

4.6: AUDIT COMMITTEE MEETING RECOMMENDATIONS – 1 MARCH 2011

Proponent : City of Albany
Responsible Officer : Chief Executive Officer (F James)

IN BRIEF

- Adopt the amended Audit Committee Terms of Reference

ITEM 4.3: COMMITTEE RECOMMENDATION VOTING REQUIREMENT: SIMPLE MAJORITY

(i) That the terms of reference for the audit committee be amended to read:

Audit Committee Terms of Reference

- The objective of the Audit Committee is to provide independent assurance and assistance to the City of Albany on risk management, control, governance, and external accountability responsibilities in addition to the legislated requirement to review the annual financial statements with the external auditor prior to Council adoption of annual accounts.
- Membership: Minimum of five elected members.
- Meeting schedule: Committee to meet at a minimum of four times per financial year.

(ii) That Council call for nominations for additional member/s of the Audit Committee.

BACKGROUND

At the 1 March 2011 Audit Committee, members considered and recommended amending the current Audit Committee Terms of Reference:

“To review annual results of the external auditor prior to Council adoption of annual accounts”.

DISCUSSION

The Local Government Act 1995 (the Act) and regulations prescribe the scope of the external audit of the annual financial statements of a local government.

CEO:

The Audit Committee is established under section 7.1A of the *Act*:

Section 7.1A. Audit committee

- (1) *A local government is to establish an audit committee of 3 or more persons to exercise the powers and discharge the duties conferred on it.*
- (2) *The members of the audit committee of a local government are to be appointed* by the local government and at least 3 of the members, and the majority of the members, are to be council members. * Absolute majority required.*
- (3) *A CEO is not to be a member of an audit committee and may not nominate a person to be a member of an audit committee or have a person to represent him or her as a member of an audit committee.*
- (4) *An employee is not to be a member of an audit committee.*

Previously Council resolved to increase the Audit Committee membership to five elected members in response to a recommendation made by the Minister for Local Government.

The *Local Government (Audit) Regulations 1996, Reg 16*, defines the function of the Audit Committee, as:

- Providing guidance and assistance to the local government:
 - as to the carrying out of its functions in relation to audits carried out under Part 7 of the Act; and
 - as to the development of a process to be used to select and appoint a person to be an auditor; and
- May provide guidance and assistance to the local government as to:
 - matters to be audited;
 - the scope of audits;
 - its functions under Part 6 of the Act; and
 - the carrying out of its functions relating to other audits and other matters related to financial management.

GOVERNMENT CONSULTATION

Nil

PUBLIC CONSULTATION / ENGAGEMENT

Nil

STATUTORY IMPLICATIONS

Statutory implications are discussed in the discussion section of this report.

STRATEGIC IMPLICATIONS

This item directly relates to the following elements from the Albany Insight ~ Beyond 2020 Corporate Plan...

Goal 4. Governance. The City of Albany will be an industry leader in good governance and service delivery.

4.1 The City of Albany will be a cohesive Council delivering ethical and responsible government committed to excellence in board governance.

POLICY IMPLICATIONS

The adoption of the revised terms of reference will amend the Governance and Meeting Framework Policy.

RISK IDENTIFICATION & MITIGATION

The risk identification and categorisation relies on the City's Risk Management Framework.

Risk	Risk Analysis	Mitigation
Current lack of Audit Committee oversight and various functions not reflected in the Terms of Reference	Extreme	Council adopts the revised terms of reference, which better defines the functions of the Audit Committee.

LEGAL IMPLICATIONS

There are possible risks to the City of Albany arising from lack of appropriate Audit Committee oversight. Enhanced Terms of Reference will minimise that risk.

ALTERNATE OPTIONS

It is recommended that if the Committee's Recommendation is not supported that an alternate terms of reference is prepared by the Audit Committee in accordance with the Act and guided by the Local Government Operational Guidelines – Number 09, Audit Committees in Local Government.

SUMMARY CONCLUSION

Council consider change to the Audit Committee Terms of Reference.

Consulted References	Local Government Operational Guidelines – Number 09 Revised March 2006 – Audit Committees in Local Government
File Number (Name of Ward)	FM.MEE.1 (All Wards)
Previous Reference	OCM 15/03/2011 Item 4.1.5