

C09/5046 – APPOINTMENT OF EXTERNAL MEMBER OF FINANCIAL MANAGEMENT, AUDIT, RISK AND COMPLIANCE COMMITTEE (AMREC) (CONFIDENTIAL ATTACHMENT)

Ward : All
 Category : Operational
 Subject Index : Standing Committees
 Customer Index : Financial Management, Audit, Risk and Compliance Committee
 Disclosure of any Interest : Nil
 Previous Items : Nil
 Works Programme : Not Applicable
 Funding : Not Applicable
 Responsible Officer : Kylie Johnson
 Executive Manager Organisational Development

AUTHORITY / DISCRETION

DEFINITION

<input type="checkbox"/>	Advocacy	<i>when Council advocates on its own behalf or on behalf of its community to another level of government/body/agency.</i>
<input checked="" type="checkbox"/>	Executive	the substantial direction setting and oversight role of the Council. e.g. adopting plans and reports, accepting tenders, directing operations, setting and amending budgets.
<input type="checkbox"/>	Legislative	includes adopting local laws, town planning schemes & policies.
<input type="checkbox"/>	Review	<i>when Council review decisions made by Officers.</i>
<input type="checkbox"/>	Quasi-Judicial	<i>when Council determines an application/matter that directly affects a person's right and interests. The judicial character arises from the obligation to abide by the principles of natural justice. Examples of Quasi-Judicial authority include town planning applications, building licences, applications for other permits/licences (eg under Health Act, Dog Act or Local Laws) and other decisions that may be appealable to the State Administrative Tribunal.</i>

KEY ISSUES / SUMMARY

- This report seeks Council approval for the two year appointment of an external member to the Financial Management, Audit, Risk and Compliance Committee.

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BACKGROUND

At the Council Meeting on the 19 September 2006 a Council resolution was passed by absolute majority decision that established the Financial Management, Audit, Risk and Compliance Committee as per the approved Committee Charter. The Council also approved the payment of an honorarium of up to \$2,500 to be paid quarterly in arrears to the independent member of the Financial Management, Audit, Risk and Compliance Committee.

The Charter for the Committee outlines the following requirements relating to an external member;

3. Membership

- ◆ *In accordance with Section 7.1A (2) of the Local Government Act 1995 members of the Committee will be appointed by absolute majority decision of the Council;*
- ◆ *The Committee will comprise at least four persons of which at least three are to be Elected Members of the City of Melville and one other member who will be an independent person;*
- ◆ *Independent members will have no association with the Council either as a member, an officer or closely associated person;*
- ◆ *Where possible the majority of members shall have experience in business and/or financial and management reporting and risk management;*
- ◆ *The independent member shall be selected on the basis of their skills and experience and ability to fill any gaps in the financial or risk management skills and experience of the Elected Members and shall be paid an honorarium set by Council;*
- ◆ *In accordance with section 5.11 of the Local Government Act 1995 membership of the Committee will be reviewed following each ordinary elections day i.e. once every two years, or upon the cessation of office by any member or the resignation from the committee by a member.*

4. Meetings

- ◆ *Sitting fees may be paid to the independent member in accordance with the amounts as set out in the Local Government Act and Regulations as determined by Council from time to time.*

DETAIL

As per the Financial Management, Audit, Risk and Compliance Committee Meeting Charter membership is to be reviewed every two years. The previous external member to the Committee, Mr Sean Pitt has served for two years, attending his first Financial Management, Audit, Risk and Compliance Committee Meeting in March 2007.

An advertisement was placed in the Melville Community Newspaper in December 2008. Two applications were received and there was a very strong applicant who was selected for interview on 2 February 2009 by the Chairman of the Committee, Cr Ceniviva; His Worship the Mayor and Cr Halton.

Attached, is the confidential application from the recommended individual. The applicant has over 30 years domestic experience, and over 10 years international experience, in the public sector auditing and accounting with senior responsibility for the management of auditing and accounting projects in Australia and overseas.

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PUBLIC CONSULTATION/COMMUNICATION

Public communication of this position was through advertisement in the Melville Community Newspaper.

CONSULTATION WITH OTHER AGENCIES / CONSULTANTS

Not applicable

STATUTORY AND LEGAL IMPLICATIONS

The Committee operates within the Local Government Act 1995 and Regulation requirements that relate to Audit Committees.

FINANCIAL IMPLICATIONS

The honorarium sitting fee is within the operational budget.

STRATEGIC AND RISK MANAGEMENT IMPLICATIONS

The role of the Financial Management, Audit and Risk Committee has an important role, as outlined in the Committee Charter, with specific responsibilities that include;

◆ Financial reporting

- i. Overseeing compliance with statutory responsibilities relating to financial disclosure;
- ii. Reviewing the adequacy of financial management reporting;
- iii. Ensuring that Elected Members are provided with financial and non-financial information that is of high quality and relevant to the judgements to be made by them;
- iv. Reviewing, considering and commenting on the Annual Budget and Forward Financial Plans prior to their adoption by Council;
- v. Initiating/reviewing the results of costing/pricing investigations and recommending specific actions to Council;
- vi. Reviewing all funding issues such as fees & charges, rating, loan borrowings and joint venture asset funding arrangements and making recommendations to Council;
- vii. Reviewing the draft annual financial report and all publicly published financial statements, focusing on:
 - significant changes in accounting policies;
 - significant adjustments to the financial report arising from the audit process;
 - compliance with accounting standards and other reporting requirements.

◆ Accounting Policies

- i. Reviewing any changes to accounting standards and policies and their impact on financial statements.

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◆ **Internal Controls, Risk and Insurance Profile**

- i. Reviewing the City of Melville's enterprise risk management framework and policies;
- ii. Reviewing and assess the City of Melville's approach to the management of risks to ensure that risks are appropriately managed and where economical and practicable to do so, residual risks are appropriately insured;
- iii. Ensuring that opportunities to better manage risks are identified and if feasible, implemented;
- iv. Ensuring business continuity and disaster recovery plans are in place and causing such plans to be tested on a periodic basis;
- v. Ensuring that controls are established and maintained in order to safeguard the City of Melville's financial and physical resources;
- vi. Reviewing and assessing management programs and policies in relation to internal controls over the financial and reporting systems including delegations of authority.

◆ **Audit**

- ii. Providing guidance and assistance to the Council in relation to:
 - The process for the selection and appointment of external auditor;
 - Recommending to the Council the person or firms to be appointed as auditor;
 - Develop and recommend to the Council a written agreement for the appointment of the auditors including conditions;
- ii. Reviewing the annual audit plan with the external and internal auditors to consider its scope and effectiveness;
- iii. Reviewing the information and recommendations provided by external and internal auditors including the responses of management;
- iv. Reviewing any unresolved issues between management and the external and internal auditors and actions planned to obtain resolution;
- v. Reviewing the performance of any contracted external and internal audit firms.

◆ **Compliance**

- i. Ensuring that the procedures established to monitor compliance with statutory requirements, regulations and contractual obligations are appropriate;
- ii. Reviewing the annual Statutory Compliance Return and audit and make recommendations to the Council on acceptance.

POLICY IMPLICATIONS

Not applicable.

CONCLUSION

The recommended applicant to become the external member on the Financial Management, Audit, Risk and Compliance Committee has a strong level of expertise that will assist and enhance the Committee in performing its role as outlined within the Charter.

OFFICER RECOMMENDATION (5038)

ABSOLUTE MAJORITY

1. **THAT RICHARD WOODGATE BE APPOINTED TO THE POSITION OF EXTERNAL MEMBER FOR THE FINANCIAL MANAGEMENT, AUDIT, RISK AND COMPLIANCE COMMITTEE FOR 2009 AND 2010, RECEIVING THE HONORARIUM OF TWO THOUSAND, FIVE HUNDRED DOLLARS (\$2,500 PER ANNUM), WITH \$625 TO BE PAID QUARTERLY IN ARREARS.**

