

TERMS OF REFERENCE

Risk and Audit Panel (Audit Panel)

The Audit Panel is established under
Section 85 of the Local Government Act 1993.

Approved by Council: 21/12/2015

The Council has approved the establishment of the Risk and 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* (S.R. 2014, No.34), the application *Terms of Reference* and the *Local Government Act 1993* generally.

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* (S.R. 2014, No.34) sets out the compliance requirements for the operations of an Audit Panel.

1. Objective

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.

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, long-term financial management plan, financial management strategies, long-term asset management plans, asset management policies and strategies, annual plan, annual report);
- (c) The policies, systems and controls the Council has in place to safeguard its long-term future; and
- (d) Any other matters specified in an order under Section 85B of the *Local Government Act 1993* (*Local Government (Audit Panels) Order 2014*).

2. Composition and Tenure

2.1 Panel Composition

- (a) The Council is responsible for the appointment of Panel members.
- (b) The Panel is to consist of a membership of five (5), including two (2) Aldermen and two (2) independent members with an independent Chairman.
- (c) Aldermanic members are appointed by the Council.
- (d) An employee of the Council, the General Manager or the Lord Mayor is not entitled to be a member of the Panel.

2.2 Panel Appointment and Tenure

Panel members, taken collectively, will hold a broad range of skills and experience relevant to the operations of the City of Hobart.

2.2.1 *Chairman*

The Chairman shall be an independent person and appointed by the Council for a term of two years with an option for a further two years following agreement between the Chairman and the Council.

2.2.2 *Aldermanic Representation*

The Aldermanic members will be appointed for a period of two (2) years coinciding with the Council's mid-term review of Council Committee membership.

2.2.3 *Independent Members*

- (a) The initial independent members will have staggered terms of office; one independent position for a four-year term, and one for a two-year term following public advertisement. Thereafter appointments will be for four years, unless a shorter period is required to ensure the continuation of staggered appointments.
- (b) Independent members may be re-appointed at the approval of the Council. Independent members can only serve for a maximum period of 8 years.
- (c) The independent members, in aggregate, will possess good business acumen and sound management and communication skills, have the knowledge and expertise in audit practices and financial management, experience with governance processes including risk management, have knowledge of and experience in relevant industries and have an

understanding of the roles of local government as representatives of the community.

2.3 Remuneration

- (a) Independent members of the Panel are entitled to receive remuneration and other allowances fixed for that member, as determined by the Council.
- (b) A review of the remuneration and allowances to be undertaken during the annual review of the risk and audit activities for recommendation to the Council.
- (c) Approved remuneration to be included in the annual budget cycle of the Council.

3. Functions

The Panel will contribute to the good governance of the City.

The following are matters that the Panel will consider in its review of the Council's performance incorporating all requirements of the *Local Government Act 1993 (Local Government (Audit Panels) Order 2014)*:

- (a) The oversight of management of risk associated with the Council and its activities and services, including the identification, assessment, management and review of those risks.
- (b) Whether and how the Part 7 Plans (the strategic plan, long-term financial management plan, financial management strategies, long-term asset management plans, asset management policies and strategies, annual plan, annual report) are integrated and the processes and assumptions undertaken to prepare the plans;
- (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) Whether the annual financial statements of the Council accurately represent the state of affairs of the Council;
- (e) Whether the Council is complying with the provisions of the *Local Government Act 1993* and all other relevant legislation;
- (f) Whether the Council has taken any action in relation to previous recommendations provided by the Panel to the Council and, if it has taken action, what that action was and its effectiveness; and
- (g) Any other activities within the Panel's remit which are requested by the Council or as determined by the Panel.

4. Roles and Responsibilities

The Panel's roles and responsibilities are defined as follows:

- (a) The Panel holds no executive powers, unless delegated to it by the Council.
- (b) The Panel is directly responsible and accountable to the Council for the exercise of its responsibilities.
- (c) In carrying out its responsibilities, the Panel at all times recognises the primary responsibility for management of the City of Hobart resides with the General Manager.
- (d) The Panel is to develop and endorse annually, a meeting work plan of proposed activities in accordance with the responsibilities outlined in these Terms of Reference that will form the basis of an annual self-assessment and report to Council.
- (e) The responsibilities of the Panel may be revised or expanded in consultation with, or as requested by, the Council, from time to time.

The Panel's responsibilities include:

4.1 Risk Management

The roles and responsibilities of the Panel in respect of risk management are to:

- (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" and "High" and the progress of the implementation of respective risk treatment plans.
- (d) Receive reports in relation to changes in risk profile for those risks with a residual risk rating of "Extreme" and "High".
- (e) Receive briefings and reports from the General Manager in relation to new and emerging risks that will/may have an impact on the sustainability and risks of the organisation.

4.2 Special Projects and Investigations

From time to time, special projects and investigations will be undertaken. The roles and responsibilities of the Panel in respect of these are:

- (a) To outline the reasons for and specify the scope, objectives and methodology of such special projects and investigations;

- (b) To receive advice from the General Manager or the internal and external auditors on special projects and investigations being planned or undertaken;
- (c) To receive and review reports on the outcomes and monitor implementation; and
- (d) To provide advice to the Council of any special projects with “Extreme” or “High” risk ratings and/or significant impact on the Council’s financial management.

4.3 Internal Governance Audit

The roles and responsibilities of the Panel in respect of the internal governance audit program are to:

- (a) Oversee the coordination of the Council’s governance audit program.
- (b) Review and approve the three-year strategic internal audit plan for Council consideration.
- (c) Review and approve the annual internal audit work plan, in accordance with the Council approved three-year strategic internal audit plan.
- (d) Receive reports on audit findings with changes to risk profiles in relation to risks, rated “Extreme” or “High”.
- (e) Receive reports from the Internal Auditors and/or the General Manager in relation to those audit findings that have an “Extreme” or “High” risk rating.
- (f) Monitor management’s progress of the implementation of agreed management actions arising from internal audit reports for findings that have an “Extreme” or “High” risk rating.
- (g) Annually review the performance of the contracted internal audit service providers.
- (h) Receive and review the conditions and specifications of tender documentation for the supply of internal audit services.
- (i) Consider the recommendation of preferred tenderer and recommend to the Council the appointment of the preferred tenderer for internal audit services.

4.4 External Audit

The roles and responsibilities of the Panel in respect of external audit are to:

- (a) Oversee the external audit programs.
- (b) Receive and endorse the annual Tasmanian Audit Office Client Strategy.

- (c) Provide input and feedback on the financial statements and the management representation letter.
- (d) Provide feedback to the Council on the external audit services provided.
- (e) Receive and consider reports and monitor management's implementation of external audit recommendations.
- (f) Provide advice to the Council on actions taken on significant issues raised and actions taken.

4.5 Financial Management

The roles and responsibilities of the Panel in respect of financial management are:

- (a) To review and endorse the financial statements and be satisfied that they are supported by the Management Representation Letter prior to submission to the Tasmanian Audit Office;
- (b) To provide advice to the Council on the adoption of the audited financial statements taking into account Tasmanian Audit Office recommendations and adjustments;
- (c) To provide advice to the Council that the audited financial statements are correctly reflected in the Annual Report; and
- (d) To review the Tasmanian Audit Office report to Parliament on local government performance.

4.6 Integrated Planning Processes

The Panel is to review and monitor how the Part 7 Plans are integrated and the processes and assumptions undertaken to prepare the plans.

Consideration of the Council's integrated planning process. How the:

- (a) Strategic Plan;
- (b) Long Term Financial Management Plan;
- (c) Long Term Asset Management Plan;
- (d) Annual Plan; and
- (e) Annual Report

are integrated, the assumptions underpinning and processes undertaken to prepare those plans.

4.6.1 Long Term Financial Sustainability:

- (a) To review annually the Long Term Financial Management Plan and monitor the Council's compliance with the Plan and whether it is consistent with, and reflects the 10 year Strategic Plan; and
- (b) To provide advice to the Council in preparation of the annual budget and proposed rate setting in relation to achieving the objectives of the Long Term Financial Management Plan.

4.6.2 Asset Management:

The roles and responsibilities of the Panel in respect of asset management are to:

- (a) Review annually the Long Term Strategic Asset Management Plan and monitor the Council's compliance with the Plan and whether it is consistent with, and reflects the 10 year Strategic Plan;
- (b) Ensure that the Asset Management Policy is consistent with the strategic plan, guides the development of the long-term strategic asset management plan and supports the achievement of the long-term financial management plan;
- (c) Ensure that the Asset Management Strategy is consistent with the 10 year Strategic Plan; and
- (d) Review and provide advice to the Council in respect to the Council's Long Term Strategic Asset Management Plan in relation to achieving the objectives of the Long Term Financial Management Plan.

5. Communication and Reporting of Activities

Communication and reporting of Panel activities to the Council are:

5.1 Annual Report to Council

The Panel will, at least once a year, report to the Council on its operation and activities during the year. The report(s) is to include:

- (a) An annual summary of the work performed to discharge its responsibilities from the previous year including results from the self-assessment;
- (b) An overall assessment of the Council's risk, control and compliance framework, including details of any significant emerging risks impacting on the City of Hobart;
- (c) Review Council's performance as set out in Section 3 of this Terms of Reference; and
- (d) An outline of the results of the annual self-assessment undertaken by the Panel.

5.2 Quarterly Report to Council

The Chairman is to provide a quarterly report verbally to the Council on key issues arising from the Panel.

5.3 Advice to Council

The Panel, as necessary will provide the following advice to the Council:

- (a) The adequacy of strategic risk management and emerging risks;
- (b) The adequacy of internal audit resources to carry out its responsibilities, including completion of the approved internal audit plan;
- (c) Actions taken on significant issues identified in audit reports and better practice guidelines;
- (d) The financial sustainability of the Council in reference to the Long Term Financial Management Plan and annual budget outcomes;
- (e) Special projects with “Extreme” or “High” risk rating and/or significant impact on the Council’s financial management;
- (f) Progress of implementation of risk treatment plans developed to mitigate residual strategic risks where they are rated residually “Extreme”; and
- (g) Report to the Council on any other matter it deems of sufficient importance.

5.4 Advice to the Director Local Government

The Director of Local Government is to be advised of the appointment of the Panel members.

6. Administrative Arrangements

6.1 Meetings

Meetings of the Panel are held as closed meetings.

6.1.1 Meeting Schedule

- (a) The Panel is to meet at least six times per year.
- (b) Special meetings of the Panel may be required to be held to discuss any matters on the Work Plan or other special projects as required to meet its Work Plan and meet the requirements of these Terms of Reference.
- (c) The Chairman is required to call a meeting if requested by the Council or a Panel member.

6.1.2 Meeting Work Plan

A forward meeting work plan, including meeting dates, objectives and agenda items, will be developed by the Panel each year.

The Work Plan is to cover the Panel's responsibilities, in accordance with its Terms of Reference.

The Work Plan is to be presented to the Council for endorsement.

6.1.3 Procedures for Conduct of Meetings

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;

to enable the Panel to fulfil its statutory roles and responsibilities, its delegations from Council and to ensure that the reputation of the City of Hobart is protected.

6.1.4 Attendance at Meetings and Quorums

- (a) A quorum is constituted by a majority of the total number of members appointed.
- (b) If at least one member who is an independent person is not present at the meeting there is no quorum present.
- (c) The General Manager and the Director Financial Services are to attend, or to ensure that his/her delegates attend each meeting.
- (d) The Panel may invite or allow any employee to attend one or more of its meetings.
- (e) The Panel may invite or allow any Alderman to attend one or more of its meetings.
- (f) If the Panel determines that the meeting is being held in private, clauses (c), (d) and (e) do not apply.
- (g) All attendances at the Panel meetings will be recorded in the City of Hobart Annual Report.

- (h) The roles and responsibilities associated with the Panel does not allow for the co-option of members for casual vacancies at meetings.
- (i) Internal and external audit representatives may be invited to attend meetings.

6.1.5 Minutes

A copy of the minutes of each meeting is to be distributed to the Panel and the Council as soon as reasonably practicable following each meeting.

The distribution of the minutes to include the Auditor-General and the Audit Manager of the contracted internal auditors.

6.1.6 Agenda

A copy of the agenda for each meeting is to be distributed to the Panel and the Council seven (7) days prior to the meeting, where practicable.

The distribution of the agenda to include the Auditor-General and the Audit Manager of the contracted internal auditors.

6.2 Conflicts of Interest

All Panel members are to declare any conflicts of interest in accordance with Part 5 of the *Local Government Act 1993*.

6.3 Financial Arrangements for the Panel

6.3.1 Budget

- (a) The budget for the Panel's activities will be determined on an annual basis as part of the Council's annual budget preparation;
- (b) The Panel will be consulted by management in relation to its budget to ensure that sufficient funds are provided for its normal activities; and
- (c) If necessary, the Panel may request additional funds during a financial year if necessitated by unforeseen special or urgent issues within the Panel's remit.

6.4 Induction

Upon appointment, newly appointed members of the Panel are to receive relevant information and briefings in respect to Panel responsibilities, in particular an overview of the operations of the Council, the Council's policy framework and key plans (Strategic Plan, long-term financial management plan, financial management strategies, long-term

asset management plans, asset management policies and strategies, annual plan, annual report).

6.5 Professional Development

The Panel will ensure that its knowledge and experience are maintained and enhanced to ensure that it can effectively undertake its functions, roles and responsibilities as specified in these Terms of Reference.

6.6 Self Assessment

An annual self-assessment process is to be developed including key performance indicators to measure effectiveness.

7. Review of Terms of Reference

The Terms of Reference of the Panel will be reviewed annually as part of the annual review of the Panel's activities against the requirements of the Terms of Reference, or as requested by the Panel or the Council.

Amendments to the Terms of Reference are to be approved by the Council.