



MEETING OF THE AUDIT COMMITTEE

to be held on
TUESDAY, 20 JUNE 2006
in Conference Room 1,
Joondalup Civic Centre, Boas Avenue, Joondalup
commencing at 5.45pm

GARRY HUNT
Chief Executive Officer
16 June 2006

CITY OF JOONDALUP

Notice is hereby given that a meeting of the **AUDIT COMMITTEE** will be held in Conference Room 1, Joondalup Civic Centre, Boas Avenue, Joondalup on **TUESDAY 20 JUNE 2006** commencing at **5.45pm**.

GARRY HUNT
Chief Executive Officer
16 June 2006

Joondalup
Western Australia

AGENDA

Committee Members

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

Deputies

*Cr K Hollywood
Cr A Jacob
Cr J Park
Cr M Evans
Cr B Corr
Cr R Fishwick*

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

ELECTION OF PRESIDING PERSON

Section 5.12 of the Local Government Act 1995 requires a committee appointed by a local government, to appoint a presiding person as the first item of business at its first meeting. Schedule 2.3 of the Act requires the Chief Executive Officer to preside. Nominations for the position of presiding person are to be given to the Chief Executive Officer in writing, with the vote to be conducted by ballot.

ELECTION OF DEPUTY PRESIDING PERSON

It is advisable that the committee appoints a deputy presiding person, who would chair the meeting in the absence of the presiding person.

CONFIRMATION OF MINUTES

MINUTES OF THE AUDIT COMMITTEE HELD 26 APRIL 2006

Due to the election of the new Council on 6 May 2006, and the departure of the Joint Commissioners, it is not possible to confirm the minutes of the Audit Committee held on 26 April 2006. These minutes will therefore remain unconfirmed minutes.

RECOMMENDATION

That the Audit Committee NOTES the Minutes of the Audit Committee held on 26 April 2006.

ANNOUNCEMENTS BY THE PRESIDING PERSON WITHOUT DISCUSSION

DECLARATIONS OF INTEREST

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

PETITIONS AND DEPUTATIONS

REPORTS

ITEM 1 SETTING OF MEETING DATES

MOTIONS OF WHICH PREVIOUS NOTICE HAS BEEN GIVEN

REQUESTS FOR REPORTS FOR FUTURE CONSIDERATION

CLOSURE

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. ~~At least three (3) of the members, and the majority of members of the committee are to be elected members.~~

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: -five (5) members with four (4) being elected members of the City of Joondalup and one (1) being external to the operations of the City of Joondalup.

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 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.