

7.3. APPOINTMENT OF AUDIT COMMITTEE MEMBER

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| REPORT AUTHOR | Chief Executive Officer |
| DEPARTMENT | Office of the Chief Executive Officer |
| DATE | 31 March 2026 |

RECOMMENDATION

That Council:

- 1. Pursuant to section 210 of the *Local Government Regulations 2012*, appoints a Councillor as a member of the Douglas Shire Council Audit and Risk Committee; and**
- 2. Decide the duration of the appointment of the Councillor to the Audit and Risk Committee.**

EXECUTIVE SUMMARY

The Douglas Shire Council Audit Committee membership consists of two external independent members and two elected members. The term of appointment of Cr Michael Rees expires in April 2026, and as such Council must either reappoint Cr Rees or appoint another elected member to become a member of the Audit Committee from this date.

PREVIOUS COUNCIL CONSIDERATIONS / RESOLUTIONS

At the Ordinary Council Meeting dated 30 April 2024, it was resolved that Council:

1. Appoint Cr Lisa Scomazzon as a member of the Douglas Shire Council Audit Committee for a term of four years; and
2. Appoint Cr Michael Rees as a member of the Douglas Shire Council Audit Committee for a term of two years.

REPORT/BACKGROUND

Section 210(1)b of the Local Government Regulation 2012 (LG Regs) provides that two Councillors must be appointed as members of the audit committee. Douglas Shire Council's committee is called the Audit and Risk Committee (ARC). The non-Councillor members currently appointed to the committee are Martin Fahy (Chairperson) and Drong Vue.

As outlined in Council's Audit Committee Charter (attachment 1), The ARC is comprised of four members – two appropriately qualified external members (of which the Chairperson is one) and two Councillors. The Committee meets at least four times each financial year with authority to convene additional meetings as required to consider financial statements and other matters.

With the current appointment term of Cr Michael Rees expiring on 29 April 2026, Council is required to appoint a Councillor as a member of the ARC.

FINANCIAL AND RESOURCE IMPLICATIONS

There is no additional funding required for the appointment of an elected member to the Audit and Risk Committee.

RISK MANAGEMENT IMPLICATIONS

The Audit and Risk committee ensures accountability and transparency in corporate governance through overseeing financial reporting, risk management, and corporate compliance.

ENVIRONMENTAL IMPLICATIONS

Nil

SOCIAL IMPLICATIONS

Nil

CORPORATE AND OPERATIONAL PLAN

This report has been prepared in accordance with the following:

Corporate Plan 2025-2030 Initiatives:

Theme 3 - Service Delivery

We deliver Council services effectively and efficiently to meet community expectations, focusing on the wellbeing of both the community and our employees.

3.7 - Identify and manage risk.

Operational Plan 2025-2026 Actions:

Legislative requirement.

LEGISLATION AND POLICY

Local Government Act 2009

Local Government Regulation 2012

CONSULTATION

Not applicable

CONCLUSION

The Douglas Shire Council Audit Committee consists of two external independent members and two elected members. The term of appointment of Cr Michael Rees expires in April 2026, and as such Council must either reappoint Cr Rees or appoint another elected member to the Audit Committee from this date.

ATTACHMENTS

1. Audit Committee Charter revised Sept 2024 1 [7.3.1 - 7 pages]



AUDIT AND RISK COMMITTEE TERMS OF REFERENCE

Background

Council has adopted the Audit and Risk Committee Policy to establish an Audit and Risk Committee in accordance with s105(2) of the *Local Government Act 2009* (the Act) and Subdivision 2, sections 208 - 211 of the *Local Government Regulation 2012* (the Regulation).

Purpose

The Audit and Risk Committee provides an independent forum where representatives of Council, external independent members and management work together to fulfill specific governance responsibilities as set out in this Terms of Reference.

The Audit and Risk Committee Terms of Reference (TOR) set out the objectives, authority, responsibilities, membership, voting, appointment, remuneration for external independent members, reporting and administrative arrangements for the Audit and Risk Committee of the Douglas Shire Council (Council).

Independence and access

As an advisory committee of Council, the Committee is independent of management and does not have any executive powers, delegated responsibility or authority to implement actions over which management has responsibility. The Committee needs to liaise closely with management and internal and external auditors to carry out its responsibilities.

The Committee will be provided with adequate resources in order to fulfil its oversight responsibilities.

While the primary responsibility for financial and other reporting, internal control and compliance with laws, regulations and ethics within council rest with management, the Committee exercises a monitoring, oversight, review and advisory role.

Requests for Council officers and independent experts to attend a Committee meeting or provide information will be undertaken through the Chief Executive Officer.

Membership and voting

The Audit and Risk Committee will be comprised of four members who shall be determined by Council as follows:

- two of the members will be Councillors.
- the other two members will be independent and external to Council.

The Committee chairperson (the Chair) must be independent of Council and possess sound communication and strong leadership skills.

The Committee members, taken collectively, should have a broad range of skills and experience relevant to the Committee's responsibilities. At least one member will have significant accounting or related financial management experience with an understanding of accounting and auditing standards in a public sector environment.

The four members of the Committee are each eligible to vote. In the event of a tied vote, the Chair may exercise a casting vote.

The external auditor, internal auditor and other advisors are non-voting observers.

The Chief Executive Officer, Manager Governance, Chief Financial Officer and Team Leader Workplace Health and Safety are permanent invitees and non-voting observers. Other management and staff are invited to attend meetings as required.

Appointment of Committee members

Councillor members will generally be appointed to the Committee by resolution for the full council term unless otherwise determined by Council. Independent external members will be recruited via a publicly advertised merit-based selection process.

The term of appointment for independent external members will generally be up to three years and may be extended for a further term subject to the composition and skill requirements of the committee. The maximum term is six years.

The Chair and independent external members will be appointed by resolution of Council.

Appointments of independent external members to the Committee will be staggered to ensure appropriate continuity and succession planning.

Independent external members may be recommended for re-appointment by the Chief Executive Officer for subsequent terms following a review of their performance by the Chief Executive Officer and discussion with the Chair of the Committee.

External members are expected to maintain the necessary professional expertise to fulfil their role on the Committee.

Remuneration

Remuneration of external independent members of the Committee is set by Council in the members Terms of Appointment and will be set at levels commensurate with the skills and experience, time commitment and responsibilities assumed and required to fulfil the role.

Sitting fees will be paid exclusive of GST for each meeting. Out of pocket transport costs will be reimbursed as a cents-per-kilometre as set by the Australian Taxation Office.

Duties and responsibilities

In the discharge of their duties and responsibilities, members of the Committee will exercise honesty, objectivity, and probity and not engage knowingly in acts or activities which have the potential to bring discredit to Council or be considered a conflict of interest.

Members also must refrain from undertaking any activity which may prejudice their ability to carry out their duties and responsibilities objectively and must act in a proper and prudent manner in the use of information acquired in the course of their duties.

Members must not use information obtained through their position on the Committee for any personal gain for themselves or their immediate family or in any manner which would be contrary to law or detrimental to the welfare and goodwill of Council.

Members must not publicly comment on matters relative to activities of the Committee, other than as authorised by Council in advance.

The Committee's responsibilities do not extend to managing the day-to-day activities of any functional area of Council. This is the responsibility of the Chief Executive Officer.

Members of the committee are expected to:

- understand the relevant legislative and regulatory requirements appropriate to Douglas Shire Council
- contribute the time needed to understand the papers provided
- apply good analytical skills, objectivity and good judgement, and
- express opinions frankly, ask questions that go to the fundamental core of issues and pursue independent lines of enquiry.

In addition to the responsibilities applicable to all members, the Committee Chair has the following responsibilities:

- presiding over Committee meetings, in accordance with the published agenda. The Chair may amend recommendations if required and determine when to initiate a vote on each item
- collaborating with the Chief Executive Officer to make a recommendation to Council on changes to independent external members
- meeting with the Chief Executive Officer at least annually to present a report summarising the Committee's activities and ensuring effective two-way communication between Council and the Committee
- serving as a point of contact outside of meetings for other members to discuss or raise issues, and
- attending other meetings with Council staff or the Queensland Audit Office to ensure the ongoing efficient and effective operation of the Committee.

The specific responsibilities of the Committee are as follows:

Financial statements and reporting

- Receive regular reports from management on the financial performance of the organisation.
- Monitor and assess progress against agreed financial statement preparation and auditing milestones.
- Review Council's draft annual financial statements (including draft financial sustainability statements) prior to their provision to the external auditors.
- Review with management and the external auditors any significant adjustments or changes between draft and final financial statements.
- Review Council's final financial statements (including final financial sustainability statements) and provide advice to the CEO on whether appropriate action has been taken in response to audit recommendations and adjustments.

- Recommend the signing of the draft financial statements by the Mayor and CEO.
- Review with management and external auditors all matters required to be communicated to the Committee under generally accepted auditing standards.
- Satisfy itself about the adequacy of the key internal controls supporting the timeliness and integrity of Council's financial statement preparation process.
- Consider the processes in place designed to ensure that financial information included in Council's annual report is consistent with the signed financial statements.
- Review the draft annual report before release and consider the consistency of financial information being reported.

Risk management

- Review whether management has in place a current and comprehensive risk management framework and associated procedures for effective identification and management of business and financial risks, including fraud and corruption
- Review whether a sound and effective approach has been followed in developing strategic risk management plans for major projects or undertakings
- Review the impact of the risk management framework on its control environment and insurance arrangements
- Review whether a sound and effective approach has been followed in establishing business continuity planning arrangements including whether plans have been tested periodically
- Assess and contribute to the audit planning processes relating to the risks and threats to Council, and
- Consider significant issues raised in risk management reports and better practice guides and ensure appropriate action is taken.

Control Framework

- Review whether management has an adequate internal control structure and systems that are operating efficiently, effectively and economically, including financial internal controls and information technology security and control
- Review whether management has adequate internal controls in place including over external parties such as contractors and advisors
- Review whether management has in place relevant policies and procedures and these are periodically reviewed and updated
- Progressively review whether appropriate processes are in place to assess whether policies and procedures are complied with
- Review whether appropriate policies and procedures are in place for the management and exercise of delegations, and
- Review whether management has taken steps to embed a culture committed to ethical and lawful behaviour.

External audit activities

- Provide input and feedback on the financial statement and performance audit coverage proposed by external audit and provide feedback on the external audit services provided
- Review all external plans and reports in respect of planned or completed external audits and monitor the implementation of audit recommendations by management, and

- Consider significant issues raised in relevant audit reports and better practice guides and ensure appropriate action is taken.

Internal audit activities

- Consider the adequacy of internal audit resources to carry out its responsibilities, including the approved Internal Audit Plan.
- Review and approve the internal audit plan, its scope and progress and any significant changes to it, including any difficulties or restrictions on scope of activities, or significant disagreements with management
- Review all audit reports and consider significant issues identified in audit reports and action taken on issues raised, including identification and dissemination of better practices
- Monitor the implementation of internal audit recommendations accepted by management.

Legal, legislative and policy compliance

- Consider whether management has in place an overall compliance and accountability framework together with relevant policies and procedures which reflect legislative, regulatory and policy requirements, and that these are periodically reviewed and updated
- Monitor the effectiveness of the system and structure for ensuring compliance with laws and regulations, with particular focus on the *Local Government Act 2009* and other legislative requirements relevant to the Committee's areas of focus
- Consider the effectiveness of the system for monitoring Council's compliance with relevant laws, regulations and government policies
- Review the findings of any examinations by external regulatory agencies, and any auditor observations.

Meetings

The Committee will meet at least four times each financial year with authority to convene additional meetings as required to consider financial statement and other matters.

Meetings are closed to the public due to the sensitive nature of items that are considered by the Committee. Information disclosed to members of the Committee is confidential to the Committee.

A quorum shall consist of two members, one of whom must be an independent external member.

The external auditors shall be given notice of all meetings and sent an agenda. The external auditors shall have the right to attend and speak.

The Governance Unit will provide secretariat functions to the meetings.

The Committee Chair has the right to meet with internal and/or external auditors without management being involved.

The Committee's confirmed minutes shall be presented at the next available Ordinary Council Meeting.

Meeting agendas

The Chief Executive Officer will make administrative arrangements to ensure that an agenda, supported by necessary explanatory documentation, is circulated to all Committee members, any other Council officers

required or requested to attend, and the external auditors at least five business days before the day of the meeting, if practicable.

Standing agendas items will include:

- Previous meeting minutes
- Finance reports
- External audit
- Workplace health and safety report
- Strategic risk management

Meeting minutes

The minutes of the Committee meetings will be provided to Council outlining relevant matters which have been considered by it as well as the Committee's opinions and recommendations and upon adoption by Council, extracts distributed to relevant officers for information and action.

Attendance by audio link or audio-visual link

The Chair may allow members or auditors to take part in a meeting by audio link or audio-visual link. Requests to attend by audio link or audio-visual link must be submitted to the Chair at least three days prior to the Committee meeting and will generally be allowed by the Chair.

Where the Chair has approved the audio link or audio-visual link arrangement, the attendee must be able to hear and be heard by each other person at the same time throughout the meeting.

In considering a request for attendance at a committee meeting by audio link or audio-visual link, confidentiality and privacy matters need to be considered as this may pose a risk to Council due to the nature of discussions. Attendance by audio link or audio-visual link will be recorded in the minutes of the meeting.

Conflicts of interest

Members are required to declare any interests that could constitute a real, potential or apparent conflict of interest with respect to participation on the committee. The declaration must be made on appointment to the committee and in relation to specific agenda items at the outset of each committee meeting and be updated as necessary.

Induction

New members of the Committee will be provided with induction material to allow the members to familiarise themselves with the environment and to facilitate their understanding of the Committee's principal operations and activities, corporate practices and culture.

Self-evaluation

The Chair of the Committee, in consultation with the Chief Executive Officer, will initiate a review of the performance and achievements of the Committee on a biennial (2 yearly) basis to ensure that it is meeting its objectives efficiently and effectively.

Where this evaluation highlights a need for enhancements to the role, operational processes or membership of the Committee, the chair should take action to ensure such enhancements are implemented.

Review of Terms of Reference

Every two years, (or as necessary) due to Council, legislative and regulatory changes, the Committee will review and confirm the appropriateness of the Audit and Risk Committee Terms of Reference.

The reviewed Terms of Reference, with recommendations by the Committee, will be submitted to the next ordinary council meeting for consideration and adoption by Council.

Related Documents

- Audit and Risk Committee Policy - Doc # 906816

Related Legislation

- *Local Government Act 2009*
- *Local Government Regulations 2012*

Details

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| Name | Audit and Risk Committee Terms of Reference |
| Version | 3 |
| Document Number | 1157791 |
| Endorsed by | Chief Executive Officer |
| Approval Authority | Council |
| Date Adopted | xxxx |
| Time Period | Two years |
| Review Date | xxxx |
| Department | Governance |
| Link to Corporate Plan | Robust Governance and Efficient Service Delivery |
| Revoked/Superseded | Nil |

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