

## 5.4. AUDIT COMMITTEE MEMBERS

**REPORT AUTHOR** Juanita Holden, Acting Manager Governance

**MANAGER** Mark Stoermer, Chief Executive Officer

**DEPARTMENT** Governance

### RECOMMENDATION

**That pursuant to s210 of the *Local Government Regulation 2012*, Council establish an Audit Committee, furthermore that the committee shall consist of four members as follows: two appropriately qualified external members of which the Chairperson is one, and two Councillors.**

### EXECUTIVE SUMMARY

An Audit Committee acts as an advisory body independent of management and internal and external audit and reports direct to the Council. The purpose of the Audit Committee is to provide assistance to the Mayor and the Council.

### BACKGROUND

The composition of an Audit Committee is an important element to consider in its effectiveness. The size of the committee, the qualifications of its members, the experience of its members and the duration of appointment of members all impact on committee's performance.

The effectiveness of the Audit Committee in fulfilling its role depends largely on the combined diligence, skills and competencies of its members in respect of the core activities of the Council and more specifically, in financial and performance management, internal control, risk management and financial and operational reporting.

Given these desired attributes, it is important that membership of the Committee is selected with care to ensure that the overall benefits to the Council are maximised. It is essential in this regard that Councils select persons with high levels of core business and operational experience, as well as those with significant management accounting or audit expertise. One or more members of the committee should be external and professionally qualified.

Collectively, members of Audit Committee should possess:

- A thorough understanding of the responsibility of the Council
- A sound knowledge of the core operations of the Council and the environment in which it operates, including its strengths, weaknesses, opportunities and threats
- A commitment to the continual improvement of the outputs that the Council delivers and how these contribute to the achievement of the Council's priorities
- Strong business acumen and management skills
- A high level of understanding of 'best practice' internal control, risk management and corporate governance
- A sound knowledge of information systems and emerging technology

- A high level of competency in financial and operational reporting and the ability to analyse complex financial reports, including the Council's financial statements and the notes to and forming part of statements
- An inquiring attitude, objectively and independence
- A strong demonstrated sense of probity and ethical conduct

An Audit Committee's members are committed to the ongoing work of the committee and to progressing the Council's goals and objectives. Audit Committee members need to organise their time and efforts to fully understand the Council's key activities and outputs. As noted above, an inquiring and objective approach and the ability to see the strategic perspective is an essential for committee members.

## PROPOSAL

Audit Committee Membership to consist of 4 members: two appropriately qualified external members of which the Chairperson is one, and two Councillors.

## FINANCIAL/RESOURCE IMPLICATIONS

A budget will be required for the external chairperson of the committee. There will also be additional resources necessary by some 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 2019-2024 Initiatives:

#### **Theme 5 - Robust Governance and Efficient Service Delivery**

**Goal 1** - *We will conduct Council business in an open and transparent manner with strong oversight and open reporting.*

### Operational Plan 2019-2020 Actions:

**5.1.2** - *Establish an Audit Committee.*

## 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:

**Information Provider** Council provides the community with important information on services, events, policies, rules, strategies, and any other relevant data that helps the community to stay informed. In performing this role, Council seeks to be open and transparent.

**Regulator** Council has a number of statutory obligations detailed in numerous regulations and legislative Acts. Council also makes local laws to ensure that the Shire is well governed. In fulfilling its role as regulator, Council will utilise an outcomes based approach that balances the needs of the community with social and natural justice.

## CONSULTATION

**Internal:** Executive Management and Councillors

**External:** Local Government Association of Queensland  
Queensland Audit Office

## ATTACHMENTS

Nil