

10.4. Audit, Risk and Improvement Committee Membership

AUTHOR: Shane Sullivan, Executive Manager Governance

ENDORSED BY: Shane Sullivan, Executive Manager Governance

ATTACHMENTS: Nil

PURPOSE:

The purpose of this report is for Council to consider the Independent membership of the Audit, Risk and Improvement Committee (ARIC).

EXECUTIVE SUMMARY:

In late 2021 the Office of Local Government issued draft Guidelines for Risk Management and Internal Audit Framework for Local Councils (the draft Guidelines) seeking submissions before 26 November 2021. The draft Guidelines will be made under a Regulation and Council will be required to comply with them when establishing and operating their ARICs by 2027. To date the Guidelines have not yet been made.

The current ARIC membership is:

- Mr Brian Hrnjak - Chair (Independent)
- Mr Ron Switzer (Independent)
- Deputy Mayor
- Nominated Councillor – Councillor Santer

Due to the delayed conduct of the Local Government elections, the membership for the current Independent members expired in December 2020.

It is recommended that Council determine the terms for the current members noting that the Terms of Reference for the Committee will be reviewed once the draft Guidelines are made.

It is also recommended that Council commence the process to appoint a third Independent member as this will commence the process to align Council's ARIC to what is proposed under the Guideline.

It is also recommended that the remuneration for the Independent Chair and members be reviewed to progressively align to that proposed under the draft Guidelines and also to reflect the amount currently paid to other Committee members such as those on the North Sydney Local Planning Panel.

FINANCIAL IMPLICATIONS:

Currently the Independent members of the ARIC receive:

- \$750 (ex GST) per meeting for a member
- \$1,000 (ex GST) per meeting for the Chair.

This is provided in the adopted budget.

Under the draft Guidelines, once they are made and implemented, members would be required to be pre-qualified under the Audit and Risk Committee Independent Chairs and Members Scheme. This scheme also sets the remuneration levels as follows:

Fee category		Large	Medium	Small
Member fee rates (excluding GST and superannuation)		\$2,092 per meeting day	\$1,621 per meeting day	\$1,255 per meeting day
Chair fee rates (excluding GST and superannuation) <i>Annual rate + per meeting day rate for additional meeting days after the 7th meeting day</i>	<i>For up to 7 meeting days per annum:</i>	\$20,920 per annum	\$16,213 per annum	\$12,552 per annum
	<i>For each additional meeting day (above 7 meeting days per annum):</i>	\$2,989 per meeting day	\$2,316 per meeting day	\$1,793 per meeting day

To align with the provisions proposed to be made under the draft Guideline, it is recommended that Council progressively transition to the fee category of Medium under the State Audit and Risk Committee Independent Chairs and Members Scheme over two financial years.

This is based on the Medium classification as follows:

Fee category	Audit and Risk Committee (ARC) Type
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Large	<ul style="list-style-type: none"> • Principal Department Led Shared ARC • Large Collaborative Shared ARC <ul style="list-style-type: none"> ○ for four or more agencies, each with total annual expenditure up to \$100m, or ○ which includes one or more agencies with total annual expenditure more than \$100m • Standalone ARC for an agency with total annual expenditure of \$400m or more
Medium	<ul style="list-style-type: none"> • Collaborative Shared ARC for up to three agencies, each with total annual expenditure up to \$100m • Standalone ARC for an agency with total annual expenditure between \$50m and \$400m
Small	<ul style="list-style-type: none"> • Standalone ARC for an agency with total annual expenditure up to \$50m

Progressively transferring to the draft Guideline fee structure over two financial years would result in the following rates (based on five meetings per year):

	Current	2022/23	2023/24
Chair/annum	\$ 5,000.00	\$ 10,606.50	\$ 16,213.00
(Chair/meeting x 5)	\$ 1,000.00	\$2,121.30	\$ 3,242.60
Member/annum	\$ 3,750.00	\$ 5,927.50	\$ 8,105.00
(Member/meeting x 5)	\$ 750.00	\$ 1,185.50	\$ 1,621.00
Total Cost (five meetings)	\$ 8,750.00	\$ 16,534.00	\$ 24,318.00

This is an increase of \$7,784 per year over two years against the current budget provision.

The fee for the Chair is to be paid as a per annum fee for up to seven meetings per year. This is in accordance with the State Audit and Risk Committee Independent Chairs and Members Scheme.

The fee for the Independent members is to be paid as a per meeting fee. This is in accordance with the State Audit and Risk Committee Independent Chairs and Members Scheme.

For comparison, it is noted that the North Sydney Local Planning Panel Chair receives \$2,000 per meeting and other members receive \$1,750 per meeting.

This report is confidential in accordance with Section 10A(2) of the Local Government Act and the Local Government (General) Regulation 2005 for the reason listed below:

- (a) personnel matters concerning particular individuals (other than councillors).

RECOMMENDATION:

1.THAT Council appoint the independent member and Chair of the Audit, Risk and Improvement Committee as recommended in the confidential report.

2.THAT the report be treated as confidential and remain confidential until Council determines otherwise.

LINK TO COMMUNITY STRATEGIC PLAN

The relationship with the Community Strategic Plan is as follows:

5. Our Civic Leadership

5.1 Council leads the strategic direction of North Sydney

5.2 Council is well governed and customer focused

BACKGROUND

Under section 428A of the Local Government a council must appoint an Audit, Risk and Improvement Committee which just keep under review the following aspects of council's operations:

- Compliance
- Risk management
- Fraud control
- Financial management
- Governance
- Implementatio of the strategic plan, delivery program and strategies
- Service reviews
- Collection of performance measurement data by the council
- Any other matters prescribed by the regulations

The ARIC is also to provide information to the council for the purpose of improving the council's performance of its functions.

In late 2021 the Office of Local Government issued draft Guidelines for Risk Management and Internal Audit Framework for Local Councils (the draft Guidelines) seeking submissions before 26 November 2021. The draft Guidelines will be made under a Regulation and Council will be required to comply with them when establishing and operating their ARICs, risk management framework and internal audit functions.

The draft Guidelines are available here:

<https://www.olg.nsw.gov.au/councils/governance/risk-management-audit-and-internal-controls/risk-management-and-internal-audit-framework-for-local-councils-in-nsw/>

At its meeting held 21 February 2022, Council resolved the following in part:

3.THAT Council confirm the Deputy Mayor as a Councillor representative to the Audit, Risk and Improvement Committee and appoint Councillor Santer as representative for the term of this Council

CONSULTATION REQUIREMENTS

An Expression of Interest process is proposed for the appointment of a third independent member of the Audit, Risk and Improvement Committee.

DETAIL

Under the draft Guidelines an independent member can be appointed for four years which can be renewed for a further term. However they cannot be a member for more than four years. While the Guidelines have not yet been made it is recommended that Council have consideration to these term lengths in determine the tenure of the independent members.

It is also recommended in the draft Guidelines that membership be planned to provide some consistency. That is that membership is not turned over as a group but on a rolling timeframe.