

# minutes

## Audit and Risk Committee

MEETING HELD ON **TUESDAY 6 MARCH 2018**

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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 TUESDAY 6 MARCH 2018.

#### ATTENDANCE

##### Committee Members

Cr Christine Hamilton-Prime	<i>Presiding Member</i>	
Mayor Hon. Albert Jacob, JP		<i>from 5.47pm</i>
Cr Tom McLean, JP		
Cr Nige Jones		
Cr Christopher May		
Cr John Logan	<i>Deputy Presiding Member</i>	
Cr Russ Fishwick, JP	<i>(deputising for Cr Sophie Dwyer)</i>	<i>from 5.56pm</i>

##### Officers

Mr Garry Hunt	Chief Executive Officer	<i>absent from 5.59pm to 6.02pm</i>
Mr Mike Tidy	Director Corporate Services	
Mr Brad Sillence	Manager Governance	
Ms Christine Robinson	Manager Executive and Risk Services	
Mr Roney Oommen	Manager Financial Services	
Mr Peter McGuckin	Internal Auditor	
Mr John Byrne	Governance Coordinator	<i>from 5.55pm</i>
Mrs Deborah Gouges	Governance Officer	

##### Observer

Cr Russell Poliwka	<i>from 5.47pm</i>
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#### DECLARATION OF OPENING

The 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.

<b>Name/Position</b>	<b>Mr Garry Hunt, Chief Executive Officer.</b>
<b>Item No./Subject</b>	Item 6 - Confidential - Chief Executive Officer's Credit Card Expenditure (October - December 2017).
<b>Nature of interest</b>	Interest that may affect impartiality.
<b>Extent of Interest</b>	The Chief Executive Officer is the card holder.

**APOLOGIES/LEAVE OF ABSENCE****Leave of Absence Previously Approved**

Cr Sophie Dwyer	21 February to 31 March 2018 inclusive;
Cr John Chester	23 February to 19 March 2018 inclusive;
Cr Mike Norman	6 to 13 April 2018 inclusive;
Mayor Hon. Albert Jacob, JP	26 April to 7 May 2018 inclusive.

**Request for Leave of Absence**

Cr Nige Jones	16 to 27 April and 20 to 25 May 2018 inclusive.
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**CONFIRMATION OF MINUTES****MINUTES OF THE AUDIT AND RISK COMMITTEE HELD ON 13 NOVEMBER 2017**

**MOVED Cr Jones SECONDED Cr McLean that the minutes of the meeting of the Audit and Risk Committee held on 13 November 2017 be confirmed as a true and correct record.**

**The Motion was Put and**

**CARRIED (5/0)**

**In favour of the Motion:** Crs Hamilton-Prime, 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.

*Mayor Jacob and Cr Poliwka entered the room at 5.47pm.*

**REPORTS****ITEM 1                    2017 COMPLIANCE AUDIT RETURN**

<b>WARD</b>	All
<b>RESPONSIBLE DIRECTOR</b>	Mr Garry Hunt Office of the CEO
<b>FILE NUMBER</b>	32481, 09492, 101515
<b>ATTACHMENTS</b>	Attachment 1    2017 Compliance Audit Return
<b>AUTHORITY / DISCRETION</b>	Executive - The substantial direction setting and oversight role of Council, such as adopting plans and reports, accepting tenders, directing operations, setting and amending budgets.

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**PURPOSE**

For Council to adopt the City's 2017 Compliance Audit Return (the Return) prior to it being submitted to the Department of Local Government, Sport and Cultural Industries (DLGSC).

**EXECUTIVE SUMMARY**

The DLGSC Compliance Audit Return for the period 1 January to 31 December 2017 has been completed and is required to be adopted by Council before being submitted to the DLGSC by 31 March 2018.

*It is therefore recommended that Council:*

- 1        ADOPTS the completed 2017 Local Government Compliance Audit Return for the period 1 January to 31 December 2017 forming Attachment 1 to this Report;*
- 2        in accordance with Regulation 15 of the Local Government (Audit) Regulations 1996, SUBMITS the completed Compliance Audit Return as detailed in Part 1 above, to the Department of Local Government, Sport and Cultural Industries.*

**BACKGROUND**

Regulation 14 of the *Local Government (Audit) Regulations 1996* requires a local government to carry out a compliance audit for the period 1 January to 31 December in each year. After carrying out a compliance audit the local government is to prepare a compliance audit return in a form approved by the Minister. The Audit and Risk Committee is to review the Return before it is presented to Council for adoption.

Regulation 15 requires the Return to be certified by the Mayor and the Chief Executive Officer before being submitted to the DLGSC, along with the relevant section of the minutes, by 31 March next following the period to which the Return relates.

The 2017 Return was made available to local government authorities by the DLGSC via its centralised portal. The 2017 Return is similar to previous years and focuses on high risk areas of compliance and statutory reporting as prescribed in Regulation 13 of the *Local Government (Audit) Regulations 1996*.

An additional category of Integrated Planning and Reporting has been added to the 2017 Return for the first time.

## DETAILS

The 2017 Return contains the following compliance categories:

- Commercial Enterprises by Local Governments.
- Delegation of Power / Duty.
- Disclosure of Interest.
- Disposal of Property.
- Elections.
- Finance.
- Integrated Planning and Reporting.
- Local Government Employees.
- Official Conduct.
- Tenders for Providing Goods and Services.

The relevant Managers were required to complete the responses to the questions which were approved by their Director before being forwarded to the Internal Auditor for review. The Return has been completed and is now required to be adopted by Council before being finalised and submitted to the DLGSC by 31 March 2018.

It should be noted that the Return indicates one incident of non-compliance under the category Disclosure of Interest where one employee did not lodge their annual return by 31 August 2017. The employee was on extended leave and submitted their annual return when they returned to work.

### Legislation / Strategic Community Plan / policy implications

**Legislation** Regulations 14 and 15 of the *Local Government (Audit) Regulations 1996*.

### 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.

### Risk management considerations

The risk associated with Council failing to adopt the 2017 Return would result in non-compliance with the legislative requirements of the *Local Government (Audit) Regulations 1996*.

**Financial / budget implications**

Not applicable.

**Regional significance**

Not applicable.

**Sustainability implications**

Not applicable.

**Consultation**

Not applicable.

**COMMENT**

The responses in the 2017 return reveal a high level of compliance by the City with legislation.

**VOTING REQUIREMENTS**

Simple Majority.

**MOVED Cr McLean, SECONDED Cr Jones that Council:**

- 1 ADOPTS the 2017 Local Government Compliance Audit Return for the period 1 January 2017 to 31 December 2017 forming Attachment 1 to this Report;**
- 2 in accordance with Regulation 15 of the *Local Government (Audit) Regulations 1996*, SUBMITS the completed 2017 Compliance Audit Return as detailed in Part 1 above to the Department of Local Government, Sport and Cultural Industries.**

**The Motion was Put and**

**CARRIED (6/0)**

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

*Appendix 1 refers*

*To access this attachment on electronic document, click here: [Attach1agnAUDIT180306.pdf](#)*



## ITEM 2                      EXTERNAL MEMBER TO AUDIT AND RISK COMMITTEE

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<b>WARD</b>	All
<b>RESPONSIBLE DIRECTOR</b>	Mr Garry Hunt Office of the CEO
<b>FILE NUMBER</b>	107022, 101515
<b>ATTACHMENTS</b>	Nil
<b>AUTHORITY / DISCRETION</b>	Executive - The substantial direction setting and oversight role of Council, such as adopting plans and reports, accepting tenders, directing operations, setting and amending budgets.

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### PURPOSE

For Council to consider its options regarding the appointment of an external member to the Audit and Risk Committee.

### EXECUTIVE SUMMARY

The former Audit Committee was renamed the Audit and Risk Committee at the Special Meeting of Council held on 6 November 2017, following the local government elections in October 2017. For the purposes of this report it is referred to as the committee.

The last external member of the committee resigned on 10 January 2013.

During May / June 2013 the City sought expressions of interest to fill the vacant position, however no submissions were received.

During December 2013 the expressions of interest process was recommenced. Five expressions of interest were received and presented to the committee at its meeting held on 10 March 2014 (Item 4 refers) for consideration. The committee recommended one of the candidates be appointed as the external member subject to a satisfactory interview. Following the interview held on 8 April 2014, it was decided not to appoint the candidate as the external member to the committee.

The position of external member to the committee has remained vacant since January 2013, with subsequent restructuring of the committee in 2015 and 2017 not including any external member representation in its composition.

At its meeting held on 13 November 2017, the Audit and Risk Committee resolved as follows:

*“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.”*

*It is therefore recommended that Council:*

- 1        AGREES in-principle to amend the composition of the Audit and Risk Committee to include external member representation;*
- 2        REQUESTS the Chief Executive Officer to advertise for expressions of interest for the position of external member of the Audit and Risk Committee;*

- 3 *CONSIDERS if the external member is required to be a resident of the City of Joondalup and / be enrolled to vote in the elections for the City in accordance with the provisions of the Local Government Act 1995;*
- 4 *AGREES the external member will be reimbursed for expenditure relating to attendance at meetings of the Audit and Risk Committee in accordance with Regulation 31(1) of the Local Government (Administration) Regulations 1996.*

## **BACKGROUND**

The former Audit Committee was established at the ordinary Council meeting held on 14 March 2000 (CJ042-03/00 refers). The purpose of the committee at that time was to oversee the internal and external audit, risk management and compliance functions of the City.

At that time the committee comprised seven Elected Members plus an independent external member. The previous external member resigned from the committee 10 January 2013.

The committee and subsequently Council considered the issue of appointing a replacement external member. At its meeting held on 16 April 2013 (CJ057-04/13 refers), Council resolved to call for expressions of interest to fill the position of external member to the committee.

The expressions of interest process commenced on 16 May 2013 and concluded on 3 June 2013, with the following activities undertaken to encourage expressions of interest:

- Advertisement placed in the *Joondalup Weekender*.
- Email distributed to CPA Australia and the Institute of Chartered Accountants, requesting they inform their members of the opportunity.
- Public notice placed on the City's website directing interested applicants to an information pack developed for prospective members.
- Development of an online form to simplify the expression of interest process.

Despite the City undertaking both a community based advertising approach, as well as a targeted approach of finance professionals, no submissions were received and no enquiries were received by City officers regarding the external member vacancy.

This outcome was reported to the committee at its meeting held on 12 August 2013 and subsequently resolved by Council at its meeting held on 24 September 2013 (CJ184-09/13 refers) as follows:

*"That Council leave the position of external member to the Audit Committee vacant and reconsider an appointment following the October 2013 local government elections."*

Following the local government elections, the expression of interest process was recommenced on 28 November 2013 and concluded on 13 December 2013. An advertisement was placed in the *Joondalup Weekender* and on the City's website.

The advertisement stipulated that applicants must meet the following essential criteria:

- Be a member of CPA Australia or the Institute of Chartered Accountants.
- Demonstrate their knowledge and experience of:
  - Business or financial management / reporting
  - Risk management systems and procedures
  - Internal business controls
  - Legislative compliance programs.

The following attributes were considered to be preferential criteria:

- Exposure to local government financial management and reporting.
- Reside within the City of Joondalup and / or be enrolled to vote in the elections for the City in accordance with the provisions of the *Local Government Act 1995*.

Five expressions of interest were received and provided to the committee at its meeting held on 10 March 2014 (Item 4 refers) for consideration in appointing an external member to the committee. It was resolved that Council appoint one of the candidates as the external member of the committee for a term to expire in October 2015, subject to a satisfactory interview with the Presiding Member of the committee, the Chief Executive Officer and the Director Corporate Services.

An interview was held on 8 April 2014, following which it was decided not to appoint the preferred candidate as the external member of the committee.

Following the 2015 elections and the restructuring of the committee, the committee was re-established by Council without an external member in its composition. Following the 2017 local government elections the committee was re-established as the Audit and Risk Committee, again without an external member representative in its composition.

## **DETAILS**

The former position of external member remained vacant from January 2013 to October 2015, following which subsequent committees have been established by Council without any external member representation. Following the resolution of the committee at its meeting held on 13 November 2017 Council is consider whether to include an external member in the committee composition and if so, to commence appointment by an Expression of Interest process.

Should Council agree in-principle to amend the composition of the committee to include an external member, it is considered the appointment process ought to commence and once a suitable incumbent selected, then a further report be presented to Council to formally amend the composition of the committee and appoint the preferred applicant at that time. This removes any issue associated with creating the position and it remaining vacant until an appointment is made, thereby resolving any quorum issues.

## **Issues and options considered**

Council can either:

- amend the composition of the committee to include the position of external member  
or
- leave the composition of the committee as is.

If Council decides to include an external member in the committee composition, further points to be considered for the appointment of such a member include:

- the qualifications and experience required for the position of external member
- if the external member should be a resident of the City
- if the external member is to be reimbursed for expenses incurred.

Section 5.100 of the *Local Government Act 1995* relates to payments for certain committee members and prevents the City from paying an attendance fee to the external member. The City can however decide to reimburse the external member any expenditure incurred.

5.100 *Payments for certain committee members*

- (1) *A person who is a committee member but who is not a council member or an employee is not to be paid a fee for attending any committee meeting.*
- (2) *Where –*
- (a) *a local government decides that any person who is a committee member but who is not a council member or an employee is to be reimbursed by the local government for an expense incurred by the person in relation to a matter affecting the local government; and*
- (b) *a maximum amount for reimbursement of expenses has been determined for the purposes of section 5.98(3)(b),*
- the local government must ensure that the amount reimbursed to that person does not exceed that maximum.*

It should be noted that the previous external member to the committee was a resident of the City and did not receive any reimbursements from the City relating to attendance at meetings of the committee. If Council decides to reimburse the external member for expenditure incurred and associated with attending meetings of the committee, these are limited to the following:

- Rental charges for a telephone and facsimile connection.
- Child care and travel costs.

Furthermore, the extent of reimbursement is limited by annual determination of the Salaries and Allowances Tribunal (the Tribunal). The current reimbursement limits are as follows:

<b>Expense type</b>	<b>Amount payable</b>
Child care expenses rate	Up to \$25 / hour.
Telephone Rental Charges	Actual cost.

The travel reimbursement rates for elected members and committee members are those set under Section 30.6 of the *Local Government Officers' (Western Australia) Interim Award 2011*. The rates are as follows:

<b>Engine displacement (in cubic centimetres)</b>			
<b>Area and Details</b>	<b>Over 2600cc</b>	<b>Over 1600cc to 2600cc</b>	<b>1600cc and under</b>
<b>Cents per kilometre</b>			
Metropolitan area	93.97	67.72	55.85
South West Land Division	95.54	68.66	56.69
North of 23.5 Latitude	103.52	74.12	61.21
Rest of state	99.01	70.87	58.37
Motor cycle	Rate c/km		
Distance travelled	32.55		

The following table provides details relating to the external members of a selection of other local governments:

<b>Local Government</b>	<b>Has an external member?</b>	<b>Required to be a local resident?</b>
City of Stirling	Yes	No
City of Melville	Yes	Yes
City of Perth	Yes	No
City of Wanneroo	No	N/A

**Legislation / Strategic Community Plan / policy implications****Legislation**

*Local Government Act 1995.*  
*Local Government (Administration) Regulations 1996.*  
*Local Government (Audit) Regulations 1996.*

**Strategic Community Plan****Key theme**

Governance and Leadership.

**Objective**

Active democracy.

**Strategic initiative**

Optimise opportunities for the community to access and participate in decision-making processes.

**Policy**

Not applicable.

**Risk management considerations**

Appointing an external member to the committee reduces the risks associated with being perceived as non-objective or non-independent. The introduction of valuable skills and qualifications contributes to the committee's reviewing and decision-making responsibilities.

**Financial / budget implications**

If it is determined that the external member may be reimbursed for expenses this will have minor budget implications.

**Regional significance**

Not applicable.

**Sustainability implications**

Not applicable.

**Consultation**

Should Council determine to amend the committee composition to include an external member and commence the process to appoint, the position will be advertised in the local newspaper. If it is determined that the external member is not required to be a resident of the City of Joondalup the position could also be advertised to a wider audience online.

**COMMENT**

The previous external member added value to the role of the committee through their experience, qualifications and independence. The inclusion of an external member warrants merit by meeting strategic initiatives of the City and offers an impartial view of the City's systems of internal control, risk management, legislative compliance and internal and external audit reporting.

It is therefore recommended that Council agrees in-principle to amend the committee composition to include an external member, enabling the Chief Executive Officer to commence the Expression of Interest process of appointing an external member to the Audit and Risk Committee.

**VOTING REQUIREMENTS**

Simple Majority.

**OFFICER'S RECOMMENDATION**

That Council:

- 1 AGREES in-principle to amend the composition of the Audit and Risk Committee to include external member representation;
- 2 REQUESTS the Chief Executive Officer to advertise for expressions of interest for the position of external member of the Audit and Risk Committee;
- 3 CONSIDERS if the external member is required to be a resident of the City of Joondalup and / be enrolled to vote in the elections for the City in accordance with the provisions of the *Local Government Act 1995*;
- 4 AGREES the external member will be reimbursed for expenditure relating to attendance at meetings of the Audit and Risk Committee in accordance with Regulation 31(1) of the *Local Government (Administration) Regulations 1996*.

**MOVED Cr Jones, SECONDED Cr Logan that Council:**

- 1 **AGREES in-principle to amend the composition of the Audit and Risk Committee to include external member representation;**
- 2 **REQUESTS the Chief Executive Officer to advertise for expressions of interest for the position of external member of the Audit and Risk Committee;**
- 3 **AGREES the external member is required to be a resident of the City of Joondalup and / be enrolled to vote in the elections for the City in accordance with the provisions of the *Local Government Act 1995*;**
- 4 **AGREES the external member will be reimbursed for expenditure relating to attendance at meetings of the Audit and Risk Committee in accordance with Regulation 31(1) of the *Local Government (Administration) Regulations 1996*.**

**The Motion was Put and**

**CARRIED (6/0)**

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

### **ITEM 3                    HALF YEARLY REPORT - CONTRACT EXTENSIONS – 1 JULY TO 31 DECEMBER 2017**

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<b>WARD</b>	All
<b>RESPONSIBLE DIRECTOR</b>	Mr Mike Tidy Corporate Services
<b>FILE NUMBER</b>	07032
<b>ATTACHMENTS</b>	Attachment 1    Contract Expenditure Report
<b>AUTHORITY / DISCRETION</b>	Information - includes items provided to Council for information purposes only that do not require a decision of Council (that is for 'noting').

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#### **PURPOSE**

For the Audit and Risk Committee to note the details of contracts extended by the Chief Executive Officer between 1 July to 31 December 2017.

#### **EXECUTIVE SUMMARY**

The schedule of contracts extended by the Chief Executive Officer during the year ended 31 December 2017 is provided in Attachment 1.

*It is recommended that the Audit and Risk Committee NOTES the contracts extended by the Chief Executive Officer during the period 1 July to 31 December 2017, forming Attachment 1 to this Report.*

#### **BACKGROUND**

At its meeting held on 1 November 2005 (Item CJ231-11/05 refers), Council resolved that a half-yearly report be prepared for the former Audit Committee detailing contracts that were originally approved by Council and have subsequently been extended by the Chief Executive Officer.

#### **DETAILS**

Council has delegated to the Chief Executive Officer the authority to approve all contract extensions on tenders approved by Council subject to a report to the Audit and Risk Committee being prepared on a half-yearly basis providing details of those contracts extended.

During the period 1 January to 30 June 2017 no contracts were extended, therefore no report was prepared.

During the period 1 July to 31 December 2017 two contracts were extended.

In regard to the contract for Provision of Landscape Maintenance Services – Iluka Estate, this is for services to maintain the location covered by the Iluka Specified Area Rate (SAR). This is in two components. The level of works that the City would normally undertake and then the additional level of works funded by the SAR. The contract was for a lump sum for the operating maintenance services as they existed at the time of awarding the contract and then a schedule of rates for any additional maintenance and capital works that are undertaken. SAR works are agreed annually with the Residents Association and a SAR rate raised each year for the residents contribution. The SAR raised for 2017-18 was \$311,623. As the development of Iluka continues and hence also the SAR area so the maintenance and capital requirements continue to increase.

### **Issues and options considered**

The option to extend the contracts by the Chief Executive Officer is required to maintain continuity of the applicable services to the City.

### **Legislation / Strategic Community Plan / policy implications**

#### **Legislation**

The City's legal advice is that under section 5.41(d) of the *Local Government Act 1995* the Chief Executive Officer may be delegated the power to extend a contract – provided the Chief Executive Officer does not extend the contract beyond the "total term of the Contract" specified by the Council in the resolution.

#### **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.

##### **Policy**

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.

### **Regional significance**

Not applicable.

### **Sustainability implications**

Not applicable.



### **Consultation**

Not applicable.

### **COMMENT**

This report provides the Audit and Risk Committee with details of contracts originally approved by Council or by the Chief Executive Officer under delegated authority, which have subsequently been extended by the Chief Executive Officer during the period from 1 July to 31 December 2017.

### **VOTING REQUIREMENTS**

Simple Majority.

*The Governance Coordinator entered the Room at 5.55pm.*

**MOVED Cr Jones, SECONDED Cr May that that the Audit and Risk Committee NOTES the contracts extended by the Chief Executive Officer during the period 1 July to 31 December 2017, forming Attachment 1 to this Report.**

**The Motion was Put and**

**CARRIED (6/0)**

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

*Cr Fishwick entered the room at 5.56pm.*

*Appendix 2 refers*

*To access this attachment on electronic document, click here: [Attach2agnAUDIT180306.pdf](#)*

## **ITEM 4                    HALF YEARLY REPORT – WRITE-OFF MONIES – 1 JULY TO 31 DECEMBER 2017**

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

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### **PURPOSE**

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

### **EXECUTIVE SUMMARY**

The total amount written off under delegated authority during the six months ended 31 December 2017 was \$7,889.71. This amount mainly consisted of 5,428 small amounts of unpaid rates below the \$100 reportable limit totalling \$4,419.35.

The total amount includes the following items written off on the recommendation of the City's debt collection agency:

- One item for recreational trading licence of \$1,168.58.
- Two items of hall / room hire fees of \$884.89.
- One item of leisure centre court forfeiture fee of \$127.27.
- Five items of unpaid leisure centre membership fees of \$1,100.00.
- Three items totalling \$189.62 that are below the reportable limit of \$100.00.

*It is therefore recommended that the Audit and Risk Committee RECEIVES the report of amounts written off under delegated authority for the period 1 July to 31 December 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 Audit and Risk 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 31 December 2017 a total amount of \$7,889.71 was written-off as unrecoverable. This amount included the following:

- 5,428 items of small rates balances that are below the reportable limit, totalling \$4,419.35, representing in the main rounding decimals or minor penalty interest charges for a few days overdue 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.

The following table provides the details of nine reportable amounts written off during the six month period.

Item	Date of Invoice	Nature of Debt	Amount \$
1	19/02/2015	Recreation trading licence	1,168.58
2	13/03/2015	Community hall hire	768.53
3	31/03/2016	Library room hire	116.36
4	30/04/2015	Court forfeiture fee	127.27
5	01/06/2016	CLC membership arrears	180.00
6	01/06/2016	CLC membership arrears	360.00
7	01/06/2016	CLC membership arrears	209.09
8	01/06/2016	CLC membership arrears	209.09
9	01/06/2016	CLC membership arrears	141.82
		<b>Total</b>	<b>3,280.74</b>

- Item 1 was for recreational trading licence at the Iluka Park for the period 1 August 2013 to 31 July 2014. Since the follow up actions for the overdue amount proved unsuccessful, the debt was referred to the debt collection agency. All efforts to trace the debtor including field calls to the address provided proved unsuccessful. The debt being uneconomical for any further action, it was recommended for write-off.
- Item 2 was for the hire of Emerald Park club rooms for the period 8 July 2014 to 11 November 2014. Attempts to contact the customer proved unsuccessful. The debt being outstanding for over three years and uneconomical to instigate further action, the debt was recommended for write-off.
- Items 3 related to the library meeting room hire on 11 March 2016. No response was received for the several attempts made to contact the debtor and being uneconomical to pursue, the debt was recommended for write-off.
- Item 4 related to forfeiture fees for a basketball team for forfeiting a game on 25 March 2015. No response was received for various attempts to contact the debtor and being uneconomical for further action, the debt was recommended for write-off.
- Items 5 to 9 were for arrears of leisure centre membership fees. Since the collection efforts by the leisure centre failed, the debts were handed over to the City's debt collectors. Attempts to contact the debtors were unsuccessful and being uneconomical to pursue any further, the debts were recommended for write-off.

### Issues and options considered

Not applicable.

### Legislation / Strategic Community Plan / policy implications

#### Legislation

Section 6.12(1)(c) of the *Local Government Act 1995*.  
 Section 5.42 of the *Local Government Act 1995*.  
 Section 5.44 of the *Local Government Act 1995*.

**Strategic Community Plan**

<b>Key theme</b>	Financial Sustainability.
<b>Objective</b>	Effective management.
<b>Strategic initiative</b>	Not applicable.
<b>Policy</b>	Not applicable.

**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**

<b>Account no.</b>	3256
<b>Budget Item</b>	Bad Debts written-off.
<b>Annual Budget</b>	\$ 13,500
<b>Year to Date Budget</b>	\$ 6,821
<b>Year to Date Actual</b>	\$ 7,890
<b>Year to Date variance</b>	\$ (1,069)

**Regional significance**

Not applicable.

**Sustainability implications**

Not applicable.

**Consultation**

Not applicable.

**COMMENT**

Monies written-off under delegated authority comprised 5,428 small items of unpaid rates totalling \$4,419.35, all of which were below the \$100 reportable limit. The remaining 12 items totalling \$3,470.36 were all written-off following unsuccessful debt recovery action.

**VOTING REQUIREMENTS**

Simple Majority.

*The Chief Executive Officer left the Room at 5.59pm and entered at 6.02pm.*

**MOVED Cr May, SECONDED Cr Logan that the Audit and Risk Committee RECEIVES the report of monies written off under delegated authority for the period 1 July to 31 December 2017.**

**The Motion was Put and**

**CARRIED (7/0)**

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

**ITEM 5                    2017-18 AUDIT STATUS UPDATE**

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<b>WARD</b>	All
<b>RESPONSIBLE DIRECTOR</b>	Mr Mike Tidy Corporate Services
<b>FILE NUMBER</b>	107214, 101515
<b>ATTACHMENTS</b>	Nil
<b>AUTHORITY / DISCRETION</b>	Information - includes items provided to Council for information purposes only that do not require a decision of Council (that is for 'noting').

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**PURPOSE**

For the Audit and Risk Committee to note the update on the Office of the Auditor General's assumption of responsibility for the City's annual financial audit for 2017-18.

**EXECUTIVE SUMMARY**

In 2017 the *Local Government Act 1995* was amended to enable the Auditor-General of Western Australia to audit local government finances and performance. The transitional arrangements for this provided for the Office of the Auditor-General (OAG) to take over local government audits from 2017-18 onwards as existing audit contracts expired with all local government audits to be completely within the purview of the OAG from 2020-21 onwards.

The OAG has now formally advised the City that it will conduct the 2017-18 financial audit and will contract the City's current auditors, Moore Stephens to perform the audit on its behalf.

**BACKGROUND**

The *Local Government Act 1995* was amended in August 2017 to enable the OAG in Western Australia to audit local government finances and performance. Prior to this, local governments contracted individually with auditors. The Department of Local Government, Sport and Cultural Industries (DLGSC), in conjunction with the OAG, instituted a transition period for the OAG to take over audits, to accommodate the different audit contract terms currently in place at various local governments. In terms of this arrangement, the OAG would progressively take over the audit function at local governments as existing audit contracts expired, with the proviso that all local governments would be audited by the OAG with effect from the 2020-21 financial year.

**DETAILS**

The City entered into a contract with the audit firm Moore Stephens in 2016 to conduct the financial audits for 2015-16 and 2016-17, both of which have been completed. The contract contained an option to extend the contract for a further 12 months, which was not exercised on advice from the OAG and DLGSC.

The OAG thereafter advised the City in writing that it would be responsible for financial audits at the City with effect from the 2017-18 financial year. It further advised that it was considering the possibility of appointing an audit firm to perform this on the OAG's behalf.

The OAG has now written to the City advising that it has contracted Moore Stephens to perform the 2017-18 financial audit of the City on behalf of the OAG. The audit fee applicable for 2017-18 has not yet been communicated to the City. The OAG has indicated that it will likely be able to advise the City of this in March 2018.

The OAG also becomes responsible for conducting performance audits at local governments, for which it receives a budgetary allocation annually in the State Budget. As a result, the OAG conducts performance audits at selected entities each year. At this stage, the City has received no advice that the OAG intends to conduct a performance audit of the City for the 2017-18 year. It is not expected that the City will incur a fee for performance audits.

### **Legislation / Strategic Community Plan / policy implications**

**Legislation** *Local Government Act 1995.*

#### **Strategic Community Plan**

**Key theme** Not applicable.

**Objective** Not applicable.

**Strategic initiative** Not applicable.

**Policy** Not applicable.

#### **Risk management considerations**

The audit fee proposed by the OAG for the 2017-18 financial audit has not yet been provided to the City. Prior advice from the OAG indicated that audit fees for local governments were likely to rise significantly. Accordingly, provision has been made in the 2017-18 revised Budget for increased audit fees. As firm communication of the audit fee applicable will only be received after the adoption of the 2017-18 revised Budget by Council, there is a risk that the budget provision for financial audit fees may be insufficient.

No cost to the City is anticipated if the OAG elects to conduct a performance audit for 2017-18 in addition to the annual financial audit.

### **COMMENT**

The 2017 amendments to the *Local Government Act 1995* require the OAG to conduct financial and performance audits of local governments. This is now in effect for the City of Joondalup from the 2017-18 audit onwards.

### **VOTING REQUIREMENTS**

Simple Majority.

**MOVED Mayor Jacob, SECONDED Cr McLean that the Audit and Risk Committee NOTES that the Office of the Auditor-General has formally assumed responsibility for the City's 2017-18 annual financial audit and has contracted Moore Stephens to perform this audit on its behalf.**

**The Motion was Put and**

**CARRIED (7/0)**

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

**Disclosure of interest affecting impartiality**

<b>Name/Position</b>	<b>Mr Garry Hunt, Chief Executive Officer.</b>
<b>Item No./Subject</b>	Item 6 - Confidential - Chief Executive Officer's Credit Card Expenditure (October - December 2017).
<b>Nature of interest</b>	Interest that may affect impartiality.
<b>Extent of Interest</b>	The Chief Executive Officer is the card holder.

**ITEM 6                    CONFIDENTIAL: CHIEF EXECUTIVE OFFICER'S CREDIT CARD EXPENDITURE (OCTOBER – DECEMBER 2017)**

<b>WARD</b>	All
<b>RESPONSIBLE DIRECTOR</b>	Mr Mike Tidy Corporate Services
<b>FILE NUMBER</b>	09882
<b>ATTACHMENTS</b>	Attachment 1            Chief Executive Officer's Credit Card Expenditure – Quarter Ended 31 December 2017
<b>AUTHORITY / DISCRETION</b>	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 Cr McLean that the Audit and Risk Committee NOTES the report on the corporate credit card usage of the Chief Executive Officer for the quarter ended 31 December 2017.**

**The Motion was Put and**

**CARRIED (7/0)**

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

**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 6.17pm; the following Committee Members being present at that time:

Cr Christine Hamilton-Prime  
Mayor Hon. Albert Jacob, JP  
Cr Tom McLean, JP  
Cr Nige Jones  
Cr Christopher May  
Cr John Logan  
Cr Russ Fishwick, JP