

minutes

Audit Committee

MEETING HELD ON TUESDAY 1 NOVEMBER 2016

TABLE OF CONTENTS

Item No.	Title	Page No.
	Declaration of Opening	3
	Declarations of Interest	4
	Apologies/Leave of absence	4
	Confirmation of Minutes	4
	Announcements by the Presiding Member without discussion	5
	Identification of matters for which the meeting may be closed to the public	5
	Petitions and deputations	5
	Reports	6
1	Draft Fraud, Corruption and Misconduct Control Policy – [49586, 25586]	6
2	2015-16 Annual Financial Report – [105507]	11
3	Confidential - Chief Executive Officer's Credit Card Expenditure (April - June 2016) – [09882]	17
4	Confidential - Chief Executive Officer's Credit Card Expenditure (July - September 2016) – [09882]	18
	Urgent Business	19
	Motions of which previous notice has been given	19
	Requests for Reports for future consideration	19
	Closure	19

CITY OF JOONDALUP

MINUTES OF THE AUDIT COMMITTEE MEETING HELD IN CONFERENCE ROOM 2,
JOONDALUP CIVIC CENTRE, BOAS AVENUE, JOONDALUP ON TUESDAY
1 NOVEMBER 2016.

ATTENDANCE

Committee Members

Cr Russell Poliwka	<i>Deputy Presiding Member</i>	
Mayor Troy Pickard		<i>from 5.46pm</i>
Cr Tom McLean, JP		
Cr Nige Jones		
Cr John Logan		

Officers

Mr Garry Hunt	Chief Executive Officer	
Mr Mike Smith	Acting Director Corporate Services	
Mr Roney Oommen	Manager Financial Services	<i>absent from 6.12pm to 6.13pm</i>
Mr Peter McGuckin	Acting Manager Executive and Risk Services	
Mr John Byrne	Acting Manager Governance	
Mrs Deborah Gouges	Acting Coordinator Governance	
Mrs Rose Garlick	Governance Officer	

Guests

In relation to Item 2 - 2015-16 Annual Financial Report

Ms Michelle Spain, Associate Director at Moore Stephens	<i>to 6.12pm</i>
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DECLARATION OF OPENING

The Deputy Presiding Member declared the meeting open at 5.45pm.

DECLARATIONS OF INTEREST

Disclosures of interest affecting impartiality

Elected Members (in accordance with Regulation 11 of the *Local Government [Rules of Conduct] Regulations 2007*) and employees (in accordance with the Code of Conduct) are required 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 3 - Confidential - Chief Executive Officer's Credit Card Expenditure (April – June 2016).
Nature of interest	Interest that may affect impartiality.
Extent of Interest	The Chief Executive Officer is the credit card holder.

Name/Position	Mr Garry Hunt, Chief Executive Officer.
Item No./Subject	Item 4 - Confidential - Chief Executive Officer's Credit Card Expenditure (July – September 2016).
Nature of interest	Interest that may affect impartiality.
Extent of Interest	The Chief Executive Officer is the credit card holder.

Mayor Pickard entered the room at 5.46pm.

APOLOGIES/LEAVE OF ABSENCE

Apology:

Cr Christine Hamilton-Prime.

Leave of Absence previously approved

Cr Sophie Dwyer	31 October to 3 November 2016 inclusive;
Cr John Chester	3 November to 12 November 2016 inclusive;
Cr Sophie Dwyer	6 November to 11 November 2016 inclusive;
Cr Russell Poliwka	7 November to 19 November 2016 inclusive;
Cr John Logan	16 November to 20 November 2016 inclusive;
Cr Sophie Dwyer	7 December to 9 December 2016 inclusive.

CONFIRMATION OF MINUTES

MINUTES OF THE AUDIT COMMITTEE HELD ON 2 AUGUST 2016

Moved Mayor Pickard, Seconded Cr McLean that the minutes of the meeting of the Audit Committee held on 2 August 2016 be confirmed as a true and correct record.

The Motion was Put and

CARRIED (5/0)

In favour of the Motion: Cr Poliwka, Mayor Pickard, Crs Jones, Logan, and McLean.

ANNOUNCEMENTS BY THE PRESIDING MEMBER WITHOUT DISCUSSION

Nil.

IDENTIFICATION OF MATTERS FOR WHICH THE MEETING MAY BE CLOSED TO THE PUBLIC

In accordance with Clause 5.2 of the City's *Meeting Procedures Local Law 2013*, this meeting was not open to the public.

PETITIONS AND DEPUTATIONS

Nil.

REPORTS**ITEM 1 DRAFT FRAUD, CORRUPTION AND MISCONDUCT CONTROL POLICY**

WARD	All
RESPONSIBLE DIRECTOR	Mr Garry Hunt Office of the CEO
FILE NUMBER	49586, 25586, 101515
ATTACHMENT	Attachment 1 Draft Fraud, Corruption and Misconduct Control Policy
AUTHORITY / DISCRETION	Executive – The substantial direction setting and oversight role of Council, such as adopting plans and reports, accepting tenders, directing operations, setting and amending budgets.

PURPOSE

For the Audit Committee to note the City's draft *Fraud, Corruption and Misconduct Control Policy* and recommend that it is presented to the Policy Committee for consideration.

EXECUTIVE SUMMARY

The City continually reviews its risk profile in order to identify weaknesses, improve controls, increase risk awareness and promote a positive risk culture. This has included engaging independent consultants to undertake an assessment of the City's susceptibility to fraud and misconduct risks within procurement systems. The assessment was completed and made a number of recommendations including the implementation of a fraud and corruption control policy. The City accepted the recommendation and has now developed a draft *Fraud, Corruption and Misconduct Control Policy*.

It is therefore recommended that the Audit Committee NOTES the draft Fraud, Corruption and Misconduct Control Policy forming Attachment 1 to this Report and recommends that it is presented to the Policy Committee for consideration.

BACKGROUND

Following the review of procurement practices in five local governments, including the City, the Corruption and Crime Commission recommended that the City undertake an assessment of its susceptibility to fraud and misconduct risks in its procurement practices.

The City engaged KPMG to undertake the assessment and the Audit Committee was presented with their *Final Report Fraud and Misconduct Risk Assessment – Procurement* at its meeting held on 29 February 2016.

The report made a number of recommendations including that the City implement a fraud and corruption control policy. The City accepted the recommendation and has now developed a *Draft Fraud, Corruption and Misconduct Control Policy*.

DETAILS

There is no legislative requirement for the City to implement a policy related to fraud and corruption however it is recognised that such a policy will support the City's overall approach to managing risk and provide a clear message of zero tolerance and the City's response to such activity should it be uncovered. The *Fraud, Corruption and Misconduct Control Policy* has been developed in line with various standards and guidelines including *Australian Standard 8001-2008 Fraud and Corruption Control* and the Australian National Audit Office's Best Practice Guide *Fraud Control in Australian Government Entities*.

The policy includes:

1 Application

The policy applies to Elected Members, Committee Members and all employees including agency staff.

2 Definitions

The policy includes definitions for fraud and corruption as defined in the *Australian Standard AS8001:2008 Fraud and Corruption Control*. The definitions for serious misconduct, minor misconduct, public authority and public officer are as defined in the *Corruption, Crime and Misconduct Act 2003*.

3 Statement

The City expects its Elected Members, Committee Members and employees to act in compliance with the Code of Conduct and behave ethically and honestly when performing their functions and during their interactions with each other, the community and all stakeholders of the City. All suspected instances of fraudulent or corrupt conduct will be thoroughly investigated and the appropriate reporting, disciplinary, prosecution and recovery actions initiated.

4 Details

4.1 Prevention and Detection

Emphasises that controls already in place within the City assist in preventing and detecting fraudulent activity and the City's response should such activity be detected.

4.2 Chief Executive Officer's Duty to Notify

As a principal officer of a notifying authority the City's Chief Executive Officer is required by the *Corruption, Crime and Misconduct Act 2003* to notify the Corruption and Crime Commission or the Public Sector Commission in writing of any matter that they suspect, on reasonable grounds, concerns either serious or minor misconduct by a public officer.

4.3 Reporting Serious or Minor Misconduct

A public officer or any other person may report to the Corruption and Crime Commission or the Public Sector Commission any matter which that person suspects on reasonable grounds concerns or may concern serious or minor misconduct that:

- (a) has or may have occurred; or
- (b) is or may be occurring; or
- (c) is or may be about to occur; or
- (d) is likely to occur.

4.4 Public Interest Disclosure

This section of the Policy provides information on the *Public Interest Disclosure Act 2003* which governs the disclosure of public interest information.

Public interest information means information that tends to show, in relation to its public function a public authority, a public officer, or a public sector contractor is, has been, or proposes to be, involved in:

- (a) improper conduct; or
- (b) an act or omission that constitutes an offence under a written law; or
- (c) a substantial unauthorised or irregular use of, or substantial mismanagement of, public resources; or
- (d) an act done or omission that involves a substantial and specific risk of:
 - (i) injury to public health; or
 - (ii) prejudice to public safety; or
 - (iii) harm to the environment;

or

a matter of administration that can be investigated under section 14 of the *Parliamentary Commissioner Act 1971*.

4.4 Disciplinary and Recovery Action

On all occasions the City will seek to recover any losses it may have suffered through fraudulent or corrupt conduct, which for an employee may be the termination of employment.

The draft *Fraud, Corruption and Misconduct Control Policy* is included as Attachment 1.

Legislation / Strategic Community Plan / policy implications

Legislation

Corruption, Crime and Misconduct Act 2003.
Public Interest Disclosure Act 2003.

Strategic Community Plan

Key theme

Governance and Leadership.

Objective

Corporate capacity.

Strategic initiative

- Demonstrate accountability through robust reporting that is relevant and easily accessible by the community.
- Continuously strive to improve performance and service delivery across all corporate functions.

Policy

Not applicable.

Risk management considerations

A *Fraud, Corruption and Misconduct Control Policy* provides a clear statement of zero tolerance and provides information that will support the City's overall approach to managing and controlling risk.

Financial/budget implications

Not applicable.

Regional significance

Not applicable.

Sustainability implications

Not applicable.

Consultation

Not applicable.

COMMENT

The on-going review of the City's risk management profile is intended to raise the profile of risk, improve the City's approach to risk and embed risk management across all its systems and processes. The implementation of a *Fraud, Corruption and Misconduct Control Policy* is an important addition to the City's overall risk management strategy.

Following the adoption of the policy, the development of a *Fraud, Corruption and Misconduct Control Plan* will be included in the City's *Internal Audit Plan*.

VOTING REQUIREMENTS

Simple Majority.

MOVED Cr Logan, **SECONDED** Cr McLean that the Audit Committee **NOTES** the draft *Fraud, Corruption and Misconduct Control Policy* forming Attachment 1 to this Report and recommends that it is presented to the Policy Committee for consideration.

The Motion was Put and

CARRIED (5/0)

In favour of the Motion: Cr Poliwka, Mayor Pickard, Crs Jones, Logan, and McLean.

Appendix 1 refers

To access this attachment on electronic document, click here: [Attach1agnAUDIT161101.pdf](#)

- 3 *NOTES the Auditor's Management Close Report for the Year Ended 30 June 2016 forming Attachment 4 to this Report and that there are no deficiencies, irregularities or misstatements that the auditor wishes to bring to the attention of Council.*

BACKGROUND

Section 6.4 of the *Local Government Act 1995* requires local governments to prepare an annual financial report and to submit both the report and its accounts to its auditor by 30 September each year. The City of Joondalup has met those requirements and the City's auditor has completed its audit of the accounts and the *2015-16 Annual Financial Report*.

As has been past practice, a Concise Financial Report has also been prepared for inclusion in the City's *2015-16 Annual Report*. The *2015-16 Annual Financial Report* is included as Attachment 1 to this Report.

DETAILS

Issues and options considered

The preparation of an annual financial report and the submission of the report and the City's accounts to the auditors for audit are statutory requirements of the *Local Government Act 1995*.

The annual financial report needs to be accepted by Council in order to enable the holding of an Annual General Meeting of Electors, at which the City's annual report containing the concise financial report will be considered. The annual financial report is also required to be submitted to the Department of Local Government and Communities.

Outcome of the Audit

The audit has been completed with no issues of significance raised and the audit report is unqualified (Attachment 2 refers). The auditor has provided a report to the Audit Committee (generally referred to as the Management Report, Attachment 3 refers) incorporating commentary on key financial ratios and advising no additional matters that the auditor wishes to bring to the attention of Council. A Management Close Report (Attachment 4 refers) is also provided in which it is advised that there are no deficiencies, irregularities or material misstatements that the auditor wishes to bring to the attention of Council.

In terms of form and presentation, some improvements have been effected to presentation of current year and corresponding comparative figures from the previous year. There has been no impact on the end of financial year position.

End of Financial Year position

The City has finished the financial year with a rate setting statement surplus greater than estimated. An anticipated end of year surplus at 30 June 2016 of \$650,932 was used as the opening balance in the *2016-17 Budget*. The final end of year rate setting statement surplus for 2015-16 is \$3,083,830, being \$2,432,898 more than estimated.

When comparing the actual end of year result to the estimate shown in the *2016-17 Budget*, in summary terms the \$2,432,898 surplus comprises:

Description	Sub Total	Total
Increased Operating Cash Surplus	\$ 6,164,062	
Increased Capital Revenue	\$ 2,065,037	
Reduced Capital Expenditure	\$ 1,958,780	\$ 10,187,879
Less: Reduced Net Funding Requirements		(\$ 7,754,981)
Net Variance		\$ 2,432,898

There are a number of offsets between revenue, expenditure and funding requirements of which the major ones are the following:

- Profit and loss on asset sales have been significantly impacted by property disposal transactions through Tamala Park land sales, offset by equity transactions.
- Increased capital revenue and decreased capital expenditure for works and plant, the bulk representing carry forwards \$4,103,054 which are offset by a transfer to the Capital Works Carried Forward Reserve.
- A number of operating and capital reserve funded projects that did not advance as far as anticipated or for which there was no reserve funded expenditure, resulting in lower expenditure offset by a lower drawn on reserves.
- Reductions in waste management costs resulting in an additional net transfer into the waste management reserve of \$993,456.

After allowing for these and other minor offsets the adjusted variance in surplus when compared to the estimated end of year position shown in the 2015-16 Budget is made up of:

Description	Sub Total	Total
Increased Operating Cash Surplus	\$ 2,299,836	
Increased Capital Revenue	\$ 908,783	
Increased Capital Expenditure	(\$ 998,840)	\$ 2,209,779
Increased Net Funding Requirements		\$ 223,119
Net Variance		\$ 2,432,898

The primary driver for the net increased surplus of \$2,432,898 is operating revenue and expenditure. The principal components of this are as follows:

Operating Revenue	
Interim Rates	\$ 16,915
Grants and Contributions	\$ 48,207
Interest Earnings	\$ 68,409
Share of Profit from Tamala Park Regional Council	\$ 83,109
Fees and Charges and Other Revenue	\$ 17,108
Workers Compensation Premium Rebate	\$ 369,285
	\$603,033

Operating Expenditure	
Workers Compensation Provision Write Back	\$ 1,384,848
Materials and Contracts	\$ 496,275
Utilities	\$ 125,518
Various Other Operating and Non Cash Adjustments	(\$ 309,838)
	\$ 1,696,803
Total	\$ 2,299,836

Interim rates were slightly higher than estimated while grants and contributions comprise a variety of additional amounts. The works compensation rebate and provision write back both relate to the 2011-12 and 2012-13 claims years which have been closed with substantially reduced claims. The materials and contracts savings are across a range of costs while reduced utility costs relate mainly to street lighting.

Legislation / Strategic Community Plan / policy implications

Legislation Local Government (Financial Management) Regulation 51(2) states:

“A copy of the annual financial report of a local government is to be submitted to the Departmental CEO within 30 days of the receipt by the local government’s CEO of the auditor’s report on that financial report.”

Section 5.53 of the *Local Government Act 1995* states:

5.53 Annual Reports

- (1) *The local government is to prepare an annual report for each financial year.*
- (2) *The annual report is to contain:*
 - (f) *the financial report for the financial year;*

Section 5.54 of the *Local Government Act 1995* states:

5.54 Acceptance of annual reports

- (1) *Subject to subsection (2), the annual report for a financial year is to be accepted* by the local government no later than 31 December after that financial year.*

** Absolute majority required.*

- (2) *If the auditor’s report is not available in time for the annual report for a financial year to be accepted by 31 December after that financial year, the annual report is to be accepted by the local government no later than 2 months after the auditor’s report becomes available.*

Section 6.4 of the *Local Government Act 1995* states:

6.4 Financial Report

- (1) *A local government is to prepare an annual financial report for the preceding financial year and such other financial reports as are prescribed.*
- (2) *The financial report is to –*
 - (a) *be prepared and presented in the manner and form prescribed; and*
 - (b) *contain the prescribed information.*

- (3) *By 30 September following each financial year or such extended time as the Minister allows, a local government is to submit to its auditor –*
- (a) *the accounts of the local government, balanced up to the last day of the preceding financial year; and*
 - (b) *the annual financial report of the local government for the preceding financial year.*

Strategic Community Plan

Key theme Financial Sustainability.

Objective Effective management.

Strategic initiative Not applicable.

Policy Not applicable.

Risk management considerations

Not applicable.

Financial / budget implications

Current financial year impact

Account no.	Not applicable.
Budget Item	Closing surplus.
Budget amount	\$ 650,932
Amount spent to date	\$ 3,083,830
Proposed cost	Not applicable.
Balance	\$ 2,432,898

Future financial year impact

Annual operating cost	Not applicable.
Estimated annual income	Not applicable.
Capital replacement	Not applicable.
20 Year Strategic Financial Plan impact	Subject to application of surplus funds.
Impact year	Not applicable.

All amounts quoted in this report are exclusive of GST.

Regional significance

Not applicable.

Sustainability implications

Not applicable.

Consultation

There is no legislative requirement to consult on the preparation of the Annual Financial Report, but the *Local Government Act 1995* requires a General Meeting of Electors to be held and the City's Annual Report, incorporating the Concise Financial Report, to be made available publicly. The full Annual Financial Report will also be publicly available.

COMMENT

The annual financial report will be made available on the City's public website. A minimal number of printed, bound colour copies will be available for viewing at Libraries, Leisure Centres and Customer Service Centres.

In order for the City to meet its legislative requirements, it is recommended that the Council accepts the annual financial report for the financial year 2015-16.

VOTING REQUIREMENTS

Absolute Majority.

MOVED Cr Jones, SECONDED Cr Logan that Council:

- 1 BY AN ABSOLUTE MAJORITY ACCEPTS the 2015-16 Annual Financial Report of the City of Joondalup and the accompanying 2015-16 Audit Report, forming Attachments 1 and 2 to this Report;**
- 2 NOTES the Auditor's Management Report to the Audit Committee for the year ended 30 June 2016 forming Attachment 3 to this Report and that there are no deficiencies, irregularities or other matters that the auditor wishes to bring to the attention of Council;**
- 3 NOTES the Auditor's Management Close Report for the year ended 30 June 2016 forming Attachment 4 to this Report advising that there are no deficiencies, irregularities or misstatements that the auditor wishes to bring to the attention of Council.**

The Motion was Put and

CARRIED (5/0)

In favour of the Motion: Cr Poliwka, Mayor Pickard, Crs Jones, Logan, and McLean.

The Manager Financial Services and Ms Michelle Spain, Associate Director at Moore Stephens left the room at 6.12pm.

Appendix 2 refers

To access this attachment on electronic document, click here: [Attach2agnAUDIT161101.pdf](#)

The Manager Financial Services entered the room at 6.13pm.

Disclosure of interest affecting impartiality

Name/Position	Mr Garry Hunt, Chief Executive Officer.
Item No./Subject	Item 4 - Confidential - Chief Executive Officer's Credit Card Expenditure (July – September 2016).
Nature of interest	Interest that may affect impartiality.
Extent of Interest	The Chief Executive Officer is the credit card holder.

ITEM 4 CONFIDENTIAL - CHIEF EXECUTIVE OFFICER'S CREDIT CARD EXPENDITURE (JULY - SEPTEMBER 2016)

WARD	All
RESPONSIBLE ACTING DIRECTOR	Mr Mike Smith Corporate Services
FILE NUMBER	09882, 101515
ATTACHMENT	Attachment 1 Chief Executive Officer's Credit Card Expenditure – Quarter Ended 30 September 2016 <i>(Please Note: The report and attachment is confidential and will appear in the official Minute Book only)</i>
AUTHORITY / DISCRETION	Information - includes items provided to Council for information purposes only that do not require a decision of Council (that is for 'noting').

This report is confidential in accordance with Section 5.23(2)(a) of the *Local Government Act 1995*, which also permits the meeting to be closed to the public for business relating to the following:

a matter affecting an employee.

A full report is provided to Elected Members under separate cover. The report is not for publication.

MOVED Mayor Pickard, SECONDED Cr McLean that the Audit Committee NOTES the report on the corporate credit card usage of the Chief Executive Officer for the quarter ended 30 September 2016.

The Motion was Put and

CARRIED (5/0)

In favour of the Motion: Cr Poliwka, Mayor Pickard, Crs Jones, Logan, and McLean.

URGENT BUSINESS

Nil.

MOTIONS OF WHICH PREVIOUS NOTICE HAS BEEN GIVEN

Nil.

REQUESTS FOR REPORTS FOR FUTURE CONSIDERATION

Nil.

CLOSURE

There being no further business, the Presiding Member declared the meeting closed at 6.14pm; the following Committee Members being present at that time:

Cr Russell Poliwka
Mayor Troy Pickard
Cr Tom McLean, JP
Cr Nige Jones
Cr John Logan