

7.1 AUDIT & RISK COMMITTEE MEMBERSHIP AND REVISED CHARTER

(D20-89633)

Report from A&RC Independent member recruitment panel & Chief Financial Officer

RECOMMENDATION

That Council:

- 1. Adopts the recommendation of the recruitment panel overseeing the selection of an independent Chair of Council's Audit & Risk Committee (A&RC) and appoints existing independent Committee member Mr Andrew Dix as an independent Chairperson member of the A&RC for a period of three years ending 30 June 2023;*
- 2. Adopts the recommendation of the recruitment panel overseeing the selection of an independent Chair of Council's Audit & Risk Committee (A&RC) and appoints Mr John Watson as a replacement independent member of the A&RC for a period of three years ending 30 June 2023;*
- 3. Following the enactment of the Local Government Act 2020, adopt the revised Audit & Risk Committee Charter,*
- 4. Reappoints Ms Katie Baldwin as an independent member of Council's Audit & Risk Committee for her second term of appointment ending 30 June 2023 and*
- 5. Notes that all other applicants will be advised of Council's decision and thanked for their interest in the position.*

BACKGROUND

The Local Government Act 2020 was passed, with amendments, by Legislative Assembly on 17th March 2020 and gained Royal Assent on 24th March 2020. The new Act includes changes to the role and governance of the Audit & Risk Committee as well as broader changes to Council's governance of interest to the Committee.

The establishment, composition and role of an Audit and Risk Committee is set out in Part 2, Division 8, Clauses 53 & 54. As part of the enactment of the new Act, Council is required to appoint (or reappoint) the independent A&RC members and adopt a Charter (or revised) by the 1 September 2020.

Appointment of A&RC members

The Audit & Risk Committee (A&RC) is formally appointed by the Council to ensure effective communication between the Council's external auditor, internal audit, Management and the Council. The A&RC consists of five members: two Councillors and three independent members. Councillor members are appointed annually and independent members are appointed through a recruitment process for a term of three years (with a maximum of two terms).

Mr Geoff Harry, currently an independent Chairperson of the Committee, will conclude his second 3 year term on 30 June 2020. Under Clause 4.10 of Council's Audit & Risk Committee Charter, which states: *"A person can only serve in the positions of independent member or Chairperson for a maximum of six consecutive years"*, Mr Harry is ineligible to reapply for a further term on the Committee.

The Audit & Risk Committee Charter

The current A&RC Charter was adopted by Council on 28th of July 2019, where the structure of the Charter was simplified and a paragraph was included to add the observer role as well as more clarification inserted on the purpose of the annual Work Plan.

DISCUSSION

Recruitment & re-appointment of A&RC members

Part 2, Division 8, Clauses 53 & 54 of the Local Government Act 2020 governs the establishment, composition and role of an A&RC and as noted the commencement of the Act requires the appointment of new, or re-appointment of existing, independent members.

The recruitment and selection process for an independent Chairperson member of the A&RC was underway whilst the Act passed Parliament, and has been undertaken through a publicly advertised process. As resolved at the October 2019 Council meeting, the recruitment panel consisted of the two Councillor members plus the substitute Councillor member of the A&RC: Councillor Stuart James, Councillor Rebecca Paterson and Councillor Geoff Lake, as well as the Committee Chair, Mr Geoff Harry.

Council received over 16 applications of a high standard from highly qualified and experienced people. The recruitment panel reviewed and shortlisted to four applicants based on their relevant experience, qualifications and suitability to the role. Each of the shortlisted candidates were interviewed by the panel and further assessed against the selection criteria.

In the recruitment panel report the Convenor of the panel, Mr Harry, noted that all panel members had contributed to the report, and that it reflects the collective agreed views of all panel members.

The Convenor further noted that in deciding on the shortlist, the panel was focused on ensuring that the successful candidate will bring a diverse and relevant skill set to the A&RC and on avoiding overlap to the extent possible with the skill sets held by the two other independent members.

Following its deliberations, the recruitment panel collectively agreed to recommend the current independent member, Mr Andrew Dix, as the new A&RC independent Chairperson member. Following this appointment, the panel also agreed to recommend

Mr John Watson, as the replacement independent member of the A&RC.

Mr Andrew Dix, the current independent member, was appointed to the Committee on 1 July 2019. He is a retired internal audit and risk management professional who worked with Telstra for over 20 years and has extensive Audit & Risk Committee experience (including as Chair), both within the local government sector and other federal and state government agencies.

Mr John Watson has extensive (more than 40 years) experience in all aspects of local government administration in Victoria as well as at the senior levels of the Victorian Public Service. He is currently Chair of several other Audit & Risk Committees and has been Chair of the Victorian Grants Commission.

The third A&RC Independent member, Ms Katie Baldwin, was reappointed to the Committee for a second term by Council (29 October 2019). It is appropriate for Council to confirm this appointment under the new Local Government Act.

Adoption of new Audit & Risk Committee Charter

The current Charter has been amended to take account of the LG Act 2020. The Act specifies broader functions and responsibilities of the A&RC as including to:

- 1) “monitor the compliance of Council policies and procedures with—
 - a) the overarching governance principles; and
 - b) this Act and the regulations and any Ministerial directions;
- 2) monitor Council financial and performance reporting;
- 3) monitor and provide advice on risk management and fraud prevention systems and controls;
- 4) oversee internal and external audit functions.”

Specifically, clauses 53 & 54 of the Act, as well as the references to sections 123 & 125 and Part 6 Division 2 of the Act, have been incorporated into the Charter.

A minor revision of the Charter is proposed, to take account of the changes outlined above and is summarised in the table below:

Page	Change to Charter	LG Act
2	Adopted date updated to 28 April 2020	
3	Updated reference to LG Act 2020 and Clause 53	Clause 53
3	Oversight & guidance paragraph updated to reflect Act	Clause 54 (ii)
5	2.12 – updated to reflect Act	Clause 54 (ii)
7	2.30 – added monitoring fraud prevention	
8-9	3.13 & 3.14 – performance assessment & biannual reports to Council	Clause 54 (4&5)
12	Add reference to Clause 53 (5) re declare conflicts of interest	Clause 53 (5)

12	Add references to: S123 – misuse of position S125 - confidential information Part 6, Division 2: S126-131 Conflict of interest & Disclosure of interests	
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The Charter was due for its biennial review in September 2021 and it is proposed that a more comprehensive review of the Charter be undertaken by members at that time.

CONCLUSION

In conclusion, the recruitment panel recommends to Council the appointment of Mr Andrew Dix as Chairperson of Council’s Audit & Risk Committee for a period of three years commencing 1 July 2020 and concluding on 30 June 2023.

The recruitment panel also recommends to Council the appointment of Mr John Watson to Council’s Audit & Risk Committee as independent member for a period of three years commencing 1 July 2020 and concluding on 30 June 2023.

As per the requirements of Local Government Act 2020, it is recommended that Council reappoint Ms Katie Baldwin as independent member of Council’s Audit & Risk Committee for the her second term of appointment concluding on 30 June 2023.

Further, the Committee recommends the adoption of the revised Audit & Risk Committee Charter following the changes made with new references to the Local Government Act 2020.

Following adoption of the recommendation by the Council and appointment of the successful candidates, all other applicants will be advised of Council’s decision and thanked for their interest in the position.