

12.1 Response to Question on Notice No 4/2012 Warringah Council Audit Committee Composition

Submitted by: Councillor Vincent De Luca OAM

Question

Does the composition of the Warringah Council Audit Committee comply with the Division of Local Government's *Internal Audit Guidelines* which states a majority of the members of a committee should be independent, and that the Mayor should not be a member?

Response

1 Warringah Council's Audit Committee

It is acknowledged that the current membership of the Audit Committee does include the Mayor as per the Audit Committee Charter.

The following timeline provides a history and background as to why Warringah Council's Audit Committee currently includes the Mayor as a member:

- 1.1 The current composition of the Audit Committee was formed based on the original DLG IA Guidelines (issued in October 2008), which did not restrict or exclude the Mayor as a member
- 1.2 The Mayor was initially included as a member of the inaugural Audit Committee to underscore the importance Council placed on its Internal Audit function
- 1.3 The Internal Audit Review Committee Charter (original name of the Committee) was updated in accordance with the draft DLG IA Guidelines on 20 August 2008 and as preparation for the return of elected representatives
- 1.4 Council adopted the updated Audit Committee Charter (including a name change) on 24 February 2010
- 1.5 On the same night, 24 February 2010, Council elected Cr Jason Falinski to be the Councillor Representative on the Audit Committee
- 1.6 The DLG issued updated IA Guidelines in September 2010 changing the composition of the Audit Committee to exclude the Mayor
- 1.7 The Audit Committee discussed these changes in its November 2010 meeting and decided:
 - The Audit Committee Charter would be updated in accordance with the revised DLG IA Guidelines so that composition of the Audit Committee would consist of 2 Councillors and 2 independents
 - The Audit Committee Charter would be revised and updated at its next review date (February 2012)
 - As members of the Audit Committee are appointed for the term of Council, it was decided that the Mayor would continue on as a member of the Audit Committee until the next Council elections in September 2012
- 1.8 The Audit Committee Charter is currently being revised and will be presented to Council for adoption in March 2012

It is noted that at present the DLG has only issued 'guidelines' on Internal Audit. While the DLG has 'strongly recommended' that NSW Councils follow these guidelines they are not as yet mandated. Therefore, each Council is able to independently decide on the composition of its Audit Committee.

The DLG has advised Council that whilst their preference is for the Mayor to be excluded from the Audit Committee, the primary aim of this guideline is to ensure that a Mayor does not chair an Audit Committee. The DLG has further advised that a number of Councils in NSW have taken a similar position to Warringah Council, in that they have agreed to implement the new guidelines after the 2012 Council elections. The DLG is comfortable with this situation.

2 Independence & Objectivity

It is acknowledged that Warringah Council's Audit Committee has an equal number of independent and Councillor Members; i.e. 2 independents and 2 Councillor Members and that the DLG IA Guidelines recommend that the majority of members are 'ideally' independent.

In order to ensure the independence of Warringah Council's Audit Committee, the Audit Committee Chair (an independent) has the casting vote, as per the Audit Committee Charter at section 13.1 (ii), which states:

Each member of the Committee shall be entitled to one vote only. In the case of an equality of votes on any issue the Chair shall have the casting vote

Consequently, it is therefore considered that Warringah Council's Audit Committee meets the principles of independence and objectivity as per the DLG IA Guidelines.

