

minutes

Audit and Risk Committee

MEETING HELD ON **MONDAY 13 NOVEMBER 2017**

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CITY OF JOONDALUP

MINUTES OF THE AUDIT AND RISK COMMITTEE MEETING HELD IN CONFERENCE ROOM 2, JOONDALUP CIVIC CENTRE, BOAS AVENUE, JOONDALUP ON MONDAY 13 NOVEMBER 2017.

ATTENDANCE

Committee Members

Nil.

Officers

Mr Garry Hunt	Chief Executive Officer
Mr Brad Sillence	Manager Governance
Mr Roney Oommen	Manager Financial Services
Mr Peter McGuckin	Acting Manager Executive and Risk Services

Guest

Mr Greg Godwin	Partner, Moore Stephens
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DECLARATION OF OPENING

There being no quorum, in accordance with Regulation 8(e) of the *Local Government (Administration) Regulations 1996*, the meeting was adjourned by the Chief Executive Officer at 6.30pm until 7.15pm.

There being no quorum at the resumption of the meeting, in accordance with Regulation 8(e) of the *Local Government (Administration) Regulations 1996*, the meeting was adjourned by the Chief Executive Officer at 7.15pm until 7.25pm.

RESUMPTION OF MEETING

The Presiding Member resumed the meeting at 7.25pm.

Committee Members

Cr Christine Hamilton-Prime *Presiding Member*
Mayor Hon. Albert Jacob, JP *from 7.34pm*
Cr Tom McLean, JP
Cr Nige Jones
Cr Christopher May
Cr John Logan *Deputy Presiding Member*
Cr Sophie Dwyer

Observers

Cr Russell Poliwka
Cr Kerry Hollywood
Cr John Chester
Cr Russ Fishwick, JP *from 7.30pm*

Officers

Mr Garry Hunt	Chief Executive Officer
Mr Mike Smith	Acting Director Corporate Services
Mr Brad Sillence	Manager Governance
Mr Roney Oommen	Manager Financial Services
Mr Peter McGuckin	Acting Manager Executive and Risk Services
Mrs Lesley Taylor	Governance Officer
Mrs Sinead McCarthy	Governance Officer

Guest

Mr Greg Godwin *Partner, Moore Stephens*

DECLARATIONS OF INTEREST**Disclosures of Financial / Proximity Interest**

Nil.

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 (July – September 2017).
Nature of interest	Interest that may affect impartiality.
Extent of Interest	The Chief Executive Officer is the card holder.

APOLOGIES/LEAVE OF ABSENCE**Late Apology:**

Mayor Hon. Albert Jacob, JP

Leave of Absence Previously Approved:

Cr Russ Fishwick, JP 15 November to 20 December 2017 and 25 January to 18 February 2018 inclusive.

CONFIRMATION OF MINUTES

MINUTES OF THE FORMER AUDIT COMMITTEE HELD ON 7 AUGUST 2017

MOVED Cr McLean, SECONDED Cr May that the minutes of the meeting of the former Audit Committee held on 7 August 2017 be confirmed as a true and correct record.

The Motion was Put and

CARRIED (6/0)

In favour of the Motion: Crs Hamilton-Prime, Dwyer, Jones, Logan, McLean and May.

MINUTES OF THE SPECIAL AUDIT AND RISK COMMITTEE HELD ON 6 NOVEMBER 2017

MOVED Cr McLean, SECONDED Cr May that the minutes of the special meeting of the Audit and Risk Committee held on 6 November 2017 be confirmed as a true and correct record.

The Motion was Put and

CARRIED (6/0)

In favour of the Motion: Crs Hamilton-Prime, Dwyer, Jones, Logan, McLean and May.

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 2016-17 ANNUAL FINANCIAL REPORT**

WARD	All
RESPONSIBLE ACTING DIRECTOR	Mr Mike Smith Corporate Services
FILE NUMBER	106236, 101515
ATTACHMENTS	Attachment 1 2016-17 Annual Financial Report Attachment 2 2016-17 Audit Report Attachment 3 Auditors Report to the Audit Committee (Management Report) for the Financial Year Ended 30 June 2017
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 Council to consider and accept the *2016-17 Annual Financial Report* and Auditor's Report.

EXECUTIVE SUMMARY

In accordance with Section 6.4 of the *Local Government Act 1995*, the *2016-17 Annual Financial Report* has been prepared and, together with the City's accounts, has been submitted to the City's auditors to conduct their annual audit.

The City's auditors have completed their audit, in accordance with the terms of their engagement and the requirements of Part 7 Division 3 of the *Local Government Act 1995*, and have submitted their audit report. A Concise Financial Report (Financial Statements without supporting notes) will form part of the City's *2016-17 Annual Report*.

The auditors' report and the Annual Financial Report for the 2016-17 financial year are presented to Council for its consideration.

It is therefore recommended that Council:

- 1 BY AN ABSOLUTE MAJORITY, ACCEPTS the Annual Financial Report of the City of Joondalup and the accompanying audit report for the financial year 2016-17, forming Attachments 1 and 2 to this Report;*
- 2 NOTES the Auditor's Management Report for the year ended 30 June 2017 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.*

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 *2016-17 Annual Financial Report*.

As has been past practice, a Concise Financial Report has also been prepared for inclusion in the City's *2016-17 Annual Report*. The *2016-17 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, Sport and Cultural Industries (DLGSC).

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 (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.

The City undertook a detailed assessment of marine assets, including groynes and other coastal infrastructure, during the year which impacted on the value of these assets in the City's books recorded at the beginning of the year. In accordance with accounting standards, this has been brought to book as a prior year correction. There is no impact on the financial results for the year. Some changes have also been effected to form and 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 lower than estimated. An anticipated end of year surplus at 30 June 2017 of \$440,602 was used as the opening balance in the 2017-18 Budget. The final end of year rate setting statement surplus for 2016-17 is \$84,016, being \$356,586 less than estimated.

When comparing the actual end of year result to the estimate shown in the *2017-18 Budget*, in summary terms the \$356,586 variance comprises:

Description	Sub Total	Total
Increased Operating Cash Surplus	\$3,724,510	
Increased Capital Revenue	\$281,788	
Reduced Capital Expenditure	\$3,458,800	\$7,465,098
Less: Reduced Net Funding Requirements		(\$7,821,684)
Net Variance		(\$356,586)

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 impacted by property disposal transactions through Tamala Park land sales, offset by equity transactions.
- Increased operating and capital revenue, including advance receipt of part of the 2017-18 Federal Assistance and Local Roads Grants and decreased capital expenditure for works and plant, the bulk representing carry forwards of \$5,583,894 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 draw on reserves.

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 2017-18 Budget is made up of:

Description	Sub Total	Total
Increased Operating Cash Surplus	\$1,130,572	
Reduced Capital Revenue	(\$898,026)	
Reduced Capital Expenditure	\$1,214,252	\$1,446,798
Reduced Net Funding Requirements		(\$1,803,384)
Net Variance		(\$356,586)

The drivers for the net reduced surplus of \$356,586 are spread across both operating and capital. The principal components of this are as follows:

Operating Revenue and Expenditure		
Increased Operating Revenue		\$191,664
Reduced Operating Expenditure		
- Employee Costs	\$229,355	
- Materials and Contracts	\$756,129	\$985,484
Various other operating and non-cash adjustments		(\$46,576)
		\$1,130,572

Capital Revenue and Expenditure		
Reduced capital revenue		
- Capital grants and contributions	(\$945,454)	
- Equity distribution - Tamala Park Regional Council	\$47,428	(\$898,026)
Reduced capital expenditure		
- Capital Works	\$863,372	
- Other capital projects and fleet replacements	\$350,880	\$1,214,252

Reduced funding requirements include \$770,000 in respect of the loan that was expected to be drawn down to fund the refurbishment of the facility housing the Wanneroo-Joondalup SES Unit. The capital and interest repayments on the loan would have been funded by the Department of Fire and Emergency Services (DFES) over a period of time but the City was advised at the end of 2016-17 that this model is no longer necessary, and that the project is being funded fully by a grant which the City has now received in 2017-18.

The operating surplus ratio (0.05) for 2016-17 reflects the City's continuing operating deficit. While the ratio has declined in comparison with the previous financial year, the actual deficit is lower than was anticipated in budget estimates. Operating expenditure in 2016-17 included \$3,749,781 being the remainder of the City's \$4 million contribution to the HBF Arena redevelopment. Excluding the impact of this one-off expense, the operating surplus ratio is (0.02), marginally lower than the previous year. Depreciation, which is a non-cash expenditure, comprises a significant portion of operating costs. The City continues to generate significant cash surpluses from operations, when the impact of depreciation and other non-cash items is excluded.

Legislation / Strategic Community Plan / policy implications

Legislation

Regulation 51(2) of the *Local Government (Financial Management) Regulations 1996* 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 two 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 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 implicationsCurrent financial year impact

Account no.	Not applicable.
Budget Item	Closing surplus.
Budget amount	\$440,602
Amount spent to date	\$ 84,016
Proposed cost	Not applicable
Balance	\$356,586

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 closing surplus.
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 an Annual 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 2016-17.

VOTING REQUIREMENTS

Absolute Majority.

Cr Fishwick entered the room at 7.30pm.

Mayor Jacob entered the room at 7.34pm.

MOVED Cr Jones, SECONDED Cr May that Council:

- 1 BY AN ABSOLUTE MAJORITY, ACCEPTS the Annual Financial Report of the City of Joondalup and the accompanying Audit Report for the financial year 2016-17, forming Attachments 1 and 2 to this Report;**
- 2 NOTES the Auditor's Management Report for the year ended 30 June 2017 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.**

The Motion was Put and

CARRIED (7/0)

In favour of the Motion: Cr Hamilton-Prime, Mayor Jacob, Crs Dwyer, Jones, Logan, McLean and May.

Appendix 1 refers

To access this attachment on electronic document, click here: [Attach1agnAUDIT171113.pdf](#)

**ITEM 2 HALF YEARLY REPORT - WRITE OFF OF MONIES
(1 JANUARY 2017- 30 JUNE 2017)**

WARD	All
RESPONSIBLE ACTING DIRECTOR	Mr Mike Smith Corporate Services
FILE NUMBER	07032, 101515
ATTACHMENTS	Nil.
AUTHORITY / DISCRETION	Information - includes items provided to Council for information purposes only that do not require a decision of Council (that is for 'noting').

PURPOSE

For the Audit and Risk Committee to note monies written off under delegated authority.

EXECUTIVE SUMMARY

The total amount written off under delegated authority during the six months ended 30 June 2017 is \$6,849.74, comprising 6,371 small amounts of unpaid rates and costs.

It is therefore recommended that the Audit and Risk Committee RECEIVES the report of amounts written off under delegated authority for the period 1 January to 30 June 2017.

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.

At its meeting held on 6 June 2006 (CJ079-06/06 refers) Council approved to delegate to the CEO the authority to write off monies owed to the City, subject to a report being provided to the former Audit Committee on a six monthly basis on the exercise of this delegation for amounts between \$100 and \$20,000.

The CEO under section 5.44 has delegated his authority to nominated employees, up to the limits provided in the instrument of delegation.

DETAILS

During the six months ended 30 June 2017 a total amount of \$6,849.74 was written off as unrecoverable.

This amount included the following:

- 6,370 items of small rates balances that are below the reportable limit, totalling \$6,659.24, representing in the main rounding decimals or minor penalty interest charges for a few days late payment where ratepayers did not pay the penalty or the full penalty and the cost of collection was, for all practical purposes, proving to be uneconomical.
- One item of legal fees related to rates recovery totalling \$190.50 being court costs written off as agreed with the ratepayers on reaching a settlement of their dues.

Issues and options considered

Not applicable.

Legislation / Strategic Community Plan / policy implications

- | | |
|--------------------|---|
| Legislation | <ul style="list-style-type: none"> • Section 6.12(1)(c) of the <i>Local Government Act 1995</i>. • Section 5.42 of the <i>Local Government Act 1995</i>. • Section 5.44 of the <i>Local Government Act 1995</i>. |
|--------------------|---|

Strategic Community Plan

Key theme	Financial Sustainability.
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Objective	Effective management.
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Strategic initiative	Not applicable.
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Policy	Not applicable.
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Risk management considerations

The amounts written off are immaterial in value and are either unrecoverable or uneconomical to recover, none of which represent a noteworthy financial risk to the City.

Financial / budget implications

Account no.	3256
Budget Item	Bad Debts written off.
Annual Budget	\$13,500
Year to Date Budget	\$13,500
Year to Date Actual	\$11,838
Year to Date variance	\$ 1,662

Regional significance

Not applicable.

Sustainability implications

Not applicable.

Consultation

Not applicable.

COMMENT

Monies written off under delegated authority comprised 6,370 small items of unpaid rates totalling \$6,659.24, all of which were below the \$100 reportable limit and the amount of \$190.50 due from a ratepayer towards legal costs.

VOTING REQUIREMENTS

Simple Majority.

MOVED Cr Dwyer, SECONDED Cr Logan that the Audit and Risk Committee RECEIVES the report of monies written off under delegated authority for the period 1 January to 30 June 2017.

The Motion was Put and

CARRIED (7/0)

In favour of the Motion: Cr Hamilton-Prime, Mayor Jacob, Crs Dwyer, Jones, Logan, McLean and May.

Disclosure of interest affecting impartiality

Name/Position	Mr Garry Hunt, Chief Executive Officer.
Item No./Subject	Item 3 - Confidential - Chief Executive Officer's Credit Card Expenditure (July to September 2017).
Nature of interest	Interest that may affect impartiality.
Extent of Interest	The Chief Executive Officer is the card holder.

ITEM 3 CONFIDENTIAL - CHIEF EXECUTIVE OFFICER'S CREDIT CARD EXPENDITURE (JULY – SEPTEMBER 2017)

WARD	All
RESPONSIBLE ACTING DIRECTOR	Mr Mike Smith Corporate Services
FILE NUMBER	09882
ATTACHMENT	Attachment 1 Chief Executive Officer's Credit Card Expenditure – Quarter Ended 30 September 2017 <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 was provided to Elected Members under separate cover. The report is not for publication.

MOVED Cr Logan, SECONDED Mayor Jacob that the Audit and Risk Committee NOTES the report on the corporate credit card usage of the Chief Executive Officer for the quarter ended 30 September 2017.

The Motion was Put and

CARRIED (7/0)

In favour of the Motion: Cr Hamilton-Prime, Mayor Jacob, Crs Dwyer, Jones, Logan, McLean and May.

URGENT BUSINESS

Nil.

MOTIONS OF WHICH PREVIOUS NOTICE HAS BEEN GIVEN

Nil.

REQUESTS FOR REPORTS FOR FUTURE CONSIDERATION

Cr McLean requested a report from the Chief Executive Officer on the appointment of an External Member to the Audit and Risk Committee.

MOVED Cr McLean, SECONDED Cr May that the Audit and Risk Committee request the Chief Executive Officer prepare a Report on the appointment of an External Member to the Audit and Risk Committee through an expression of interest process.

The Motion was Put and

CARRIED (7/0)

In favour of the Motion: Cr Hamilton-Prime, Mayor Jacob, Crs Dwyer, Jones, Logan, McLean and May.

CLOSURE

There being no further business, the Presiding Member declared the meeting closed at 7.50pm; the following Committee Members being present at that time:

CR CHRISTINE HAMILTON-PRIME
MAYOR HON. ALBERT JACOB, JP
CR SOPHIE DWYER
CR NIGE JONES
CR JOHN LOGAN
CR CHRISTOPHER MAY
CR TOM MCLEAN, JP