

AMENDED ITEM



Item No: 2.1
Title: Audit, Risk and Improvement Committee membership
Department: Chief Executive Officer's

27 April 2021 Ordinary Council Meeting

Reference: F2018/00028-002 - D14585739
Author: Shane Sullivan, Unit Manager, Governance and Risk
Executive: David Farmer, Chief Executive Officer

Report purpose

To recommend the appointment of a new Independent External Member to the *Audit Risk and Improvement Committee* (ARIC) and to amend Council's [ARIC Charter](#) to expand the financial oversight role of the Committee.

Executive Summary

The appointment of one of three Independent External Members ceases on 27 April 2021, resulting in a vacancy on ARIC. A recruitment process was undertaken and it is now recommended that Council appoint Arthur Butler to the ARIC for a period of three years. Mr Butler has significant relevant experience and specifically has experience with large scale utilities.

The report also recommends changes to Council's [ARIC Charter](#) to increase the role of the Committee with regard to financial oversight. The proposed changes reflect the Office of Local Government Discussion Paper.

Chief Executive Officer's Recommendation

- 1 *That Council appoint Mr Arthur Butler as an Independent External Member of the Central Coast Council Audit, Risk and Improvement Committee for an initial period of three years.*
- 2 *That Council write to each of the unsuccessful applicants to the Audit, Risk and Improvement Committee Independent External Member role and advise them of the outcome, thanking them for their interest in the role.*
- 3 *That Council adopt the amended Audit, Risk and Improvement Committee Charter as attached to this report.*
- 4 *That Council resolve, pursuant to section 11(3) of the Local Government Act 1993, that Attachment 1 to this report remain confidential in accordance with section 10A(2)(a) of*

the Local Government Act as they contain personnel matters concerning particular individuals (other than Councillors).

Appointment of Independent Member

Due to the conclusion of Dr Colin Gellatly's tenure on the Audit, Risk and Improvement Committee, a recruitment process has been undertaken.

There were 24 applicants for the role. A shortlist of eight candidates was created by the selection panel and interviews were conducted. The selection panel did not make a recommendation to Council as to a preferred applicant.

The recruitment process was reported to Council on 13 April 2021. Council resolved that the applications be reviewed by the Chief Executive Officer to determine whether there was a suitable candidate.

The Chief Executive Officer has reviewed the applications. He contacted Mr Butler who was one of the shortlisted, interviewed candidates, and conducted a phone interview.

As a result, it is now recommended that Mr Butler be appointed to the ARIC for a period of three years.

Mr Butler has significant relevant experience including experiences with major utilities such as Sydney Water and the Electricity Commission. He also has experience in local government including being the Chair of the Audit and Risk Committee of the Department of Premier and Cabinet (which includes oversight of the Office of Local Government).

It is recommended that Mr Butler be appointed for a period of three years. Clause 15 of the [ARIC Charter](#) states:

15. *The three Independent External Members will be appointed, by resolution of the Council for up to an initial period no less than three years and not exceeding five years, after which they will be eligible for extension or re-appointment following a formal review of their performance by Council (noting that the total term on the Committee will not exceed eight years).*

The two other Independent Members were re-appointed by Council on 27 April 2020. Mr Gordon has one further year remaining as part of his current appointment. Mr Millington has two further years remaining as part of his current appointment.

Change to Audit, Risk and Improvement Committee Charter

It is proposed that the role of the Committee be expanded to include greater financial oversight. This is considered appropriate to provide advice regarding Council's financial situation and to monitor the controls Council has put in place to better monitor financial performance.

2.1 Audit, Risk and Improvement Committee membership (contd)

The proposed wording in the Charter is the wording the Office of Local Government (OLG) included under Financial Management and External Accountability in the Discussion Paper: *A New Risk Management and Internal Audit Framework for Local Councils in NSW*. This Discussion Paper was issued in September 2019 and to date the finalised framework has not been made.

Consideration had been given to the removal of Councillors from the Committee. This is no longer recommended. It is anticipated that the Office of Local Government will issue Guidelines for the conduct of Audit, Risk and Improvement Committees and it is appropriate to wait for this Guideline before determining any change in the Committee make up.

Some administrative changes have been made to the Charter to reflect changes in roles and personnel.

The proposed changes to the Charter are set out in Attachment 2. Additions are shown in ***bold italics*** and deletions are shown in ~~strike through~~.

Financial Considerations

At its meeting held 19 October 2020, Council resolved the following:

1108/20 That any motions put before Council for the remainder of this term of Council that have financial implications require the Chief Executive Officer to provide a report on how those additional costs will be met.

The following statement is provided in response to this resolution of Council.

The recommendations contained in this report will not impose any additional spending by Council in the current or next financial year over and above what is already planned.

Independent External Members will be paid as follows:

The standard fee that will be paid for attendance is:

- *\$20,920 (ex GST) per annum for the Chairperson; and*
- *\$2,092 (ex GST) per meeting for other Independent Members.*

Fees are inclusive of travel, preparation and all other costs associated with attending the meetings.

Link to Community Strategic Plan

Theme 4: Responsible

Goal G: Good governance and great partnerships

R-G2: Communicate openly and honestly with the community to build a relationship based on transparency, understanding, trust and respect.

Attachments

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| 1 | Confidential - Applications for Independent ARIC Member March 2021 - | | D14543966 |
| 2 | Audit, Risk and Improvement Committee revised Charter - April 2021 | Provided Under Separate Cover | D14546515 |