

Program: Ethical Standards, Audit and Risk
Date of Adoption: 25 October 2023
Resolution Number: ORD-2023-270
Review Date: 25 October 2026

Scope

The scope of the Audit Committee's oversight and advisory responsibilities is outlined in the Audit Committee Charter.

Objective

This policy and the attached Audit Committee Charter, outline the role, responsibilities, composition and operating guidelines of Mackay Regional Council's Audit Committee.

Policy Statement

The Audit Committee is established in accordance with Section 105 of the *Local Government Act 2009* which requires that local governments must establish an audit committee.

Council considers that to the extent this policy engages and limits, or potentially limits, any human rights, that limitation is reasonable in that it is proportionate and justified.

This process to remain in force until otherwise determined
by Mackay Regional Council

Contents

1.0	Principles	3
2.0	Definitions	3
3.0	Review of Policy	3
4.0	Reference	4
5.0	Attachments	4
A:	Audit Committee Charter	4

1.0 Principles

The Audit Committee is to operate in accordance with the requirements of the *Local Government Act 2009*, *Local Government Regulation 2012*, and the Audit Committee Charter (Attachment A).

The Audit Committee has authority to review and make recommendations to Council and the Chief Executive Officer of MRC on any matters within the scope of its responsibilities, as outlined in the Audit Committee Charter.

The primary objective of the Audit Committee is providing oversight and advice to Council and the Chief Executive Officer (CEO) on matters relating to:

- Internal audit
- External audit
- Financial statements & reporting
- Risk management
- Internal control
- Legislative and policy compliance

2.0 Definitions

To assist in interpretation the following definitions shall apply:

Audit Committee - an advisory committee of Council consisting of the Mayor, a Councillor and independent external members charged with providing oversight and advice to Council and the Chief Executive Officer in relation to the operations of Mackay Regional Council and its controlled entities.

Audit Committee Charter - a document which outlines the role, responsibilities, operational requirements and reporting obligations of the Audit Committee.

MRC shall mean Mackay Regional Council

Council shall mean the Mayor and Councillors of Mackay Regional Council.

Independent external member - a professional, experienced individual appointed to the Audit Committee by Council, who is independent of the Council.

SLT shall mean Senior Leadership Team

3.0 Review of Policy

This policy will be reviewed when any of the following occur:

- The related documents are amended or replaced.
- Other circumstances as determined from time to time by a resolution of Council.

Notwithstanding the above, this policy is to be reviewed at intervals of no more than three (3) years.

4.0 Reference

- *Local Government Act 2009*
- *Local Government Regulation 2012*
- *Audit Committee Guidelines - Queensland Treasury - July 2020*
- *Enterprise Risk Management Policy*
- *Internal Audit Policy & Charter*
- *The Institute of Internal Auditors Australia - International Standards for the Professional Practice of Internal Auditing (Standards)*

5.0 Attachments

A: Audit Committee Charter

Version Control:

Version	Reason / Trigger	Change	Endorsed / Reviewed	Date
1	Review of Policy		Council	26.10.16
2	Review of Policy	Amendments to Policy	Audit Committee	11.04.19
3	Review of Policy	Amendments to Policy	Adopted by Council	08.05.19
4	Review of Policy	Amendments to Policy	Audit Committee	27.08.20
5	Review of Policy	Amendments to Policy	Adopted by Council	23.09.20
6	Review of Policy	Updates	Adopted by Council	25.10.23



Audit Committee Charter

Table of Contents

1. INTRODUCTION	7
2. OBJECTIVE.....	7
3. SCOPE	7
4. AUTHORITY	7
5. RESPONSIBILITIES	8
Internal Audit	8
External Audit	8
Financial statements and reporting	9
Risk Management	9
Internal Control.....	9
Legislative and Policy Compliance	10
6. INDEPENDENCE AND ACCESS	10
7. MEMBERSHIP	10
8. APPOINTMENTS AND TENURE	11
9. MEETINGS AND AGENDA	12
10. REPORTING.....	12
11. ETHICAL PRACTICES	12
12. TRAINING.....	13
13. SELF EVALUATION.....	13
14. REVIEW OF CHARTER.....	13
15. APPROVAL OF THE CHARTER.....	13

1. INTRODUCTION

The Audit Committee is an advisory committee of Council, established and governed in accordance with the *Local Government Act 2009* (the Act) and the *Local Government Regulation 2012* (the Regulation), which require each large local government to establish an Audit Committee.

This Charter defines the role, responsibilities, composition and operating guidelines of the Audit Committee of Mackay Regional Council.

2. OBJECTIVE

The primary objective of the Audit Committee is providing oversight and advice to Council and the Chief Executive Officer (CEO) on matters relating to:

- Internal audit
- External audit
- Financial statements and reporting
- Risk management
- Internal control
- Legislative and policy compliance

3. SCOPE

The scope of Audit Committee's responsibilities includes the operations and activities of the MRC and its controlled entities.

The Audit Committee has no line-management or delegated or financial authority and does not replace the responsibilities of executive management but acts as a source of independent advice to the Council and the CEO on matters that fall within the committee's area of responsibility.

4. AUTHORITY

The Audit Committee is an advisory committee directly responsible to Council and has the authority to review and make recommendations on matters within its scope of responsibility and in accordance with the Act and Regulation.

In doing so the committee has the authority to:

- Though the CEO, seek any information it requires from Council employees for such purposes.
- Conduct or authorise investigations into matters within its scope of responsibility.
- Through the Secretary, request the attendance of any employee to committee meetings Conduct meetings with internal and external auditors, as necessary.

- Seek advice from external parties, as necessary.

The committee does not replace or replicate established management responsibilities and delegations, the responsibilities of other executive management groups within MRC, or the reporting lines and responsibilities of either internal audit or external audit functions.

5. RESPONSIBILITIES

The responsibilities of the Audit Committee are to review and provide advice to Council and the CEO in the following areas.

Internal Audit

- Review the resourcing, staffing and skills of the internal audit function.
- Monitor performance and effectiveness of internal audit services where they are outsourced
- Review 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 the internal audit plan to ensure it covers key risks and that there is appropriate co-ordination with the external auditor.
- Review the findings and recommendations of internal audits and the response to them by management.
- Review the effectiveness of actions taken to address internal audit recommendations by management.
- Ensure that there is no material overlap between the internal and external audit functions.
- Periodically review the internal audit charter to ensure appropriate organisational structures, authority, access and reporting arrangements are in place.
- Ensure that Internal Audit is conducted in accordance with the IIA professional standards, including that an independent review is undertaken every five years.

External Audit

- Review the findings and recommendations of external audit (including from performance audits) and the response to them by management.
- Review responses provided by management to ensure they are aligned with the MRC's risk management framework.
- Review the implementation of external audit recommendations accepted by management, and where issues remain unresolved ensure that satisfactory progression is being made to mitigate the risk associated with audit's findings.
- Review Queensland Audit Office (QAO) Audit Client Management Strategy (annual external audit plan) and the external audit fee.

- Review and have input into management feedback provided to the QAO each year.

Financial statements and reporting

- Review MRC's final draft financial statements for the purpose of recommending to the Mayor and the CEO that the statements are true and correct, prior to signing and submission to the Auditor-General under Section 212 of the Regulation.
- Review the Auditor-General's audit report and observations about MRC's financial statements.
- In particular the review should focus on, but not be limited to:
 - consideration of appropriateness of accounting and financial management policies and principles
 - significant changes in accounting policies and practices
 - major judgmental areas
 - significant audit adjustments
 - proposed departures from accounting standards, and
 - significant variances and major balances

Risk Management

- Review the Enterprise Risk Management Framework for identifying, monitoring and managing significant risks, including fraud.
- Satisfy itself that insurance arrangements are appropriate for MRC.
- Liaise with management to ensure there is a common understanding of the key risks to the MRC. These risks will be clearly documented in a risk register which will be regularly reviewed to ensure it remains up-to-date.
- Assess and contribute to the audit planning processes relating to the risks and threats to the MRC.
- Review effectiveness of MRC's processes for identifying and escalating risks, particularly strategic risks.

Internal Control

- Review, through the internal and external audit functions, the adequacy of the internal control structure and systems, including information technology security and control.
- Review, through the internal and external audit functions, whether relevant policies and procedures are in place and up-to-date, including those for the management and exercise of delegations, and whether they are complied with.
- Review, through the CEO, whether the financial internal controls are operating efficiently, effectively and economically

Legislative and Policy Compliance

- Determine whether SLT has considered legal and compliance risks as part of the MRC's risk assessment and management arrangements.
- Review the effectiveness of the system for monitoring the MRC's compliance with relevant laws, regulations and policies.
- Review the findings of any examinations by regulatory agencies, and any auditor observations.

6. INDEPENDENCE AND ACCESS

The committee needs to liaise closely with management and internal and external auditors to carry out its responsibilities. Whilst the primary responsibility for audit, financial reporting, enterprise risk management, internal control, and compliance rests with management, the Audit Committee exercises a monitoring, oversight and review role.

The committee will have access to all information, documents and personnel, and have adequate resources, in order to fulfil its oversight responsibilities.

The committee is free to meet with internal and external audit without management present at any time.

Internal Audit and external audit can access the committee without management present at any time.

7. MEMBERSHIP

The Audit Committee will comprise of four members, one of whom shall be the Mayor and one a councillor appointed by the Council and two of whom shall be independent external members.

The members, taken collectively, will 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 local government environment as required by s210 of the Regulation.

The Council will appoint one of the external members as the Chairperson of the committee. If the Chairperson is absent, the second independent external member shall be appointed as Chairperson for that meeting.

If there is a split vote by members on a resolution, the Chairperson at the meeting may exercise a casting vote on the resolution.

The CEO must be a standing invitee to all meetings of the committee in a non-voting capacity.

The Council may appoint up to two additional councillors to the Committee in a non-voting capacity. An additional councillor so appointed can be appointed by Council as an alternate member of the Committee in the event a councillor member is absent.

Other MRC officers should attend in a non-voting capacity as required by the Audit Committee or as approved by the CEO.

The Audit Committee may invite representatives of the Queensland Audit Office (or its nominated contract audit firm) or other parties to participate in all or part of committee meetings in a non-voting capacity.

The Chairperson will have the authority to approve requests for participation and the presentation of reports etc. Such requests or invitations for participation shall be facilitated through the Committee's Secretariat.

Secretary

- A secretary/secretariat function will be provided through Council's Ethical Standards, Audit and Risk Program to facilitate the committee's meetings and reporting duties.
- The secretary, in consultation with the Chair, will prepare and send notices of meetings and agendas and accurately transcribe all decisions of the committee.
- The secretary will table all correspondence, reports and other information relevant to the committee's activities and operations.
- The secretary will prepare and update the Audit Committee Induction manual when required.

Internal Audit

The committee will act as a forum for internal audit and oversee its planning, monitoring and reporting processes. This process will form part of the governance processes that ensure that MRC internal audit function operates effectively, efficiently and economically.

- The Senior Internal Auditor will have a standing invitation to attend committee meetings.
- The Chair and an independent member will hold executive sessions with the internal audit function at least twice per year, if required.
- The Audit Committee Chairperson is the Charter owner and the Senior Internal Auditor is responsible for authoring and reviewing this Charter.
- The Senior Internal Auditor will coordinate the committee's annual meeting plan and self-assessment requirements, in consultation with the Chair.

8. APPOINTMENTS AND TENURE

Councillors will be appointed to the Audit Committee for the full Council term unless otherwise determined by Council.

Council can appoint a stand-in or replacement councillor member to the Audit Committee at any time.

Independent external members will be recruited through a publicly advertised merit based selection process, and will be appointed for a period determined by Council.

The term of appointment is for two years and can be extended for a further term subject to composition and skill requirements of the committee. The maximum term is six years.

Appointments of external members to the committee should be staggered where possible to ensure appropriate continuity and succession planning.

The term of appointment of external members can be extended by the Council subject to the composition and skill requirements of the committee.

Remuneration of external members of the committee is set by the CEO in recognition of the skills and experience, time commitment and responsibilities required to fulfil the role.

The Chairperson will receive additional remuneration as determined by the CEO in recognition of the additional time and responsibilities associated with this role.

10. MEETINGS AND AGENDA

In accordance with Section 211 of the Regulation, the Audit Committee shall meet at least twice each financial year. The schedule of meetings will be agreed in advance.

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

The committee will determine its own agenda, ensuring appropriate consultation to include emerging issues and emphasis on the most significant risks and threats.

The agenda and relevant papers will be distributed to members at least five business days prior to the meetings.

11. REPORTING

Pursuant to Section 211 the Regulation, through the CEO, the committee must present a report about the matters reviewed at the meeting and the committee's recommendations about the matters mentioned at the meeting of the local government.

12. ETHICAL PRACTICES

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.

13. EDUCATION AND INDUCTION OF MEMBERS

New members of the Audit Committee will be provided with induction material on their appointment to assist them to meet their committee responsibilities and to further familiarise themselves with the environment and to facilitate their understanding of the principal operations and activities, corporate practices and culture of MRC.

Presentations to the Audit Committee will be provided on key issues in Council such as transformation programs, strategic planning, legislative directions, procurement compliance and performance, governance success, information communications and related technology status, growth and development of the city, financial sustainability, infrastructure adequacy, asset management etc.

14. SELF EVALUATION

At least once every two years, the Audit Committee will assess its performance and achievements for the previous period and 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 Chairperson, through the CEO, should take action to ensure such enhancements are implemented.

14. REVIEW OF CHARTER

The Charter is to be reviewed in conjunction with the review of the Audit Committee Policy but may be reviewed at an earlier time as determined by the Committee.

15. APPROVAL OF THE CHARTER

The Audit Committee Charter along with any future amendments to it are to be endorsed by the Audit Committee and approved by the Council.

Version Control:

Version	Reason / Trigger	Change	Endorsed / Reviewed	Date
2	Review		Audit Advisory Committee	28.09.11
3	Scheduled Review	Various	Audit Advisory Committee 2.5.14	04.06.14
4	Scheduled Review	Various	Council Meeting	26.10.16
5	Scheduled Review	Various	Council Meeting	08.05.19
6	Scheduled Review	Various	Audit Committee 27 August 2020	27.08.20
7	Scheduled Review	Various	Council Meeting	23.09.20
8	Scheduled Review	Updates	Adopted by Council	25.10.23