

19.6 APPOINTMENT OF EXTERNAL MEMBERS OF THE AUDIT COMMITTEE

Objective Reference:

Authorising Officer: John Oberhardt, General Manager Organisational Services

Responsible Officer: Tony Beynon, Group Manager Corporate Governance

Report Author: Kailesh Naidu, Principal Adviser Internal Audit

Attachments: Nil

The Council is satisfied that, pursuant to Section 254J(3) of the *Local Government Regulation 2012*, the information to be received, discussed or considered in relation to this agenda item is:

- (g) *negotiations relating to a commercial matter involving the local government for which a public discussion would be likely to prejudice the interests of the local government.*

PURPOSE

To appoint Ms Mary Goodwin and Mr Mitchell Petrie as external members of the Audit Committee, and appoint Mr Mitchell Petrie as the Chairperson of the Audit Committee in accordance with section 210 (3) of the *Local Government Regulation 2012*.

BACKGROUND

The Audit Committee plays a key role in assisting Council to fulfil its oversight responsibilities in areas such as financial reporting, internal controls, risk management, and the internal and external audit functions. The Redland City Council *Audit Committee Charter* requires that the Audit Committee comprises two Councillors and two independent external appointees.

Council resolved at the General Meeting 22 July 2020 to recruit two external members, including the Chairperson of the Audit Committee. Based on an extensive recruitment process consistent with Council's recruitment and selection guidelines, Ms Mary Goodwin and Mr Mitchell Petrie have been recommended as external members of the Audit Committee from 1 December 2020 until 30 November 2024.

Section 210 (3) of the *Local Government Regulation 2012* stipulates that Council must appoint one of the members of the Audit Committee as Chairperson. Through the selection process, Mr Mitchell Petrie is being recommended as the independent Chairperson of the Audit Committee.

ISSUES

An effective Audit Committee in local government is a critical part of delivering trust and confidence in governance, reporting and risk management. Ensuring the right composition of the Audit Committee is vital and diversity of experience, perspectives and expertise, as well as industry knowledge are also extremely important, particularly given the widening mandates of Council's Audit Committee beyond financial reporting oversight. External members bridge the knowledge gaps which may exist within the Audit Committee.

An independent Chair of the Audit Committee enhances the effectiveness of the Audit Committee and has been recommended by the Institute of Internal Auditors as best practise. Queensland Audit Office's *Report 13: 2019-20 Local government entities: 2018-19 results of financial audits* states that to strengthen the governance framework, all councils should have an Audit Committee with an independent Chair.

Ms Mary Goodwin and Mr Mitchell Petrie bring with them vast experience in governance, audit, risk, strategic procurement, commerce and law, as well as experience on public and private audit committees and advisory boards. Mr Mitchell Petrie has previously worked as a partner at KPMG, with significant experience and skillset in statutory financial reporting. He has also chaired a number of boards and committees and therefore is the preferred candidate for the position of Audit Committee Chair.

STRATEGIC IMPLICATIONS

Legislative Requirements

Requirements of the *Local Government Act 2009* and *Local Government Regulation 2012* have been considered during the preparation of this report. Section 210 of the *Local Government Regulation 2012*, requires that the Audit Committee of a local government must consist of three to six members, which includes one but no more than two Councillors and at least one member has significant experience and skillset in financial matters. The local government must appoint one of the Audit Committee members as the Chairperson.

Risk Management

Having experienced external members on the Audit Committee reduces the risk and enhances the ability of Councillors to fulfil their legal responsibility to exercise due care, diligence and skill in relation to compliance with applicable laws, legislation and policies.

Financial

The remuneration for the external Audit Committee members has been budgeted for in FY 2020-2021 and will continue to be budgeted in future years. The external member will be paid \$1,875 (plus GST) per meeting and the Chairperson will be paid \$2,125 (plus GST) per meeting. There are a maximum of four meetings held each financial year.

People

There are no implications on staff from this report.

Environmental

There are no environmental implications from this report.

Social

There are no social implications from this report.

Human Rights

There are no human rights implications from this report.

Alignment with Council's Policy and Plans

Internal Audit Policy (GOV-010-P)

Audit Committee Policy (GOV-011-P)

Corporate Plan 2018-2023 *Outcome 8 Inclusive and ethical governance*

CONSULTATION

Consulted	Consultation Date	Comments/Actions
Group Manager Corporate Governance and Councillor, Division 8	23 September 2020	The recruitment panel for the interviews comprised the Group Manager Corporate Governance and Councillor, Division 8, who is a member of the Audit Committee.
Chief Executive Officer	9 October 2020	Notification of the outcome of the recruitment process.

OPTIONS**Option One**

That Council resolves as follows:

1. To appoint two external members and a Chairperson to the Audit Committee in accordance with section 210(3) of the *Local Government Regulation 2012*.
2. That this report remains confidential until the Committee members and Chairperson have been notified of the outcome.

Option Two

That Council resolves to note this report and requests additional information.

OFFICER'S RECOMMENDATION

That Council resolves as follows:

1. To appoint two external members and a Chairperson to the Audit Committee in accordance with section 210(3) of the *Local Government Regulation 2012*.
2. That this report remains confidential until the Committee members and Chairperson have been notified of the outcome.