

# **HYDRO-ELECTRIC CORPORATION**

## **Audit Committee – Terms of Reference**

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### **1 OBJECTIVES**

To assist the Board of Directors in carrying out oversight of corporate performance and conformance in relation to Hydro Tasmania's accounting policies, financial reporting practices, internal control and compliance with laws, regulations, standards and Corporation Policies.

### **2 MEMBERSHIP**

The Committee shall comprise a minimum of two non-executive directors appointed by the Board, one of whom shall be appointed Committee Chair.

The Chair of the Corporation shall be an ex officio member of the committee.

As a minimum the Committee will have at least one qualified accountant as a member. It is a requirement that other Committee members have the appropriate technical expertise to ensure their ongoing effectiveness as members.

### **3 DUTIES AND RESPONSIBILITIES**

#### **3.1 Policy Setting**

Review Hydro Tasmania's Assurance (relevant to internal audit and compliance) and Accounting policies and recommend to the Board appropriate changes.

#### **3.2 Risk Management**

##### **3.2.1 Internal Audit -**

Receive and review regular written reports on the overall internal controls and compliance processes and advise other Board Committees of non-compliance issues relating to their respective jurisdictions.

Regularly review the Integrated Business Risk Management (IBRM) process and provide advice to the Business Risk Committee on any internal control matters it considers require attention.

### **3.2.2 External Audit -**

Receive annual reports on the internal control structure over financial reporting.

### **3.3 Monitoring**

Monitor and review financial reporting including material adjustments changes in accounting principles, significant transactions, changes in financial forecasts and financial reports.

Seek assurance from the Compliance Manager on the levels of compliance and effectiveness of processes relating to legal, regulatory and policy compliance matters.

Receive quarterly compliance reports (a compilation of the monthly compliance Board reports which form part of the overall compliance reporting requirements).

Receive reports on the quality, efficacy, understanding and adherence to compliance policy and other compliance initiatives as part of the internal audit quarterly reports.

### **3.4 Relationships**

#### **3.4.1 External Auditor -**

Meet with the Auditor General and external audit provider to discuss the external audit scope and results, and to resolve any matters in dispute with Management.

Meet individually with the external auditor as required to discuss matters such as the competence and integrity of key finance and accounting personnel, the performance of the internal auditor and any concerns held by the external auditor.

#### **3.4.2 Internal Audit -**

Interact with Head of Internal Audit including the oversight of:

- The Assurance Policy relating to Internal Audit and relevant procedures
- Staff make-up and qualifications
- Independence and objectivity
- Internal Audit activities including plans and results
- Special investigations
- Performance and Operational Efficiency Audits
- Summary reporting on internal control
- Relationships with management and the external auditor

Conduct periodic reviews and inquiry to reasonably ensure the independence and objectivity of internal auditing.

### **3.4.3 Compliance -**

Interact with the Compliance Manager primarily through oversight of:

- The Assurance Policy relating to Compliance and relevant procedures
- Quarterly Compliance reporting
- Being immediately informed of material compliance breaches

## **4 RESOURCES**

The Head of Internal Audit will attend all Audit Committee meetings and carry out Secretarial duties for the Committee and shall be responsible for keeping minutes of meetings and drawing up agendas in consultation with the Committee Chair.

The Compliance Manager will attend all Audit Committee meetings and at such times where matters of compliance are being discussed.

The Committee may consult independent experts at the expense of the Corporation where considered necessary to carry out its duties and responsibilities.

The Committee may require, at its discretion, the attendance of the CEO, General Manager Strategy and Finance, General Counsel and such management representatives as necessary. The Corporation Secretary will attend all Board committee meetings.

To ensure the independence of Internal Audit, the Head of Internal Audit shall report to the Audit Committee for all audit activities. Management will provide administrative oversight of Internal Audit. The Head of Internal Audit shall have direct access to the Chair of the Audit Committee as required, and to the CEO and the Board if adjudged essential to the integrity of the internal audit process. The Audit Committee shall be advised directly by Management of any proposal to alter the above arrangements.

## **5 GENERAL**

The Committee will meet at least quarterly, with such additional meetings as required. In addition, the Committee may meet individually with officers of the Corporation as it requires.

A quorum for Committee meetings shall be two members.

The Chair of the Committee will report significant issues arising from Committee meetings at the next meeting of the Board.

The Committee will ensure its Terms of Reference is reviewed at least annually.

The Committee will ensure that its performance is assessed on an annual basis. This may take the form of a self assessment process.

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