



LATE AGENDA ITEM

ORDINARY COUNCIL MEETING

14 NOVEMBER 2023

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12.0 URGENT BUSINESS (LATE REPORTS)

12.1 Reports of Audit and Risk Committee 7 November 2023

12.1.1. Audit and Risk Committee - Appointment of External Members

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Disclosure of Any Interest	Nil
Attachments	<ol style="list-style-type: none">1. Applicant 1 - Audit and Risk Committee - External Member Nomination (confidential)2. Applicant 2 - Audit and Risk Committee - External Member Nomination (confidential)

SUMMARY

This report assesses the applications received for the external member vacancies and makes a recommendation to Council to appoint the preferred applicants the Audit and Risk Committee (the Committee).

BACKGROUND

At the Ordinary Council Meeting held 11 July 2023 (C17.07.23) , Council resolved as follows:

That Council:

1. *Adopts the reviewed Terms of Reference for the Audit and Risk Committee (Attachment 1), subject to the following amendment:
Add the words “without the approval of the CEO” to the last paragraph under section 4, Powers.*
2. *Advertises that the Audit and Risk Committee has two external member vacancies to be appointed following the 2023 local government ordinary election.*
3. *Seeks applications from candidates that possess financial, accounting, governance and risk management experience and have strong business acumen, management and communication skills.*

Subsequently, nominations have been sought for the two external member vacancies.

STATUTORY / LEGAL IMPLICATIONS

Section 7.1A of the *Local Government Act 1995* (the Act) provides the following in relation to audit committees (in part):

- (1) *A local government is to establish an audit committee of 3 or more persons to exercise the powers and discharge the duties conferred on it.*
- (2) *The members of the audit committee of a local government are to be appointed* by the local government and at least 3 of the members, and the majority of the members, are to be council members.*

** Absolute majority required...*

Part 5, Subdivision 2 provides for committees including establishment and appointment of members. Part 5 Subdivision 3 of the Act provides for the quorum, voting, decisions and minutes of committees. The *Local Government (Administration) Regulations 1996* also make provisions in regards to committees.

The *Local Government Amendment (Auditing) Act 2017* gives the Auditor General the mandate to take on responsibility for the annual financial audits of all Western Australian local governments.

The *Local Government (Audit) Regulations 1996* provide details on the functions of an audit committee.

The Committee is established under section 5.8 of the Act and is comprised of council members and other persons (referred to as 'external members' in the adopted Terms of Reference) consistent with section 5.9 of the Act.

Part 5, Subdivision 2 provides for committees including establishment and appointment of members. Part 5 Subdivision 3 of the Act provides for the quorum, voting, decisions and minutes of committees. The *Local Government (Administration) Regulations 1996* also make provisions in regards to committees.

POLICY IMPLICATIONS

Code of Conduct for Council Members, Committee Members and Candidates

The "Code of Conduct for Council Members, Committee Members and Candidates" provides an expected standard of conduct for council members and committee members appointed to the Committee.

Internal Audit Charter Policy

The "Internal Audit Charter Policy" relates to the functions of the Committee and is included in the Terms of Reference.

Committees, Advisory Groups, Representatives Meeting and Working Groups Policy

The "Committees, Advisory Groups, Representatives Meeting and Working Groups Policy" relates. The "Committees, Advisory Groups, Representatives Meeting and Working Groups Policy" provides minimum requirements of advertising for external members and expectations of their conduct.

FINANCIAL IMPLICATIONS

Section 5.100 of the Act provides for the reimbursement of expenses for external members appointed to the Committee.

Requests for reimbursements in accordance with the Act can be met by current budget allocations.

STRATEGIC IMPLICATIONS

Mundaring Strategic Community Plan 2020 - 2030

Priority 4 - Governance

Objective 4.4 – High standard of governance and accountability

Strategy 4.4.8 – Compliance with the Local Government Act 1995 and all relevant legislation and regulations

SUSTAINABILITY IMPLICATIONS

Economy

- Provide for the responsible and effective management of finances and assets

Governance

- Effectively consult and actively engage the community in decision-making
- Comply with relevant policy, legislation, regulation, criteria and guidelines

RISK IMPLICATIONS

Risk: Reputation: There is a perceived lack of transparency regarding the appointment of external members to the Committee, their skills and experience and how Council determines who these members will be in the event of the number of applications exceeding the external vacancies.		
Likelihood	Consequence	Rating
Possible	Moderate	Moderate
Action / Strategy		
The external members are appointed in accordance with the adopted Terms of Reference.		

EXTERNAL CONSULTATION

Consistent with the requirements of the “Committees, Advisory Groups, Representatives Meeting and Working Groups Policy”:

- *“nominations for external members to apply for a position on the group must be advertised detailing the selection criteria of external members for a period of at least two weeks.*
- *Advertising is to be in keeping with the principles of local public notice as defined by the Act and the “Community Engagement Policy”.*”

Local public notice was provided with a notice placed in the Echo Newspaper, placed on Shire noticeboards, posted to the Shire’s social media pages and information was made available on the Shire’s website, including an online form.

The nomination period was from 23 August 2023 to 11 September 2023. Two nominations were received.

COMMENT

Appointment to the Committee is determined by Council to commence after the ordinary 2023 local government elections, for a term to expire on the date of the subsequent ordinary local government elections (2025).

Applications were sought as follows:

“External members should possess financial, accounting, governance and risk management experience and have strong business acumen, management and communication skills.

Potential applicants for the role of external member will be required to submit the following information in order to be considered for appointment:

- resume (maximum two pages); and*
- a statement (maximum one page) responding to the following:*

- i. *Why you wish to serve on the committee;*
- ii. *What qualifications (evidence to be supplied) and professional experience you have that would benefit the committee.”*

Two applications were received and have been provided as confidential attachments (**Attachment 1 and 2**).

It is open to Council to appoint any number of the applicants as external members of the Committee, noting that the Terms of Reference under point 7. Membership that the “*committee shall consists of the following members ... up to two external members*”.

Following the appointment of the external members, in accordance with the “Committees, Advisory Groups, Representatives Meeting and Working Groups Policy”, “*external members will have details of their appointment (including their names) included on the Shire’s official website*”.

The next scheduled Committee meeting is on 12 December 2023. The external members of the Committee will be required to complete an induction prior to this meeting.

VOTING REQUIREMENT

Absolute Majority - *Local Government Act 1995* section 5.10 (1)

SARC1.11.23 – Audit and Risk Committee - Appointment of External Members

COMMITTEE RECOMMENDATION	SARC1.11.23
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That Council appoints, by absolute majority, the following people as external members to the Audit and Risk Committee for a term to expire on the date of the subsequent ordinary local government elections:

Applicant 1

Applicant 2