

5.3. AUDIT COMMITTEE POLICY

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DEPARTMENT People and Governance

RECOMMENDATION

That Council adopts the attached Audit Committee Policy.

EXECUTIVE SUMMARY

Despite the clear lack of legislative requirement for Douglas Shire Council to have a formal Audit Committee, the Queensland Audit Office (QAO) have indicated to Management that they expect Council to implement an Audit Committee. Accordingly, Management are recommending the adoption of the Audit Committee Policy which is the first step in the establishment of an Audit Committee for Douglas Shire Council.

BACKGROUND

Council has had an Audit Committee in the past however with the implementation of the new local government categories determined by the Local Government Remuneration and Discipline Tribunal 1 July 2016, Douglas Shire Council no longer had a legislative requirement to have an Audit Committee. The *Local Government Regulation 2012 (LGR2012)* states that only large councils, being category 3 or above are required to have an Audit Committee. Douglas Shire Council is a Category 1 Council.

After the change of legislation in 2016 a decision was made to not continue with a formal Audit Committee structure but to bring matters directly to Councillors for their review and comment either in Workshops or formal Ordinary Council Meetings.

Enquiries were periodically made with the Department of Local Government regarding this decision and Officers were advised that this process was appropriate. In addition, previous QAO Audit teams have also advised that they considered this process to be appropriate. It is clear that this is no longer the case.

In addition, the Department of Local Government released a discussion paper in April 2019 regarding Local Government Regulatory Reforms. In this paper it was stated that a requirement for all councils to have an audit committee would be considered (Tranche 3).

COMMENT

The proposed Audit Committee Policy includes a requirement to comply with the *Local Government Regulation 2012*, currently only relevant to large local governments.

Once the Policy is adopted, Councillors will determine the composition of the committee and appoint the members. The committee will then meet and develop an Audit Committee Charter for Council's review and approval.

FINANCIAL/RESOURCE IMPLICATIONS

A budget will be required for the external member/s of the committee unless a reciprocal arrangement can be put in place with a neighboring Council. There will also be an additional impost on management and staff required to prepare reports for and attend the committee meetings.

RISK MANAGEMENT IMPLICATIONS

Not establishing this committee may result in a Deficiency in the QAO end of year External Audit report.

CORPORATE/OPERATIONAL PLAN, POLICY REFERENCE

This report has been prepared in accordance with the following:

Corporate Plan 2014-2019 Initiatives:

Theme 5 – Governance

5.1.2 - Implement a robust enterprise risk management culture to identify and manage potential risks.

5.2.2 - Implement adopted policies and guidelines to ensure consistency in administrative management which also encourages innovation in Council operations.

COUNCIL'S ROLE

Council can play a number of different roles in certain circumstances and it is important to be clear about which role is appropriate for a specific purpose or circumstance. The implementation of actions will be a collective effort and Council's involvement will vary from information only through to full responsibility for delivery.

The following areas outline where Council has a clear responsibility to act:

Regulator Meeting the responsibilities associated with regulating activities through legislation or local law.

CONSULTATION

Internal: Management

External: QAO, Department of Local Government

ATTACHMENTS

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AUDIT COMMITTEE POLICY

Intent To establish a policy for the creation and operation of an Audit Committee and the establishment of an Audit Committee Charter.

Scope Applies to Council, its Audit Committee, its Internal Auditor, and staff subject to or responsible for the various functions of Council's corporate governance activities.

PROVISIONS

1. Council will appoint an Audit Committee which will include members other than Councillors and may from time to time alter the membership of such Committee. The composition of the committee will be in accordance with s210 of the *Local Government Regulation 2012*.
2. The Audit Committee will develop and maintain, with the approval of Council, an Audit Committee Charter setting out how the Audit Committee will operate including how it will fulfil the obligations imposed by the laws, regulations and standards relating to Audit Committees.

This Policy is to remain in force until otherwise determined by Council.

Manager Responsible for Review:

Executive Manager People and Governance

DOCUMENT ADOPTED: 25/06/2019

CURRENT ADOPTION: 25/06/2019

DUE FOR REVISION: October 2022