be held every four years.
- 15.2. This delegation and rules of procedure may be amended at any time by Council.

16. Definitions

- 16.1. 'Panel' means the Burnie City Council Audit Panel.
- 16.2. 'Council' means the Burnie City Council.
- 16.3. 'General Manager' means the General Manager of the Burnie City Council as appointed from time to time.