



**EXPRESSIONS OF INTEREST FOR AN INDEPENDENT  
MEMBER OF THE AUDIT AND RISK MANAGEMENT  
COMMITTEE FOR A TWO-YEAR PERIOD**

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## Background

The City of Bayswater ('the City') is a local government situated approximately eight kilometres east of the Perth CBD.

The main office (Civic Centre) is located in Morley. The City has approximately 68,000 residents who are represented by Council under four electoral wards. Council comprises the Mayor and ten elected members who collectively represent the electorate.

Council meetings are held fortnightly.

The *Local Government Act 1995* requires all local governments to have an audit committee. The City's committee is titled the Audit and Risk Management Committee to reflect its terms of reference.

There are also a number of internal and external committees which are not required under legislation but support the functions of Council. The scope and meeting dates for these committees are determined through their respective terms of reference.

The Audit and Risk Management Committee currently comprises five elected members. At its meeting of 21 October 2019, Council resolved to seek expressions of interest for an external person on the committee, which will take the total number of committee members to six.

Having at least one external member on the audit committee has been a long-established practice in other states, and local governments in Western Australia have been increasingly moving in that direction over the past five years or so. External members are appointed for a period of two years, in line with the normal terms of office for Council.

## Legislative Framework

The principle legislation is the *Local Government Act 1995* (the Act). There are a number of subsidiary regulations which apply to the audit committee. All of the legislation can be viewed online.

The annual budgeting process, financial accounting, management and reporting of municipal and trust funds, and the requirements for rates setting and land valuation are set out in Part 6 of the Act.

The requirement to have an audit committee is set out in Part 7 of the Act which also covers the essential requirements for appointment of auditors and conducting audits. This part was expanded significantly in 2017 to allow for financial and performance audits to be done by the Office of Auditor General (OAG).

The detailed requirements for appointing auditors, developing an audit plan and conducting and reviewing audits are dealt with under regulation 16 of the *Local Government (Audit) Regulations 1996*:

## **16. Audit Committee, functions of**

An audit committee -

- (a) is to provide guidance and assistance to the local government —
  - (i) as to the carrying out of its functions in relation to audits carried out under Part 7 of the Act; and
  - (ii) as to the development of a process to be used to select and appoint a person to be an auditor;and
- (b) may provide guidance and assistance to the local government as to —
  - (i) matters to be audited; and
  - (ii) the scope of audits; and
  - (iii) its functions under Part 6 of the Act; and
  - (iv) the carrying out of its functions relating to other audits and other matters related to financial management; and
- (c) is to review a report given to it by the CEO under regulation 17(3) (the CEO's report) and is to —
  - (i) report to the council the results of that review;and
  - (ii) give a copy of the CEO's report to the council.

There is a separate reporting requirement under regulation 17 of the *Local Government (Audit) Regulations 1996*:

## **17. CEO to review certain systems and procedures**

- (1) The CEO is to review the appropriateness and effectiveness of a local government's systems and procedures in relation to —
  - (a) risk management; and
  - (b) internal control; and
  - (c) legislative compliance.
- (2) The review may relate to any or all of the matters referred to in sub-regulation (1)(a), (b) and (c), but each of those matters is to be the subject of a review not less than once in every 3 financial years.
- (3) The CEO is to report to the audit committee the results of that review.

It is also worth noting that there are separate requirements under *the Local Government (Financial Management) Regulations 1996*:

## 5. CEO's duties as to financial management

- (2) The CEO is to —
- (a) ensure that the resources of the local government are effectively and efficiently managed; and
  - (b) assist the council to undertake reviews of fees and charges regularly (and not less than once in every financial year); and
  - (c) undertake reviews of the appropriateness and effectiveness of the financial management systems and procedures of the local government regularly (and not less than once in every 3 financial years) and report to the local government the results of those reviews.

## Role of the Office of Auditor General in Local Government Audits

Local governments are required to be audited annually and, up until 2017, they could appoint their own financial auditors. Performance audits were not required under legislation.

Part 7 of the Act relating to appointment of auditors and conducting audits was amended in 2017 to allow for financial and performance audits to be done by the Office of Auditor General (OAG). Of particular significance are the new sub-sections:

7.12AD. 'Reporting on a financial audit' which requires the auditor to provide copies of financial reports to the Minister;

7.12AG. 'Conducting a supplementary audit' which allows the Minister to direct the auditor to conduct a supplementary audit of any aspect of the accounts of a local government; and

7.12AJ. 'Conducting a performance audit' which treats local governments as a state government agency for the purposes of carrying out performance audits.

Essentially, the significant changes for local government auditing are that all financial audits of local governments are now conducted by auditors engaged by the OAG and, secondly, performance audits are now conducted of local governments under similar programs to that of State government.

## Purpose of the Expression of Interest

Audit practice guidelines universally recommend that there be external and independent membership of an audit committee, as it is an opportunity to bring in specific financial and governance skills. It can be argued that Council members meet the description of an independent member in the same way that a company board member is independent to the operations of an organisation, however the Department of Local Government, Sport and Cultural Industry's *Guideline No 9 – Audit Committees* states that "If the local government wishes to appoint one or more persons other than elected members to the committee, which is recommended, it should ensure that they have the requisite knowledge and skills to provide benefit to the committee. If Council were to opt for a model that involves external membership, the number of external members must also be determined."

Having external members on audit committees is a well-established practice in other states, and local governments in WA have been moving towards this practice in the last few years to provide a greater level of oversight and transparency.

Local governments that have moved in that direction include the Cities of Belmont, Canning, Cockburn, Fremantle, Joondalup, Nedlands, Perth, Stirling and Swan.

## City's Contact Person

Further information may be obtained from:

Kelley Ambrose  
Manager Governance  
Ph. (08) 9270 4110  
Email: [kelley.ambrose@bayswater.wa.gov.au](mailto:kelley.ambrose@bayswater.wa.gov.au)

## Essential Requirements for Consideration

While there are no specific criteria, applicants must be able to demonstrate the appropriate experience and qualifications in at least one relevant discipline such as financial risk management, corporate governance, risk management or auditing and be CPA or CA qualified.

## Evaluation Process

Expressions of interest will be presented to the first available Audit and Risk Management Committee.

Depending on the level of response, an initial assessment may be made by an internal panel to develop a shortlist of the expressions of interest.

It is essential that respondents are able to commit to the two-year term for the committee and the committee may elect to shortlist applicants and request an in-person meeting. Applicants will be advised accordingly.

The successful respondent may be required to sign a confidentiality agreement as external committee members are not bound to the requirements that apply to elected members as set out in the City's Code of Conduct.

## Lodgement Process

The responses should be provided by 5.00 pm (WA Standard Time) on 29 November 2019 to allow time for them to be presented to the next available Audit and Risk Management Committee meeting.

Electronic responses may be lodged via the City's corporate email address: [mail@bayswater.wa.gov.au](mailto:mail@bayswater.wa.gov.au) and should be marked for the attention of David Nicolson, Director Corporate and Strategy. Hand-delivered or posted submissions will also be accepted, and should also be marked for the attention of:

David Nicolson  
Director Corporate and Strategy  
City of Bayswater  
PO Box 467  
Morley WA 6943