

CITY OF JOONDALUP

MINUTES OF MEETING OF THE AUDIT COMMITTEE HELD IN CONFERENCE ROOM 1, JOONDALUP CIVIC CENTRE, BOAS AVENUE, JOONDALUP ON TUESDAY 25 JULY 2006

ATTENDANCE

Committee Members:

Cr T McLean	- <i>Presiding Person</i>	North Ward
Cr S Magyar	- <i>Deputy Presiding Person</i>	North-Central Ward
Mayor T Pickard		
Cr G Amphlett		Central Ward
Cr S Hart		South-East Ward
Cr R Currie		South Ward

Officers:

Chief Executive Officer:	G HUNT	
Director, Corporate Services:	M TIDY	<i>Absent from 1652 hrs to 1654 hrs</i>
Administrative Secretary:	L TAYLOR	

In Attendance

Mr Ross Jerrard Deloitte Touche Tohmatsu *to 1652 hrs*

DECLARATION OF OPENING

The Presiding Person declared the meeting open at 1631 hrs.

APOLOGIES/LEAVE OF ABSENCE

Leave of absence previously approved:

Cr M John 4 July 2006 – 28 July 2006 Inclusive

Apology - Cr Evans

CONFIRMATION OF MINUTES**MINUTES OF THE AUDIT COMMITTEE HELD 20 JUNE 2006**

MOVED Mayor Pickard, SECONDED Cr Magyar that the minutes of the meeting of the Audit Committee held on 20 June 2006 be confirmed as a true and correct record.

The Motion was Put and

CARRIED (6/0)

In favour of the Motion: Mayor Pickard, Crs McLean, Magyar, Amphlett, Corr and Currie

ANNOUNCEMENTS BY THE PRESIDING PERSON WITHOUT DISCUSSION

The Presiding Person introduced Mr Ross Jerrard of Deloitte Touche Tohmatsu to the Committee.

DECLARATIONS OF INTEREST**Disclosure of Financial Interests**

Nil.

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 2 – Quarterly Report – Corporate Credit Card Usage
Nature of interest	Interest that may affect impartiality
Extent of interest	Relates to CEO credit card expenditure

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

Nil.

PETITIONS AND DEPUTATIONS

Nil.

REPORTS

ITEM 1 **AUDIT OF ANNUAL FINANCIAL STATEMENTS - [50068, 12283]**

WARD: All

RESPONSIBLE DIRECTOR: Mr Mike Tidy
Corporate Services

PURPOSE

To advise the Audit Committee that Mr Ross Jerrard, Auditor, Deloitte Touche Tohmatsu will be in attendance at the Audit Committee Meeting for the purpose of discussing the 30 June 2006 Financial Statements.

EXECUTIVE SUMMARY

In accordance with Council's decision of 1 November 2005 (CJ226-11/05 refers) the City's auditors, Deloitte Touche Tohmatsu, have been invited to attend an Audit Committee Meeting prior to their audit of the 2005/2006 Annual Financial Statements. Mr Ross Jerrard will be in attendance at the Audit Committee meeting scheduled for Tuesday 25 July 2006.

It is recommended that the Audit Committee NOTES its discussions with Mr Ross Jerrard, Deloitte Touche Tohmatsu for the purpose of discussing the audit of the 30 June 2006 Financial Statements prior to Deloitte Touche Tohmatsu commencing their audit.

BACKGROUND

At its meeting of 1 November 2005 (CJ226-11/05 refers) Council resolved as follows:

- 1 *Council NOTES the minutes of the Audit Committee meeting held on 18 October 2005 forming Attachment 1 to Report CJ226-11/05;*
- 2 *from 2006, the external Auditors meet with the Audit Committee prior to the audit of the annual Financial Statements being conducted;*
- 3 *Council REQUESTS the Chief Executive Officer to review the draft Audit Charter by modifying the words to more appropriately reflect:*
 - *Legislative requirements*
 - *Oversight and monitoring role of the Audit Committee*
 - *Clarification of the role and function of the Committee*
 - *Terms of appointment of the independent Committee members*
 - *Quorum numbers and composition of Committee*
 - *Interaction with the Internal Auditor*
 - *Status of independent persons*

- 4 *Procedure 5.9 – Use of Credit/Charge Cards be reviewed in light of the Local Government Operational Guidelines Number 11 in relation to use of corporate credit cards and the discussions that occurred at the Audit Committee meeting held on 18 October 2005.*

In accordance with Resolution 2 above, arrangements were put in place to invite a representative from Deloitte Touche Tohmatsu to an Audit Committee Meeting prior to their audit of the 30 June 2006 Financial Statements.

DETAILS

Issues and options considered:

As contained within the minutes of the Audit Committee dated 1 November 2005.

Link to Strategic Plan:

- 4.2.1 Provide efficient and effective service delivery
- 4.3.3 Provide fair and transparent decision making processes

Legislation – Statutory Provisions:

Part 7 of the Local Government Act 1995 sets out the requirements for audits.

Risk Management considerations:

Not Applicable.

Financial/Budget Implications:

Not Applicable.

Policy Implications:

Not Applicable.

Regional Significance:

Not Applicable.

Sustainability Implications:

Not Applicable.

Consultation:

Not Applicable.

COMMENT

Not Applicable.

ATTACHMENTS

Nil.

VOTING REQUIREMENTS

Simple Majority.

MOVED Cr Hart, SECONDED Cr Amphlett that the Audit Committee, NOTES its discussions with Mr Ross Jerrard, Deloitte Touche Tohmatsu for the purpose of discussing the audit of the 30 June 2006 Financial Statements prior to Deloitte Touche Tohmatsu commencing their audit.

Mr Jerrard gave an overview of the processes involved with undertaking the audit for the City and advised the main change that has occurred since last year was the introduction in November 2005 of the International Audit Standards that have become a force of law.

Discussion ensued, with Mr Jerrard providing explanations to queries raised by the Committee.

Chief Executive Officer advised the City is currently in the process of interviewing to fill the vacancy of Internal Auditor.

To a query raised by Cr Magyar, Mr Jerrard advised that information in relation to the International Audit Standards can be obtained via the Institute of Chartered Accountants website or alternatively the website of Deloitte Touche and Tohmatsu.

The Motion was Put and

CARRIED (6/0)

In favour of the Motion: Mayor Pickard, Crs McLean, Magyar, Amphlett, Corr and Currie

Disclosure of interest affecting impartiality

Name/Position	Mr Garry Hunt, Chief Executive Officer
Item No/Subject	Item 2 – Quarterly Report – Corporate Credit Card Usage
Nature of interest	Interest that may affect impartiality
Extent of interest	Relates to CEO credit card expenditure

ITEM 2 QUARTERLY REPORT- CORPORATE CREDIT CARD USAGE - [09882, 18049]

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 the corporate credit card usage of the CEO for the quarter ended 31 March 2006.

EXECUTIVE SUMMARY

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 and Mayor is to be prepared and presented to the Audit Committee (CJ210-10/05 refers). The report for the quarter ended 31 March 2006 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 2006.

BACKGROUND

The information to be provided in the Warrant of Payments on the usage of corporate credit cards was the subject of extensive investigation by the City, details of which were reported to Council on 11 October 2005.

Following its deliberation, it was resolved:

That Council:

- 1 *AGREES that the payee name be provided on the single line credit card payments included in the Warrant of Payments;*
- 2 *AMENDS the wording of the recommendation in the Warrant of Payments report to reflect the CEO's delegated power to make payments and Councils procedural role in noting the report;*
- 3 *REQUESTS that the Director of Corporate Services and Resource Management prepare a quarterly report for the Audit Committee on the corporate credit card usage of the CEO and Mayor.*

DETAILS

At its meeting held on 11 October 2005, Council considered the advice received from the City's legal representatives, the City's Auditors and the Department of Local Government and Regional Development on the details to be provided in the Warrant of Payments in relation to credit cards. Following its deliberation Council, inter alia, requested the Director of Corporate Services to prepare a quarterly report for the Audit Committee on the corporate credit card usage of the CEO and Mayor.

The quarterly report as requested is provided per Attachment 1.

Issues and options considered:

As provided in CJ210 – 10/05.

Link to Strategic Plan:

The list of payments 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.

While not legislation, the Department of Local Government and Regional Development has revised guidelines relating to the use of corporate credit cards. A copy of these guidelines has been previously circulated to elected members.

Risk Management considerations:

In accordance with the City's 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 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 Quarterly Credit Card Expenditure for the Quarter Ended 31 March 2006.

MOVED Mayor Pickard, SECONDED Cr Currie that the Audit Committee NOTES the report on the corporate credit card usage of the CEO for the quarter ended 31 March 2006.

Discussion ensued. Cr Hart requested details be provided in relation to the entry for the Joondalup Resort – 27 January 2006.

The Motion was Put and

CARRIED (6/0)

In favour of the Motion: Mayor Pickard, Crs McLean, Magyar, Amphlett, Corr and Currie

Appendix 1 refers

**ITEM 3 QUARTERLY REPORT- CORPORATE CREDIT CARD USAGE
- [09882, 18049]**

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 the corporate credit card usage of the CEO for the quarter ended 30 June 2006.

EXECUTIVE SUMMARY

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 and Mayor is to be prepared and presented to the Audit Committee - CJ210-10/05 refers. The report for the quarter ended 30 June 2006 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 2006.

BACKGROUND

The information to be provided in the Warrant of Payments on the usage of corporate credit cards was the subject of extensive investigation by the City, details of which were reported to Council on 11 October 2005.

Following its deliberation, it was resolved:

That Council:

- 1 *AGREES that the payee name be provided on the single line credit card payments included in the Warrant of Payments;*

- 2 *AMENDS the wording of the recommendation in the Warrant of Payments report to reflect the CEO's delegated power to make payments and Councils procedural role in noting the report;*
- 3 *REQUESTS that the Director of Corporate Services prepare a quarterly report for the Audit Committee on the corporate credit card usage of the CEO and Mayor.*

DETAILS

At its meeting held on 11 October 2005, Council considered the advice received from the City's legal representatives, the City's Auditors and the Department of Local Government and Regional Development on the details to be provided in the Warrant of Payments in relation to credit cards. Following its deliberation Council, inter alia, requested the Director of Corporate Services to prepare a quarterly report for the Audit Committee on the corporate credit card usage of the CEO and Mayor.

The quarterly report as requested is provided per Attachment 1.

Issues and options considered:

As provided in CJ210 – 10/05.

Link to Strategic Plan:

The list of payments 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 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 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 Quarterly Credit Card Expenditure for the Quarter Ended 30 June 2006.

MOVED Cr Currie, SECONDED Cr Magyar that the Audit Committee NOTES the report on the corporate credit card usage of the CEO for the quarter ended 30 June 2006.

Discussion ensued.

The Motion was Put and

CARRIED (6/0)

In favour of the Motion: Mayor Pickard, Crs McLean, Magyar, Amphlett, Corr and Currie

Appendix 2 refers

ITEM 4 HALF-YEARLY REPORT - CONTRACT EXTENSIONS - [07032]

WARD: All

RESPONSIBLE DIRECTOR: Mr Mike Tidy
Director Corporate Services

PURPOSE

The purpose of this report is to provide the Audit Committee with details of contracts originally approved by Council that have been extended by the Chief Executive Officer between January 2006 and June 2006.

EXECUTIVE SUMMARY

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 refers. The report for the half-year 1 January 2006 – 30 June 2006 is attached.

It is recommended that the Audit Committee NOTES the report detailing contracts extended by the CEO during the period 1 January – 30 June 2006.

BACKGROUND

A report was presented to an ordinary meeting of Council on 1 November 2005 requesting a Delegated Authority for the CEO to approve contract extensions originally endorsed by Council, subject to satisfactory performance by the supplier.

Following its deliberation, it was resolved:

That Council:

- 1 *APPROVES the Delegated Authority to allow the Chief Executive Officer to approve any contract extensions, within the original terms and conditions approved by Council, subject to satisfactory performance;*
- 2 *a condition of this delegation is that the Chief Executive Officer reports to the Audit Committee on a six monthly basis on the exercising of this delegation.*

DETAILS

At its meeting of 1 November 2005 Council considered the advice received from the City's solicitors in relation to the CEO's ability to extend contracts awarded by Council.

The legal opinion stated that although the wording was slightly ambiguous, under section 5.41(d) of the Local Government Act the CEO has the power to extend the contract – provided the CEO does not extend the contract beyond the “total term of the contract” specified by the Council in the resolution.

Council 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.

The half-yearly report as requested is provided at Attachment 1.

Issues and options considered:

As provided in CJ231 – 11/05.

Link to Strategic Plan:

The list of payments 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:

Not Applicable.

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

The report provides the Audit Committee with details of contracts originally approved by Council, which have been extended by the CEO.

ATTACHMENTS

Attachment 1 Half-yearly report providing details on contracts extended by the CEO during the period 1 January 2006 and 30 June 2006.

OFFICER'S RECOMMENDATION: That the Audit Committee NOTES the report detailing contracts extended by the CEO during the half-year period between 1 January 2006 and 30 June 2006.

Mr Ross Jerrard of Deloitte Touche Tohmatsu left the Room at 1652 hrs.

Director Corporate Services left the Room at 1652 hrs and returned at 1654 hrs.

MOVED Cr Magyar, SECONDED Cr Currie that the Audit Committee:

- 1 NOTES the report detailing contracts extended by the CEO during the half-year period between 1 January 2006 and 30 June 2006;**
- 2 REQUESTS a further report on the progress of reviewing the Council's contract methodology.**

Discussion ensued. Chief Executive Officer provided an explanation with respect to the City's contract processes and procedures undertaken with regard to extensions of contracts.

The Motion was Put and

CARRIED (6/0)

In favour of the Motion: Mayor Pickard, Crs McLean, Magyar, Amphlett, Corr and Currie

Appendix 3 refers

ITEM 5 WRITE OFF OF MONIES – [07032]

WARD: All

RESPONSIBLE DIRECTOR: Mike Tidy
Director Corporate Services

PURPOSE

To report to the Audit Committee on the exercise of the delegation to write off money.

EXECUTIVE SUMMARY

At its meeting held on 29 June 2004 Council reviewed the Delegated Authority Manual and resolved to amend the manual and to include an additional requirement under which a report is to be provided to the Audit Committee on the exercise of the delegation to write off money.

A report of small balances of rates written off under this delegation is herewith provided and it is recommended:

That the Audit Committee receives the report of rates written off under delegated authority for the period January to June 2006.

BACKGROUND

Section 6.12 (1)(c) of the Local Government Act 1995 gives the Council the power to write off any amount of money owing to the City. By authority of section 5.42 of the Act, the Council delegated this authority to the CEO, who in turn delegated his authority, up to the limits provided in the instrument of delegation, to other employees under section 5.44 of the Local Government Act, as stated in the Register of Delegation of Authority Manual under Write Off of Monies.

DETAILS

The attached report totalling \$5,720.82 represents 4,790 small amounts of rates written off by delegated officers for the period 1 January 2006 to 30 June 2006. These amounts vary from one cent to five dollars each, reflecting, in the main, rounding decimals or penalty interest charged for a few days late payment where ratepayers did not pay the penalty and the cost of collection was, for all practical purposes, proving to be un-economical. The exception being two rate items of \$236.25 and \$61.00 respectively, representing long-standing rate balances, which have been deemed unrecoverable.

Legislation – Statutory Provisions:

Section 6.12 (1)(c) of the Local Government Act 1995 states that a local government may write off any amount of money, which is owed to the local government.

Financial/Budget Implications:

All amounts written off were charged back to the rates/fee revenue account originally credited.

Policy Implications:

Delegation of Authority

COMMENT

The report is presented to the Audit Committee pursuant to Council resolution CJ135–06/04.

At its meeting of 6 June 2006 (CJ079-06/06 Minutes of the Audit Committee Meeting held 26 April 2006) Council resolved to:

- 1 *NOTE the minutes of the Audit Committee meeting held on 26 April 2006 forming Attachment 1 to Report CJ079-06/06*
- 2 *APPROVE an amendment to the Chief Executive Officer's 'Authority To Write-Off Monies' as detailed in the Register Of Delegated Authority to read:

'Delegation to - Chief Executive Officer -individual items to \$20,000, subject to a report being provided to the Audit Committee on a six (6) monthly basis on the exercise of this delegation for amounts between \$100 and \$20,000'*
- 3 *REQUEST the Audit Committee to review the level of delegation to the CEO to write-off monies before the end of the year 2006*
- 4 *REQUEST the Audit Committee to include the following references in the determination of the appropriate level of delegation to write-off monies:*
 - (a) *The Local Government Act 1995, Section 1.3(2) (c) and (d), that is greater accountability of local governments to their communities and more efficient and effective local government*

- (b) *The Local Government Act 1995, Section 2.7(1):*
- (1) *That the Council directs and controls the local government's affairs and is responsible for the performance of the local government's functions*
 - (2) *Without limiting subsection (1), the Council is to oversee the allocation of the local government's finances and resources*
- (c) *The Local Government Act 1995, Section 5.41 (d) - the CEO's functions to manage the day to day operations of the local government*
- 5 *REQUEST the Audit Committee to refer to the Shire of Busselton and City of Wanneroo delegations for the write-off of monies.*

A report in respect to Items 3, 4 and 5 will be submitted to the Audit Committee before the end of 2006.

ATTACHMENTS

- Attachment 1 Delegation of Authority – Write Off of Monies
Attachment 2 Spreadsheet for Write Off of Monies for 1 January 2006 to 30 June 2006.

MOVED Cr Mayor Pickard, SECONDED Cr Magyar that the Audit Committee receives the report of rates written off under delegated authority for the period January to June 2006.

The Motion was Put and

CARRIED (6/0)

In favour of the Motion: Mayor Pickard, Crs McLean, Magyar, Amphlett, Corr and Currie

Appendix 4 refers

ITEM 6 AUDIT COMMITTEE CHARTER – [50068]

WARD: All

RESPONSIBLE Mr Garry Hunt
DIRECTOR: Office of CEO

PURPOSE

To provide the Audit Committee with information in relation to the terms of reference and selection and recruitment of external membership of the Committee.

EXECUTIVE SUMMARY

Council adopted the revised draft Audit Committee Charter on 26 April 2006.

It has been recognised that the introduction of a formal Charter for the Audit Committee will provide clear guidelines that will enhance the City's review processes.

BACKGROUND

The Terms of Reference were based on the Model Terms of Reference attached to the Local Government Operational Guidelines Number 9 from the Department of Local Government and Regional Development.

DETAILS

The Model Terms of Reference referred to the membership composition in terms of: "The committee will consist of *four members with three elected and *one external person. All members shall have full voting rights" (* is considered optional).

At the Council meeting held on 24 May 2006 it was resolved:

"That Council APPOINTS the following delegates to the Audit Committee:

	Members	Deputy Members
	Mayor T Pickard	-
North Ward	Cr T McLean	Cr K Hollywood
North-Central Ward	Cr S Magyar	Cr A Jacob
Central Ward	Cr G Amphlett	Cr J Park
South-West Ward	Cr M John	Cr M Evans
South-East Ward	Cr S Hart	Cr B Corr
South Ward	Cr R Currie	Cr R Fishwick"

The Guidelines suggest the process to appoint an external person as:

- Appointment of external persons shall be made by Council by way of a public advertisement and be for a maximum term of two years. The terms of the appointment should be arranged to ensure an orderly rotation and continuity of membership despite changes to Council's elected representatives.
- External persons appointed to the committee will have business or financial management/reporting knowledge and experience, and be conversant with financial and other reporting requirements.
- Remuneration will be paid to each external person who is a member of the committee on the basis of an annual payment.

Link to Strategic Plan:

Strategy 1.2 (Leadership) of the Strategic Plan is:

"Take a leadership role, initiate facilitate and promote leading-edge projects and best practices which deliver significant benefits to the community.

To achieve this we will:

1.2.1 “Promote best practice principles within the Local Government industry”.

1.2.2 “Maintain best practice in risk management, compliance and performance reporting”.

Legislation – Statutory Provisions:

Section 5.8 of the Local Government Act 1995 provides for a local government to establish a committee to assist Council. Section 7.12 deals with “Duties of local government with respect to audits”.

Risk Management considerations:

Not Applicable.

Financial/Budget Implications:

Not Applicable.

Policy Implications:

Not Applicable.

Regional Significance:

Not Applicable.

Sustainability Implications:

Not Applicable.

Consultation:

Not Applicable.

COMMENT

It is considered that the Terms of Reference for the Audit Committee will assist the Council in discharging its corporate governance responsibilities by clearly articulating the objectives, roles and responsibilities.

ATTACHMENTS

Attachment 1 Audit Committee Charter

Attachment 2 Audit Committees in Local Government - Local Government Operational Guidelines Number 9 (Revised March 2006)

VOTING REQUIREMENTS

Simple Majority

OFFICER'S RECOMMENDATION: That the Audit Committee recommends that Council AUTHORISES the Chief Executive Officer to invite applications for the position of external committee member in accordance with the adopted Audit Committee Charter and the Local Government Operational Guidelines Number 9.

MOVED Mayor Pickard, SECONDED Cr Currie that the Audit Committee recommends that Council:

1 AMENDS Clause 4.6 of the Audit Charter to read as follows:

“4.6 The City *“may pay”* a remuneration to each external person who is a member of the committee on the basis of an annual fee to be set as part of the budget process”;

2 AUTHORISES the Chief Executive Officer to invite applications for the position of external committee member in accordance with the adopted Audit Committee Charter and the Local Government Operational Guidelines Number 9.

Discussion ensued in relation to the appointment of an external person to the Audit Committee, selection criteria and any remuneration that may be applicable.

A query was raised as to the position taken by other local authorities in relation to this matter.

The Motion was Put and

CARRIED (6/0)

In favour of the Motion: Mayor Pickard, Crs McLean, Magyar, Amphlett, Corr and Currie

Appendix 5 refers

MOTIONS OF WHICH PREVIOUS NOTICE HAS BEEN GIVEN

Nil.

REQUESTS FOR REPORTS FOR FUTURE CONSIDERATION

Nil.

CLOSURE

There being no further business, the Presiding Person declared the Meeting closed at 1728 hrs; the following Elected members being present at that time:

Cr T McLean
Cr S Magyar
Mayor T Pickard
Cr G Amphlett
Cr S Hart
Cr R Currie

AUDIT COMMITTEE CHARTER

CITY OF JOONDALUP

1.0 INTRODUCTION

An amendment to the Local Government Act 1995 (the Act) in 2005 introduced a requirement that all local governments establish an audit committee. Members of the committee are to be appointed by an absolute majority decision of the Council.

Such committees are to provide an independent oversight of the financial systems of the City of Joondalup on behalf of the Council.

As such, the committee will operate to assist Council to fulfil its corporate governance, stewardship, leadership and control responsibilities in relation to the local government's financial reporting and audit responsibilities.

2.0 OBJECTIVES AND FUNCTIONS OF THE AUDIT COMMITTEE

Objectives

- 2.1 The primary objective of the Audit Committee is to oversee the annual external audit and liaise with the City's auditor so that Council can be satisfied with the performance of the local government in managing its financial affairs.
- 2.2 Reports from the committee will assist Council in discharging its legislative responsibilities of controlling the City's affairs, determining the local government's policies and overseeing the allocation of the City's finances and resources. The committee will ensure openness in the City's financial reporting and will liaise with the CEO to ensure the effective and efficient management of the City's financial accounting systems and compliance with legislation.
- 2.3 The committee is to facilitate:
 - the enhancement of the credibility and objectivity of internal and external financial reporting;
 - effective management of financial and other risks and the protection of Council assets;
 - compliance with laws and regulations as well as use of best practice guidelines relative to auditing;
 - the coordination of the internal audit function with the external audit;
 - the provision of an effective means of communication between the external auditor, internal auditor, the CEO and the Council.

Functions

As part of its function, the Audit committee: -

- 2.4 is to provide guidance and assistance to the Council: -
- as to the carrying out of its functions in relation to audits;
 - as to the development of a process to be used to select and appoint a person to be the auditor; and
- 2.5 may provide guidance and assistance to the Council as to: -
- matters to be audited;
 - the scope of the audit;
 - its functions under Part 6 of the Local Government Act, 1995 that relate to financial management; and
 - the carrying out of its functions relating to other audits and other matters related to financial management.

3.0 POWERS OF THE AUDIT COMMITTEE

- 3.1 The committee is a formally appointed committee of Council in accordance with the Local Government Act, 1995 and is responsible to that body.
- 3.2 The committee does not have executive powers or authority to implement actions in areas over which the CEO has legislative responsibility and does not have any delegated financial responsibility. The committee does not have any management functions and cannot involve itself in management processes or procedures.
- 3.3 The committee is to report to Council and provide appropriate advice and recommendations on matters relevant to its term of reference in order to facilitate informed decision-making by Council in relation to the legislative functions and duties of the local government that have not been delegated to the CEO.

4.0 MEMBERSHIP

- 4.1 The committee will consist of eight (8) members as follows:

Mayor	
North Ward	- one representative and one deputy
North-Central Ward	- one representative and one deputy
Central Ward	- one representative and one deputy
South-West Ward	- one representative and one deputy
South-East Ward	- one representative and one deputy
South Ward	- one representative and one deputy
One Representative	- external to the operations of the City of Joondalup

- 4.2 The quorum of the committee shall be determined in accordance with the requirements of the Local Government Act, 1995.
- 4.3 All members shall have full voting rights.
- 4.4 Appointment of external persons, being natural persons shall be made by Council by way of a public advertisement and be for a maximum term as defined by the Local Government Act, 1995. The terms of the appointment should be arranged to ensure an orderly rotation and continuity of membership despite changes to Council's elected representatives.
- 4.5 External persons appointed to the committee shall: -
- be either a member of CPA Australia or the Institute of Chartered Accountants (Australia); and
 - have business or financial management/reporting knowledge and experience, and be conversant with financial and other reporting requirements.
- 4.6 The City ~~will~~ **may** pay a remuneration to each external person who is a member of the committee on the basis of an annual fee to be set as part of the budget process.
- 4.7 The CEO and employees shall not be members of the committee and the CEO or his/her nominee shall attend all meetings to provide advice and guidance to the committee.
- 4.8 The City shall provide secretarial and administrative support to the committee.

5.0 MEETINGS

- 5.1 The committee shall meet at least quarterly as determined by the committee. A schedule of meetings will be developed and agreed to by the members. As an indicative guide, meetings would be arranged to coincide with relevant Council reporting deadlines, for example in June to coincide with the approval of corporate plans, annual plans and budgets and in August to coincide with the finalisation of the financial statements and the draft annual report to the Minister.
- 5.2 Additional meetings shall be convened in accordance with the requirements of the City of Joondalup's Standing Orders Local Law 2005.
- 5.3 A decision of the committee is to be made by simple majority.

6.0 REPORTING

- 6.1 All decisions made at a meeting of the committee are to be considered at the next ordinary council meeting or, if that is not practicable: -
- a. at the first ordinary council meeting after that meeting; or
 - b. at a special meeting called for that purpose.

- 6.2 The committee shall report annually to the Council summarising its activities during the previous financial year.

7.0 DUTIES AND RESPONSIBILITIES

7.1 Duties and responsibilities of the Audit Committee will include:

- a. To review the scope of the internal audit plan and program and the effectiveness of the function. This review should consider whether, over a period of years the internal audit plan systematically addresses:
 - internal controls over significant areas of risk, including non-financial management control systems;
 - internal controls over revenue, expenditure, assets and liability processes;
 - the efficiency, effectiveness and economy of significant Council programs; and
 - compliance with regulations, policies, best practice guidelines, instructions and contractual arrangements.
- b. Review the appropriateness of special internal audit assignments undertaken by internal audit at the request of Council or Chief Executive Officer and report back to Council.
- c. Review the level of resources allocated to internal audit and the scope of its authority.
- d. Review reports of internal audit and the extent to which Council and management react to matters raised by internal audit, by monitoring the implementation of recommendations made by internal audit.
- e. Facilitate liaison between the internal and external auditor to promote compatibility, to the extent appropriate, between their audit programs.
- f. Critically analyse and follow up any internal or external audit report that raises significant issues relating to risk management, internal control, financial reporting and other accountability or governance issues, and any other matters relevant under the Committee's terms of reference. Review management's response to, and actions taken as a result of the issues raised.
- g. Monitor the risk exposure of Council by determining if management has appropriate risk management processes and adequate management information systems.
- h. Monitor ethical standards and related party transactions by determining whether the systems of control are adequate.
- i. Review Council's draft annual financial report, focusing on:
 - accounting policies and practices;
 - changes to accounting policies and practices;

- the process used in making significant accounting estimates;
 - significant adjustments to the financial report (if any) arising from the audit process;
 - compliance with accounting standards and other reporting requirements;
 - significant variances from prior years.
- j. Recommend adoption of the annual financial report to Council. Review any significant changes that may arise subsequent to any such recommendation but before the financial report is signed.
 - k. Discuss with the external auditor the scope of the audit and the planning of the audit.
 - l. Discuss with the external auditor issues arising from the audit, including any management letter issued by the auditor and the resolution of such matters.
 - m. Review tendering arrangements and advise Council.
 - n. Review the annual performance statement and recommend its adoption to Council.
 - o. Review issues relating to national competition policy, financial reporting by Council business units and comparative performance indicators.
 - p. Identify and refer specific projects or investigations deemed necessary through the Chief Executive Officer, the internal auditor and the Council if appropriate. Oversee any subsequent investigation, including overseeing of the investigation of any suspected cases of fraud within the organisation.
 - q. Monitor the progress of any major lawsuits facing the Council
 - r. Address issues brought to the attention of the Committee, including responding to requests from Council for advice that are within the parameters of the Committee's terms of reference.
 - s. Report to Council after each meeting, in the form of minutes or otherwise, and as necessary and provide an annual report to Council summarising the activities undertaken during the year.
 - t. The Audit Committee in conjunction with Council and the Chief Executive Officer should develop the Committee's performance indicators.

The Audit Committee may seek information or obtain advice on matters of concern using the normal processes of the City.