

AGENDA

Audit Committee

MEETING OF THE AUDIT COMMITTEE

TO BE HELD ON

MEETING DATE



TUESDAY, 12 AUGUST 2008

commencing at 6.30 pm

in Conference Room 3
JOONDALUP CIVIC CENTRE,
BOAS AVENUE, JOONDALUP

Note:

Clause 77 of the City's Standing Orders Local Law 2005 states:

“Unless otherwise provided in this local law, the provisions of this local law shall apply to meetings of committees with the exception of:

- (a) clause 29 (Members seating;) and
- (b) clause 54 (Limitation on members speaking.)”



GARRY HUNT
Chief Executive Officer
8 August 2008

www.joondalup.wa.gov.au

CITY OF JOONDALUP

Notice is hereby given that a meeting of the **AUDIT COMMITTEE** will be held in Conference Room 3, Joondalup Civic Centre, Boas Avenue, Joondalup on **TUESDAY, 12 AUGUST 2008** commencing at **6.30 pm**

GARRY HUNT
Chief Executive Officer
8 August 2008

Joondalup
Western Australia

AGENDA

Committee Members

<i>Cr Tom McLean</i>	<i>Presiding Person</i>
<i>Cr Marie Macdonald</i>	<i>Deputy Presiding Person</i>
<i>Mayor Troy Pickard</i>	
<i>Cr Albert Jacob</i>	
<i>Cr Michele John</i>	
<i>Cr Fiona Diaz</i>	
<i>Vacancy – South-East Ward</i>	
<i>Vacancy – External Member</i>	

Terms of Reference

To oversee the internal and external Audit and Risk Management and Compliance functions of the City.

DECLARATION OF OPENING

APOLOGIES/LEAVE OF ABSENCE

CONFIRMATION OF MINUTES

MINUTES OF THE AUDIT COMMITTEE HELD 26 FEBRUARY 2008

RECOMMENDATION

That the minutes of the meeting of the Audit Committee held on 26 February 2008 be confirmed as a true and correct record.

ANNOUNCEMENTS BY THE PRESIDING PERSON WITHOUT DISCUSSION

DECLARATIONS OF INTEREST

Disclosure of Financial Interests

A declaration under this section requires that the nature of the interest must be disclosed. Consequently a member who has made a declaration must not preside, participate in, or be present during any discussion or decision-making procedure relating to the matter the subject of the declaration. An employee is required to disclose their financial interest and if required to do so by the Council must disclose the extent of the interest. Employees are required to disclose their financial interests where they are required to present verbal or written reports to the Council. Employees are able to continue to provide advice to the Council in the decision making process if they have disclosed their interest.

Disclosure of interest affecting impartiality

Elected members and staff are required under the Code of Conduct, in addition to declaring any financial interest, to declare any interest that may affect their impartiality in considering a matter. This declaration does not restrict any right to participate in or be present during the decision-making process. The Elected member/employee is also encouraged to disclose the nature of the interest.

Name/Position	Mr Garry Hunt, Chief Executive Officer
Item No/Subject	Item 6 - CEO's Credit Card Expenditure and Item 7 - Increase in the Maximum Limit for the CEO's Corporate Credit Card
Nature of interest	Interest that may affect impartiality
Extent of Interest	The CEO is the card holder

IDENTIFICATION OF MATTERS FOR WHICH THE MEETING MAY SIT BEHIND CLOSED DOORS

PETITIONS AND DEPUTATIONS

REPORTS

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MOTIONS OF WHICH PREVIOUS NOTICE HAS BEEN GIVEN

REQUESTS FOR REPORTS FOR FUTURE CONSIDERATION

CLOSURE

**ITEM 1 ATTENDANCE OF THE CITY'S AUDITOR –
[07032]**

WARD: All

RESPONSIBLE Mr Mike Tidy
DIRECTOR: Director Corporate Services

The City's Auditor, Mr Michael Hillgrove, has been invited to address the Audit Committee in relation to the forthcoming Audit.

ITEM 2 HALF YEARLY REPORT - CONTRACT EXTENSIONS (1 JANUARY 2008 - 30 JUNE 2008) – [07032]

WARD: All

RESPONSIBLE Mr Mike Tidy
DIRECTOR: Director Corporate Services

PURPOSE

The purpose of this report is to provide the Audit Committee with details of Contracts extended by the Chief Executive Officer between January 2008 and June 2008.

EXECUTIVE SUMMARY

The schedule of Contracts extended by the Chief Executive Officer during the half-year ended on 30 June 2008 is provided in Attachment 1.

It is recommended that the Audit Committee:-

NOTES the report detailing Contracts extended by the CEO during the period January 2008 to June 2008.

BACKGROUND

At its meeting held on 1 November 2005, Council resolved that a half-yearly report be prepared for the Audit Committee detailing Contracts that were originally approved by Council and have subsequently been extended by the Chief Executive Officer – CJ231-11/05.

DETAILS

Council has delegated to the CEO the authority to approve all Contract extensions on tenders approved by Council subject to a report to the Audit Committee being prepared on a half-yearly basis providing details of those Contracts extended.

Issues and options considered:

The report detailing Contracts extended by the CEO is provided in Attachment 1.

Link to Strategic Plan:

The report of Contracts extended by the CEO links to the Strategic Plan objective 1.3 “To lead and manage the City effectively”.

Legislation – Statutory Provisions:

The City’s legal advice is that under section 5.41(d) of the Local Government Act the CEO may be delegated the power to extend a Contract – provided the CEO does not

extend the Contract beyond the “total term of the Contract” specified by the Council in the resolution.

Risk Management considerations:

The delegated authority to extend Contracts is limited to the original terms and conditions approved by resolution of Council when the tender was first awarded.

Financial/Budget Implications:

In accordance with each individual Contract and approved budget limits.

Policy implications:

Not applicable

Regional Significance:

Not applicable

Sustainability implications:

Not applicable

Consultation:

Not applicable

COMMENT

This report provides the Audit Committee with details of Contracts originally approved by Council or by the CEO under delegated authority, which have subsequently been extended by the CEO during the period from January 2008 to June 2008.

ATTACHMENTS

Attachment 1 – Council Approved Contract Extensions by CEO

VOTING REQUIREMENTS

Simple majority.

RECOMMENDATION

That the Audit Committee NOTES the report detailing Contracts extended by the CEO during the period January 2008 to June 2008.

Appendix 1 refers

ITEM 3 MATERIAL VARIANCES FOR THE FINANCIAL YEAR ENDING 30 JUNE 2009- [66610]

WARD: All

RESPONSIBLE DIRECTOR: Mr Mike Tidy
Corporate Services

PURPOSE

The purpose of this report is to seek Council determination as to what constitutes a material variance in the Monthly Financial Activity Statement, in respect of which an explanation is to be provided to Council.

EXECUTIVE SUMMARY

The Local Government Act 1995 and the Local Government (Financial Management) Regulations 1996 require that each financial year a local government is to adopt a materiality level for the purpose of reporting variances in the monthly statement of financial activity.

This report recommends that Council ADOPTS for the Financial Year ending 30 June 2009 a variance amount of \$100,000 or 10 percent of the appropriate base, whichever is higher, to be a material variance for the purposes of reporting under Regulation 34 (5) of the Local Government (Financial Management) Regulations 1996.

BACKGROUND

The Local Government (Financial Management) Regulations 1996 – Financial Reports s.6.4 includes a Regulation 34 requiring the local government to prepare each month a statement of financial activity, as set out in the Rate Setting Statement included in the annual budget.

Regulation 34 (1) lists the details to be included in the statement of financial activity, among which are **material variances** between budget estimates and actual amounts of expenditure, revenue and income to the end of the month to which the statement relates.

Regulation 34 (2) (b) requires an **explanation** to be provided to Council for each of the material variances shown in each statement of financial activity.

Regulation 34 (5) prescribes that each financial year, a local government is to adopt a **percentage or value**, calculated in accordance with accounting standard AAS 5 (AASB 1031), to be used in statements of financial activity for reporting material variances.

This report recommends the percentage or value to be adopted in determining material variances for the purposes of Regulation 34 of the Local Government (Financial Management) Regulations 1996 as amended, during the current financial year.

DETAILS

Accounting Standard AASB 1031 defines materiality in relation to information to mean that information which if omitted, misstated or not disclosed has the potential to adversely affect decisions or the discharge of accountability by management or the governing body of the entity.

The Standard also provides that an amount, which is equal to or greater than 10 per cent of the appropriate base, may be presumed to be material, whilst an amount equal to or less than 5 per cent of the appropriate base may be presumed not to be material unless there is evidence to the contrary.

The value for material variances previously determined by Council is an amount of \$50,000 or 5%, whichever is the higher.

Having regard to the quantum of the Annual Budget, the content of AASB 1031 and considering other limits prescribed in the Local Government Regulations, particularly in respect of the recent increase to tendering limits, it is proposed that the Council adopts a combined percentage and value for material variances, to be an amount of \$100,000 or 10 percent of the appropriate base, whichever is higher.

In determining whether the variance amount of an item is material, the variance is to be compared with the corresponding budgeted revenue and expense amount to the end of the month to which the statement of financial activity relates.

Issues and options considered:

Australian Accounting Standard AASB 1031.

Link to Strategic Plan:

Objective 1.3 – To lead and manage the City effectively.

Legislation – Statutory Provisions:

Section 6.4 of the Local Government Act 1995 requires a local government to prepare an annual financial report for the preceding year and such other financial reports as are prescribed.

Regulation 34 of the Local Government (Financial Management) Regulations 1996 as amended, requires the local government to prepare each month a statement of financial activity reporting on the source and application of funds as set out in the annual budget.

Risk Management considerations:

Adoption of the materiality limits will satisfy statutory compliance requirements.

Financial/Budget Implications:

Not Applicable.

Policy implications:

Policy 4.3 – The city has as its objective “to ensure that robust and transparent financial management is established and maintained to meet the Council’s accountability to the community for the stewardship of community assets both now and into the future.”

Regional Significance:

Not applicable.

Sustainability implications:

Reporting of variances assists in maintaining the ongoing financial sustainability of the City.

Consultation:

In accordance with Section 6.2 of the Local Government Act 1995, the annual budgets are prepared having regard to the Strategic Financial Plan, prepared under Section 5.56 of the Local Government Act 1995.

COMMENT

The adoption of the recommended materiality limits will satisfy the requirements of AASB 1031 and the amended Local Government (Financial Management) Regulations 1996.

ATTACHMENTS

Not applicable.

VOTING REQUIREMENTS

Simple majority.

RECOMMENDATION

That the Audit Committee RECOMMENDS that Council ADOPTS for the Financial Year ending 30 June 2009 a variance amount of \$100,000 or 10 percent of the appropriate base, whichever is higher, to be a material variance for the purposes of reporting under Regulation 34 (5) of the Local Government (Financial Management) Regulations 1996.

ITEM 4 WRITE OFF OF FIXED ASSETS – [17394]

WARD: All

**RESPONSIBLE
DIRECTOR:** Mr Mike Tidy
 Corporate Services

PURPOSE

The purpose of this report is for the Audit Committee to consider and recommend to Council the write off of assets no longer held by the City.

EXECUTIVE SUMMARY

As part of the end of year financial process a stock take of the City's assets as recorded in the Assets Register was carried out, to confirm the existence of those assets. The stock take revealed that a total of 173 individual assets were no longer held by the City. The net carrying value of those assets as at the end of May 2008 was \$70,136.59. Investigations have determined, where possible, various reasons for the differences between the City's asset records and the results of the stock take but in many cases the age of them has meant that this is not possible. The investigations have also established that where a reason has not been identified there is no prospect of locating the asset.

It is recommended that Council write off identified assets no longer held by the City as listed at Attachment 1, with a current combined carrying value of \$70,136.59.

BACKGROUND

Section 6.5 (b) of the Local Government Act 1995 requires the CEO of the City to keep all accounts and records up to date.

An end of financial year stock take has identified 173 individual assets still recorded in the Asset Register that are no longer held by the City. Investigations have been conducted to establish any reasons for the difference in the City's asset records and the assets held and concluded that there is no prospect of locating the assets concerned. Having established the latter, it is essential that the Asset Register is updated by the write off of these assets no longer held

DETAILS

A detailed listing of the assets identified by stock take as no longer held by the City is provided in Attachment 1. Of the 173 assets identified, 107 are currently fully depreciated with a book value of nil. The remaining 66 items have a book value of \$70,136.59. The highest individually valued item is \$7,311.84.

Investigations reveal the following reasons for some of the assets not being able to be located:

- i) A number of assets, such as mowers and IT and other general equipment, have been disposed of or replaced by new items at different times without appropriate update of the disposal in the Asset Register.

- (ii) Many of the assets are of a very low value and would in current circumstances not be capitalised and placed on the asset register. It is probable that officers were not aware that they were capitalised assets when they were disposed of.

The responsibility of maintaining the Asset Register has recently been transferred from Asset Management to Financial Services and a new Asset Control Procedure is currently being documented that will control omissions of this nature.

Issues and options considered:

A revised Asset Control Procedure is being documented to prevent similar incidents in the future.

Link to Strategic Plan:

Objective 1.3 To lead and manage the City effectively

Legislation – Statutory Provisions:

Section 6.5 (b) of the Local Government Act 1995
Regulation 5 (1) (d) (iii) of the Local Government (Financial Management) Regulations 1996

Risk Management considerations:

The total value of the assets to be written off represents less than 0.5% of the total carrying value of assets held by the City at 30 June 2008.

Financial/Budget Implications:

A provision for write off of assets has been created at the end of 2007/08 financial year to account for the carrying value of identified assets recommended for write off.

COMMENT

Stock take identified assets that are no longer in the possession of the city need to be removed from the Asset Register and the combined book value of those assets be written off. Asset control procedures are being revised and tightened to prevent future omission.

ATTACHMENTS

Attachment 1 – Detailed list of assets identified for retirement from the Asset Register with corresponding book value of individual assets.

VOTING REQUIREMENTS

Simple majority

RECOMMENDATION

That the Audit Committee RECOMMENDS that Council writes off identified assets no longer held by the City as listed at Attachment 1 to this Report, with a current combined carrying value of \$70,136.59.

Appendix 2 refers

ITEM 5 QUARTERLY REPORT - CORPORATE CREDIT CARD USAGE - [09882] [18049]

WARD: All

RESPONSIBLE Mr Mike Tidy
DIRECTOR: Corporate Services

PURPOSE

The purpose of this report is to provide the Audit Committee with details of the corporate credit card usage of the CEO for the quarter ended 31 March 2008.

EXECUTIVE SUMMARY

The report of the CEO's credit card usage for the quarter ended 31 March 2008 is attached.

It is recommended that the Audit Committee NOTES the report on the corporate credit card usage of the CEO for the quarter ended 31 March 2008 as shown on Attachment 1 to this Report.

BACKGROUND

At its meeting held on 11 October 2005 (Item CJ210-10/05 refers), Council inter alia resolved that a quarterly report on the corporate credit card usage of the CEO is to be prepared and presented to the Audit Committee.

DETAILS

The report listing all credit card payments made by the CEO for the quarter, including bank fees, is set out in Attachment 1.

Issues and options considered:

As provided in CJ210 – 10/05.

Link to Strategic Plan:

The report on credit card usage links to the Strategic Plan outcome of: "The City of Joondalup is a sustainable and accountable business" and in particular objective 4.1 which is "to manage the business in a responsible and accountable manner".

Legislation – Statutory Provisions:

Regulation 11(1) of the Local Government (Financial Management) Regulations 1996 requires a local government to develop procedures for the authorisation and payment of accounts to ensure that there is effective security for, and properly authorised use of credit cards.

Risk Management considerations:

In accordance with the City's Corporate Procedure 5.9 Use of Credit/Charge Cards, the CEO's credit card currently has a maximum limit of \$5,000. All expenditure incurred by the CEO by way of credit card is authorised by the Director Corporate Services. It is also a requirement, by resolution of Council, that the CEO's credit card expenditure is reviewed by the Audit Committee on a quarterly basis. The procedure additionally covers matters such as the issue and return of credit cards, lost or stolen cards, what purchases can be made by credit cards, documentation requirements and management review.

Financial/Budget Implications:

Not Applicable.

Policy Implications:

Not Applicable.

Regional Significance:

Not Applicable.

Sustainability Implications:

By ensuring that expenditure is incurred in accordance with procedures and within budget parameters, financial viability and sustainability is maintained.

Consultation:

Not Applicable.

COMMENT

The CEO's credit card usage is in accordance with Corporate Procedure 5.9 - Use of Credit/Charge Cards - and the Contract of Employment of the CEO, with all expenditure being business related and authorised by the Director Corporate Services.

ATTACHMENTS

Attachment 1 CEO Credit Card Expenditure for the Quarter Ended 31 March 2008.

RECOMMENDATION

That the Audit Committee NOTES the report on the corporate credit card usage of the CEO for the quarter ended 31 March 2008 as shown on Attachment 1 to this Report.

Appendix 3 refers

ITEM 6 CEO'S CREDIT CARD EXPENDITURE – [09882] [18049]

Ward All

RESPONSIBLE Mike Tidy
DIRECTOR: Corporate Services

PURPOSE

The purpose of this report is to provide the Audit Committee with details of the corporate credit card usage of the CEO for the quarter ended 30 June 2008.

EXECUTIVE SUMMARY

The report of the CEO's credit card usage for the quarter ended 30 June 2008 is attached.

It is recommended that the Audit Committee NOTES the report on the corporate credit card usage of the CEO for the quarter ended 30 June 2008.

BACKGROUND

At its meeting held on 11 October 2005, Council inter alia resolved that a quarterly report on the corporate credit card usage of the CEO is to be prepared and presented to the Audit Committee - CJ210-10/05.

DETAILS

The report listing all credit card payments made by the CEO for the quarter, including bank fees, is set out in attachment 1.

Issues and options considered:

As provided in CJ210 – 10/05.

Link to Strategic Plan:

The report on credit card usage links to the Strategic Plan 2008-2011 objective 1.1 to ensure that the processes of Local Government are carried out in a manner that is ethical, transparent and accountable.

Legislation – Statutory Provisions:

Regulation 11(1) of the Local Government (Financial Management) Regulations 1996 requires a local government to develop procedures for the authorisation and payment of accounts to ensure that there is effective security for, and properly authorised use of credit cards.

Risk Management considerations:

In accordance with the City's Corporate Procedure 5.9 Use of Credit/Charge Cards, the CEO's credit card has a maximum limit of \$5,000. All expenditure incurred by the CEO by way of credit card is authorised by the Director Corporate Services. It is also a requirement, by resolution of Council, that the CEO's credit card expenditure is reviewed by the Audit Committee on a quarterly basis. The procedure additionally covers matters such as the issue and return of credit cards, lost or stolen cards, what purchases can be made by credit cards, documentation requirements and management review.

Financial/Budget Implications:

Not Applicable.

Policy implications:

Not Applicable.

Regional Significance:

Not Applicable.

Sustainability implications:

By ensuring that expenditure is incurred in accordance with procedures and within budget parameters, financial viability and sustainability is maintained.

Consultation:

Not Applicable.

COMMENT

The CEO's credit card usage is in accordance with Corporate Procedure 5.9 - Use of Credit/Charge Cards - and the Contract of Employment of the CEO, with all expenditure being business related and authorised by the Director Corporate Services.

ATTACHMENTS

Attachment 1 - CEO Credit Card Expenditure for the Quarter Ended 30 June 2008.

VOTING REQUIREMENTS

Not Applicable

RECOMMENDATION

That the Audit Committee NOTES the report on the corporate credit card usage of the CEO for the quarter ended 30 June 2008.

Appendix 4 refers

ITEM 7 INCREASE IN THE MAXIMUM LIMIT FOR THE CEO'S CORPORATE CREDIT CARD – [18049] [20006]

WARD: All

RESPONSIBLE Mr Mike Tidy
DIRECTOR: Corporate Services

PURPOSE

The purpose of this report is to seek recommendation of the Audit Committee for Council to approve an increase in the credit card limit for the CEO's corporate credit card from \$5,000 to \$10,000.

EXECUTIVE SUMMARY

The current limit on the CEO's corporate credit card is \$5,000. The CEO and the Mayor will be travelling to South Africa in September 2008 representing the City of Joondalup. The CEO will need to meet a number of expenses along the way and be prepared to cover emergency situations which may include airfares or accommodation. Last year the CEO credit card limit was temporarily increased for a similar situation.

It is recommended that the Audit Committee recommend to the Council to authorise a permanent increase in the CEO's corporate credit card limit from \$5,000 to \$10,000.

BACKGROUND

The CEO has a corporate credit card with a maximum limit of \$5,000. This arrangement has been in place for a number of years. In September 2008 the CEO and the Mayor are travelling overseas representing the City of Joondalup. Although there will be expenses paid in advance prior to their departure there will need to be some costs picked up along the way and in addition there will need to be provision to cover emergency situations which could involve airfares, accommodation or other travel expenses. It is felt that the current CEO corporate credit card limit of \$5,000 is probably not sufficient to cover this situation. The credit card limit was temporarily increased last year for a similar situation. It is proposed to increase the limit to \$10,000 on a permanent basis to cover possible eventualities on this year's trip and other planned overseas travel in future years.

DETAILS

Issues and options considered:

The alternatives to what is proposed would include that there be no increase to the credit card limit or if it is accepted that some increase is warranted that it be for a different amount than that proposed.

It is considered that the current \$5,000 limit is simply too low to provide any security or assurance to cover emergency situations and incidental expenses that might arise in relation to an international trip. The basic upfront airfares and accommodation for the Mayor and the CEO that will be paid prior to their departure exceed \$10,000. It is strongly felt that the increase in the CEO's corporate credit card limit from \$5,000 to \$10,000 provides the best assurance and is a safe and secure way to provide for emergency situations away from Australia.

Link to Strategic Plan:

Leadership and governance
1.3 To lead and manage the City effectively

Legislation – Statutory Provisions:

Regulation 11(1) of the Local Government (Financial Management) Regulations 1996 requires the local government to develop procedures for the authorisation and payment of accounts to ensure that there is effective security for, and properly authorised use of credit cards.

Risk Management considerations:

All expenditure incurred via the CEO by way of credit card is authorised by the Director Corporate Services and is reported quarterly to the Audit Committee. The report identifies all of the individual transactions that have taken place on the corporate credit card. Increasing the limit from \$5,000 to \$10,000 does not cause a significant increase from a risk management perspective given the current procedures and arrangements that are in place.

Financial/Budget Implications:

The increase in the limit from \$5,000 to \$10,000 has no direct financial or budget implications and the costs of overseas travel have been fully budgeted for.

Policy implications:

Not applicable.

Regional Significance:

Not applicable.

Sustainability implications:

The process of ensuring that expenditure has occurred in accordance with procedures and within budget parameters ensures financial viability and sustainability.

Consultation:

Not applicable.

COMMENT

The proposed international trip clearly indicates that the CEO's corporate credit card with the current limit of \$5,000 does not provide sufficient cover should there be an emergency situation that might require airfares or accommodation to be covered as well as the incidental expenses that will be incurred on the trip. Increasing the corporate credit card limit is an expedient and effective way of providing a level of financial security in relation travel overseas.

ATTACHMENTS

Not applicable.

VOTING REQUIREMENTS

Simple majority.

RECOMMENDATION

That the Audit Committee RECOMMENDS that Council APPROVES a permanent increase in the CEO's corporate credit card limit from \$5,000 to \$10,000.

ITEM 8 INTERNAL AUDIT ACTIVITY REPORT – [89528]

WARD: All

RESPONSIBLE DIRECTOR: Mr Garry Hunt
Office of the CEO

PURPOSE

This report is to provide information to the Audit Committee on Internal Audit activity for 2007/2008.

EXECUTIVE SUMMARY

To minimise risk within the City an annual Internal Audit Plan is developed. The plan sets out a programme of internal audits to guide the work of the Internal Auditor and also allows for unspecified management requests, specialist advice and investigations.

It is recommended that the Audit Committee NOTES the Internal Audit activity for 2007/2008.

BACKGROUND

Part 7 of the *Local Government Act 1995* sets out the requirements in relation to the conduct of audits of local governments. This includes provisions for the establishment of regulations in relation to the conduct of audits and these are in turn set out in the *Local Government (Audit) Regulations 1996*.

DETAILS

The Audit Plan sets out the programme to be implemented during 2007/2008 by the City's Internal Auditor. At its meeting of 16 August 2007 The Audit Plan was presented to and noted by the Audit Committee.

Issues and options considered:

Not applicable

Link to Strategic Plan:

1.1 OBJECTIVE: To ensure that the processes of local governance are carried out in a manner that is ethical, transparent and accountable.

1.3 OBJECTIVE: To lead and manage the City effectively.

Legislation – Statutory Provisions:

Part 7 of the *Local Government Act 1995* and the *Local Government (Audit) Regulations 1996*.

Risk Management considerations:

The Internal Audit Plan is an important element of risk management and a contributor to the mitigation of risk.

Financial/Budget Implications:

Not applicable.

Policy implications:

Not applicable.

Regional Significance:

Not applicable.

Sustainability implications:

The audit requirement is a statutory obligation to ensure the prudent and sustainable operation of the City.

Consultation:

Not applicable.

COMMENT

Not applicable.

ATTACHMENTS

Attachment 1 – Status of Audit Plan

Attachment 2 – Executive Summary Internal Audit Reports

VOTING REQUIREMENTS

Simple majority.

RECOMMENDATION

That the Audit Committee NOTES the Internal Audit Activity Report for 2007/2008.

Appendix 5 refers

ITEM 9 APPOINTMENT OF EXTERNAL MEMBER OF AUDIT COMMITTEE - [50068]

WARD: All

RESPONSIBLE DIRECTOR: Mr Mike Tidy
Corporate Services

PURPOSE

For the Committee to consider whether or not to recommend Council proceed with filling the vacancy of External Member on the Audit Committee.

EXECUTIVE SUMMARY

The Terms of Reference of the Audit Committee provide for an external member, i.e. not a Council member or staff member, to be appointed to the Audit Committee. The Council appointed an external member to the Committee at its meeting in December 2007. Subsequently the appointee resigned in May 2008. It is recommended that Council proceeds to fill the vacancy.

That the Audit Committee RECOMMENDS that Council:

- 1 *NOTES the resignation of Mr Peter Smith as external member of the Audit Committee;*
- 2 *APPROVES advertising and inviting applications for the vacancy of External Member on the Audit Committee from residents who are on, or are eligible to be on, the City of Joondalup electoral roll.*

BACKGROUND

The City of Joondalup's Audit Committee Charter in Section 4 deals with Membership and provides for the appointment of one representative to the Audit Committee who is external to the operations of the City of Joondalup. In August 2006 Council amended the Audit Committee Charter in relation to the external member representative to include a new clause 4.7

"When appointing the external member to the Audit Committee as detailed within the Audit Charter, the Council may prefer to appoint a person who is enrolled to vote in the elections for the City of Joondalup in accordance with the provisions of the Local Government Act, 1995".

In September 2006 the position of external member on the Audit Committee was advertised in the West Australian with expressions of interest sought from suitably qualified and experienced persons. Only one response was received which was not considered suitable and the application was declined.

Council at its meeting of 27 March 2007 (CJ043-03/07-03/07 Minutes of Audit Committee Meeting held on 6 March 2007) resolved:

“That the City READVERTISES for an external member representative on the Audit Committee for the term October 2007 to October 2009 in the Joondalup and Wanneroo Times only.”

Subsequently the advertisements resulted in three responses. These were considered by the Committee at its meeting on 4 December 2007 and its recommendation to appoint an external member was accepted by Council on 14 December 2007.

Although there is capacity within the Terms of Reference of the Committee to consider paying a fee to the external member, this had not been contemplated at the time of the appointment. Subsequently this became an issue for the appointee who resigned.

DETAILS

Issues and options considered:

The are two options:

1. Further pursue the issue of appointing an external member to the Committee, or
2. Recommend to Council that no appointment be pursued and that the position remain vacant.

If option 1. is accepted then potentially there could be two sub options being:

1. Re-running the process again ie. advertise etc, or
2. Revisit the two unsuccessful applicants from the previous occasion with a view to offering the appointment to one of them.

Link to Strategic Plan:

Links to the Key Focus Area of Leadership and Governance

- 1.1 Objective: To ensure that the processes of local governance are carried out in a manner that is ethical, transparent and accountable.

Legislation – Statutory Provisions:

Section 5.8 of the Local Government Act 1995 provides for a local government to establish a committee to assist Council.

Division 7.1A of Part 7 of the Local Government Act 1995 deals with the establishment, membership, decision-making and duties that a local government can delegate to an Audit Committee.

The Local Government (Audit) Regulations 1996 also includes provisions, which deal with the functions of an Audit Committee.

Risk Management considerations:

The Audit Committee is an important element of risk management and a contributor to the mitigation of risk. It plays a significant oversight role. Having an external member on that Committee adds an additional element to that oversight role by

bringing a focus that is not influenced by other issues before Council. It offers the opportunity for input from a fresh perspective.

Financial/Budget Implications:

Not applicable.

Policy Implications:

There is an Audit Committee Charter, which makes provision for the objectives, functions and operation of the Audit Committee. Section 4 of the Charter sets out provisions in relation to membership and that includes clauses making provision for the appointment of an external member to the Audit Committee.

Regional Significance:

Not Applicable.

Sustainability Implications:

The Audit Committee plays a role in providing financial oversight of the City's activities and thereby helps to secure the long-term financial sustainability of the City.

Consultation:

Not Applicable.

COMMENT

It is felt that the external member of the Audit Committee does add an additional element to the oversight role by bringing a focus that is not influenced by other issues before Council. It offers the opportunity for input from a fresh perspective. It is recommended that the Committee recommends to Council that the filling of the vacancy for the external member of the committee be pursued.

The previous advertising process was run nine months ago. Given that length of time it is recommended that the approach be to advertise again in the local press for City of Joondalup residents to nominate for external member of the Audit Committee which is an unpaid position.

ATTACHMENTS

Attachment 1 Audit Committee Charter

VOTING REQUIREMENTS

Simple Majority

RECOMMENDATION

That the Audit Committee RECOMMENDS that Council:

- 1 NOTES the resignation of Mr Peter Smith as the external member of the Audit Committee;**
- 2 APPROVES advertising and inviting applications for the vacancy of External Member on the Audit Committee from residents who are on, or are eligible to be on, the City of Joondalup electoral roll.**

Appendix 6 refers

**ITEM 10 HALF YEARLY REPORT – CURRENT
 CONTRACTORS CUMULATIVE COSTS (1
 JANUARY 2008 TO 30 JUNE 2008 – [07032]**

WARD: All

RESPONSIBLE Mr Mike Tidy

DIRECTOR: Director Corporate Services

This report was not available at the time of distribution of the agenda and will be provided under separate cover.