

# minutes

## Special Audit and Risk Committee

MEETING HELD ON

WEDNESDAY 15 DECEMBER 2021

### **Acknowledgement of Traditional Custodians**

The City of Joondalup acknowledges the traditional custodians of the land, the Whadjuk people of the Noongar nation, and recognises the culture of the Noongar people and the unique contribution they make to the Joondalup region and Australia. The City of Joondalup pays its respects to their Elders past and present and extends that respect to all Aboriginal and Torres Strait Islander peoples.

*This document is available in alternate formats upon request*

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**Note:**

Clause 15.10 of the City's *Meeting Procedures Local Law 2013* states:

*This local law applies generally to committee meetings except for clause 7.1 in respect of members seating and clause 7.8 in respect of limitation on members speaking.*

## CITY OF JOONDALUP

### MINUTES OF THE SPECIAL AUDIT AND RISK COMMITTEE MEETING HELD IN CONFERENCE ROOM 2, JOONDALUP CIVIC CENTRE, BOAS AVENUE, JOONDALUP ON WEDNESDAY 15 DECEMBER 2021.

#### ATTENDANCE

##### Committee Members

Cr John Raftis	<i>Presiding Member</i>	
Mayor Hon. Albert Jacob, JP		<i>absent from 5.52pm to 5.56pm</i>
Cr Tom McLean, JP		
Cr Nige Jones	<i>Deputy Presiding Member</i>	
Cr John Logan		

##### Observers

Cr Daniel Kingston

##### Guest

Ms Renuka Venkatraman	Director Financial Audit Office of the Auditor General	<i>until 5.27pm</i>
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##### Officers

Mr James Pearson	Chief Executive Officer	
Mr Jamie Parry	Director Governance and Strategy	
Mr Mat Humfrey	Director Corporate Services	
Ms Christine Robinson	Manager Audit and Risk Services	
Mr Roney Oommen	Manager Financial Services	<i>absent from 5.27pm to 5.29pm until 5.40pm</i>
Mrs Kylie Bergmann	Manager Governance	
Mr Peter McGuckin	Internal Auditor	
Mrs Natasha Mossman	Governance Officer	

#### DECLARATION OF OPENING

The Presiding Member declared the meeting open at 5.00pm.

#### DECLARATIONS OF FINANCIAL INTEREST / PROXIMITY INTEREST / INTEREST THAT MAY AFFECT IMPARTIALITY

Nil.

## **APOLOGIES AND LEAVE OF ABSENCE**

### **Apologies**

Cr Russ Fishwick, JP  
Cr Russell Poliwka  
Mr Richard Thomas *External Member*  
Cr Suzanne Thompson

### **Leave of Absence Previously Approved**

Cr Nige Jones 21 December 2021 inclusive.

## **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.



## **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, the OAG, has completed its audit of the accounts and the *2020-21 Annual Financial Report*.

The OAG undertook its audit in two stages. The interim audit was undertaken during May 2021, while the final audit commenced in October 2021. Following the completion of the interim audit, the OAG issued an interim management letter which incorporated responses from management on the items noted (Attachment 3 refers).

At the conclusion of the final stage of the financial audit, no final management letter has been issued.

The *2020-21 Annual Financial Report* is included as Attachment 1 to this Report.

## **DETAILS**

The preparation and submission of the Annual Financial Report to the auditors for audit are statutory requirements under the *Local Government Act 1995*.

The Annual Financial Report is required to be accepted by Council prior to the holding of the Annual General Meeting of Electors, at which the City's Annual Report containing the Annual 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).

### **Issues and Options Considered**

#### Outcome of the Financial Audit

The financial audit has been completed with an unqualified audit report issued (Attachment 2 refers). The OAG has issued an interim management letter in respect of the financial audit (Attachment 3 refers). A final management letter has not been issued.

The audit report identifies that the City's Asset Sustainability Ratio does not meet the minimum standard assigned to this ratio by DLGSC (in the *Local Government Operational Guideline No.18 – Financial Ratios*) and the audit report is required to note this in accordance with the requirements of *Local Government Act 1995* and Regulations.

The *Guideline* requires that the Asset Sustainability Ratio meets a Standard of at least 0.90.

The Asset Sustainability ratio is calculated as follows:

#### Capital Renewal and Replacement Expenditure

##### *Depreciation expenditure*

The City's Asset Sustainability ratio for 2020-21 is 0.57, which is higher than the prior year's ratio of 0.45 and lower than the 2018-19 ratio of 0.66. While assets are depreciated on a straight-line basis reflecting consumption evenly over the expected life of those assets, the age of these assets means that the City would not need to expend an amount equivalent to annual depreciation on renewal and replacement of those assets. This is, therefore, reflected in the City's ratio and the trend over the past three financial years, however, the standard set in the *Guideline* does not accommodate such circumstances.

End of Financial Year Position

The City has finished the financial year with a Rate Setting Statement surplus higher than estimated. An anticipated end of year surplus as at 30 June 2021 of \$1,228,879 was used as the opening balance in the *2021-22 Annual Budget*. The final end of year Rate Setting Statement surplus for 2020-21 is \$3,860,336, being \$2,631,457 more than estimated.

When comparing the actual end of year results to the estimate shown in the 2021-22 Budget, in summary terms the \$2,631,457 comprises:

Description	Sub Total	Total
Increased Operating Cash Surplus	\$ 6,845,841	
Increased Capital Revenue	\$ 470,247	
Reduced Capital Expenditure	\$ 3,766,534	\$ 11,082,622
Less: Reduced Net Funding		(\$ 8,451,165)
<b>Net Variance</b>		<b>\$ 2,631,457</b>

The increased operating cash surplus relative to forecast is driven mainly by lower than forecast employee costs of \$1,768,318, and materials and contracts expenditure of \$4,542,997, as well as additional operating grant revenue of \$1,862,759 due to advance receipt of part of the City's Federal Assistance Grants allocation for 2021-22.

Lower employee costs arose mainly due to vacancies and recruitment processes that were ongoing as at 30 June 2021. The current conditions in the labour market have had an impact on the City's ability to retain and recruit in certain areas, which is reflected in the results. In addition, some of the vacancies are the result of internal restructuring undertaken in certain areas of the organisation, for which recruitment has progressed into the following year.

Lower materials and contracts expenditure includes information technology costs of \$1,293,770, primarily due to expected software subscription and licensing costs for an ERP system replacement that did not materialise. The procurement process pertaining to this is progressing in the current financial year.

Increased non-operating revenue arises mainly from contributions of \$287,345 from the State Library towards purchase of library items.

Reduced capital expenditure pertains primarily to capital works projects that did not progress to the extent anticipated by 30 June 2021, including projects that received grant funding during the year, and are continuing into the subsequent financial year. Municipal and reserve funding unspent on these projects is to be carried forward or retained in reserves, respectively. Under changes to accounting standards introduced in the previous financial year, unspent grant funds are no longer recognised in revenue in the year and carried forward into the next financial year. To the extent unspent, these funds are reported as current liabilities as at 30 June 2021 and will be recognised as revenue in the following year to the extent expended on the projects in question. The total amount of unspent grants thus recognised as a current liability as at 30 June 2021 and not included in revenue for the year is \$3,277,510.

There are a number of offsets between revenue, expenditure and funding requirements of which the most significant include:

- Increased operating revenue, increased capital revenue and reduced operating as well as reduced capital expenditure, representing funds carried over into the following financial year. The total amount carried forward as at 30 June 2021 is \$5,492,709 which is \$3,690,175 more than forecast, mainly due to the advance receipt of Federal Assistance Grants.

- Operating and capital reserve funded projects that did not advance as far as anticipated or for which no reserve funded expenditure was incurred, resulting in lower expenditure offset by a lower drawdown on reserves. The total unspent amount retained in reserves as at 30 June 2021 is \$11,198,557; including Joondalup City Centre Streetlighting project of \$1,934,741, Percy Doyle Floodlighting Upgrades of \$765,998, Warwick and Erindale Roads Intersection Upgrade of \$750,000, Cafes / Kiosks / Restaurants - Pinnaroo Point of \$613,000, and Chichester Park Clubroom Redevelopment of \$416,198.

Allowing for such offsets, offsets the adjusted variance in closing funds when compared to the estimated end of year position shown in the 2021-22 Budget is made up of:

Description	Sub Total	Total
Increased Operating Cash Surplus	\$ 910,956	
Increased Non-operating Revenue	\$ 470,247	
Reduced Capital Expenditure	\$ 1,161,150	\$2,542,353
Add: Increased Net Funding		\$ 89,104
<b>Net Variance</b>		<b>\$2,631,457</b>

#### Interim Management Letter – Financial Audit

The auditors identified one minor, two moderate and one significant finding after the interim stage of the annual financial audit (Attachment 3 refers).

The significant finding concerns preparing and review of certain regular reconciliations. The matters raised by the auditor, with the management comments provided are detailed in Attachment 3. These are summarised below.

Issue raised	Management Comment
Payroll reconciliations from July 2020 to September 2020 were not prepared. Reconciliations from October 2020 to November 2020, and January 2021 to February 2021 were not reviewed	<p>Payroll reconciliations are not a control account reconciliation. It is a check performed between the pay information generated from the Aurion payroll system and the fortnightly payroll file uploaded into the general ledger, which is also generated from the Aurion payroll system. As both sets of data are generated from the Aurion system, the check is performed to ascertain whether there have been errors in the payroll file uploaded to the general ledger when generated by the Aurion system.</p> <p>This exercise does not identify any anomalies in the payroll system itself, for example whether an employee has been incorrectly paid.</p> <p>There is no particular requirement that this reconciliation be done monthly. The City normally performs it monthly to ensure that any anomalies arising in the payroll file uploaded to the general ledger are identified on a regular basis rather than cumulatively for a number of months together. It is rare for anomalies to be identified which are virtually always the result of an error either in the</p>

Issue raised	Management Comment
	<p>generation of the payroll upload file or errors occurring during the process of upload to the general ledger.</p> <p>The City does not consider this to be significant.</p>
<p>Assets reconciliations for the months of July 2020 and August 2020 were not prepared. The reconciliations for September 2020 to November 2020, and January 2021 to February 2021 were not reviewed.</p>	<p>Asset reconciliations were not prepared in July 2020 and August 2020 due to the pending finalisation of the 2019-20 asset carrying values as part of the End of Year and audit process. However, the City continued to review transactions and balances for those months.</p> <p>While reconciliations from September 2020 to November 2020, and January 2021 to February 2021 were reviewed, it is acknowledged that evidence of such review was not recorded as it should have been. It is noted that intervening and succeeding months' reconciliations did not identify any unexplained differences.</p>
<p>Sundry Debtors reconciliations from July 2020 to March 2021 were not reviewed.</p>	<p>The City does not agree that these reconciliations were not reviewed. The Manager Financial Services reviews the Sundry Debtors (non-rates) reconciliations that are prepared each month along with the detailed age analysis and did so for the months between July 2020 and March 2021.</p> <p>It is acknowledged that evidence of review was not captured, however the reviews were performed each month with analysis of 90-day sundry debtors reported to the Executive Leadership Team each month, including for the months in question.</p> <p>The City notes that no unreconciled differences have been identified between the sundry debtors control account in the general ledger and the sundry debtors sub-system in any of those months.</p> <p>The City does not consider this to be significant.</p>
<p>Rates Debtors and Rates Rolling reconciliations were not reviewed in a timely manner by an independent officer. The delays in review ranged from one to five months.</p>	<p>The City does not agree that these reconciliations were not reviewed in a timely manner, however, acknowledges that the evidence of review was not captured at the time it was done. The reviewer dated the review on the day signed rather than the day it was performed.</p> <p>The delay between reviewing and signing arose partly as a result of transition to digital sign-off processes in preference to paper sign-off arising from COVID-19 pandemic lockdowns and disruptions.</p> <p>No unreconciled differences have been identified between the control accounts and the sub-ledgers / systems. No significant risk has been noted of unidentified anomalies or differences in any of the months in question.</p>

### Operating Surplus Ratio

The City has recorded an operating surplus ratio of -8% for the 2020-21 financial year. This has arisen as a result of the City being required to recognise a loss on asset disposal of \$15,854,030 from transfer of roads assets to Main Roads WA. This is a non-cash item and has no impact on the City's rate setting surplus for the year but results in a significant operating loss. Without this one-off item, the City would have recorded a positive operating surplus of 3%. Ocean Reef Road and Marmion Avenue, along with associated assets such as drainage are to be handed over to Main Roads WA in accordance with direction received previously. Under this arrangement, the roads are to be taken by Main Roads without any consideration to the City and will become State Roads when gazetted as such. This proclamation had not yet occurred as at 30 June 2021.

In 2019-20, the City was advised that Ocean Reef Road, between Wanneroo Road and Marmion Avenue, would be taken over by Main Roads WA and reclassified as a State Road. At the time, associated assets such as drainage that would accompany such a transfer had not been identified and confirmed by Main Roads WA. The City therefore applied accounting standard *AASB 5 Non-Current Assets Held for Sale and Discontinued Operations* to this asset, which requires an asset held for sale to be reported at the lower of cost or net realisable value. As the City did not expect to receive any consideration for this asset, the Ocean Reef Road asset was therefore revalued from the existing carrying value of \$3,772,407 to a nominal value (\$1) with this reduction recognised as a revaluation decrement and offset against the revaluation surplus held by the City.

In 2020-21, Main Roads WA identified some of the associated assets that would be transferred with the Ocean Reef Road when converted to a State Road, and also informed the City that Marmion Avenue between Ocean Reef Road and the northern boundary of the City of Wanneroo with associated assets would similarly be taken over by Main Roads WA in the same manner, to be reclassified as a State Road. In June 2021, Main Roads WA informed the City that it would take over responsibility for the maintenance of the two roads effective 21 June 2021 but actual reclassification as State Roads would follow pending resolution of land tenure and related issues that needed to precede the proclamation, including Treasury approval.

The City held the position that the roads are not State Roads until the proclamation to this effect is gazetted and, therefore, held the view that a transfer had not occurred as at 30 June 2021. In light of the accounting treatment applied to the Ocean Reef Road asset in 2019-20, the City therefore revalued the following in 2020-21:

- Associated assets to Ocean Reef Road, such as drainage infrastructure;
- Marmion Avenue road assets;
- Marmion Avenue associated assets.

The revaluation decrement of \$15,854,030 was processed and the asset balances reduced accordingly. The assets were accordingly held for disposal as at 30 June 2021.

This approach was confirmed with the OAG at the interim audit in May / June 2021, and until 7 December 2021 the City was of the understanding that this accounting treatment was appropriate.

At 4pm on 7 December 2021, the City was advised that the OAG had decided to change its view regarding this accounting treatment based on the following:

- The OAG holds that advice from Main Roads WA taking over responsibility for the road assets indicates that control over the asset has passed to Main Roads WA at 30 June 2021, regardless of their actual proclamation as State Roads or the legal position regarding liability until that time;

- The OAG advised that Main Roads WA had recognised the roads and associated assets in their financial records at 30 June 2021;
- The OAG holds that the transfer of these assets is a donation by the City to Main Roads WA, not a disposal or sale;
- Therefore, the OAG holds that the assets be disposed (derecognised) as at 30 June 2021 at their carrying value for no consideration, resulting in the loss on disposal in the income statement.

Should the City have maintained the accounting treatment originally adopted, it is almost certain that the City would thereby receive a qualified audit report for 2020-21. Therefore, the City has amended the financial report to reflect the accounting treatment in line with the OAG's view, resulting in a significant operating loss for the financial year.

### **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**

<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**

Not applicable.

### **Financial / Budget Implications**

#### Current financial year impact

<b>Account no.</b>	Not applicable.
<b>Budget Item</b>	Closing surplus.
<b>Budget amount</b>	\$ 1,228,879
<b>Actual amount</b>	\$ 3,860,336
<b>Proposed cost</b>	\$ Not applicable.
<b>Balance</b>	\$ 2,631,457

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, although the *Local Government Act 1995* requires the local government to hold an Annual General Meeting of Electors and the City's Annual Report, incorporating the Annual Financial Report is to be made available publicly.

## COMMENT

The Annual Financial Report for 2020-21 reflects the City's financial performance and position for the year ended 30 June 2021.

The Annual Financial Report will be made available on the City's public website. A limited number of printed, bound colour copies will be available for viewing at libraries, leisure centres and the customer service centre.

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 2020-21.

## VOTING REQUIREMENTS

Absolute Majority.

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

- 1 BY AN ABSOLUTE MAJORITY, ACCEPTS the Annual Financial Report of the City of Joondalup for the financial year 2020-21, forming Attachment 1 to this Report;**
- 2 BY AN ABSOLUTE MAJORITY, ACCEPTS the Independent Auditor's Report for the financial year 2020-21, forming Attachment 2 to this Report;**
- 3 NOTES the Auditor's interim Management Letter in respect of the financial audit for the year ended 30 June 2021, forming Attachment 3 to this Report.**
- 4 NOTES that no final Management Letter has been issued in respect of the financial audit for the Year Ended 30 June 2021.**

**The Motion was Put and**

**CARRIED (5/0)**

**In favour of the Motion:** Cr Raftis, Mayor Jacob, Crs McLean, Jones and Logan.

*Appendix 1 refers*

*To access this attachment on electronic document, click here: [Attach1AUDIT211215.pdf](#)*



- “a To provide an avenue to facilitate networking possibilities and for elected members to undertake discussions with various representatives of the community, the Council has agreed to host Elected Member dinners.*
- b The Mayor is entitled to host six dinners per calendar year, and each Ward a total of 12 each year, based on six dinners per Ward Councillor.*
- c Each table will allow for the Elected Member as host, plus up to a maximum of nine guests. Except for the Elected Member’s spouse or partner, all guests invited are to have a relationship with the City or be a stakeholder of the City. Prior to an Elected Member dinner, elected members are to advise the City the details of their invited guests and their relationship with the City. Details of invited guests that attend elected member dinners are to be reported to the Audit and Risk Committee on a quarterly basis.”*

## **DETAILS**

Elected Members are entitled, under the *Elected Members’ Entitlement Policy* (the Policy), to host up to six dinners per financial year and invite up to nine guests to each dinner.

Clause 10 of the *Elected Members’ Entitlements Policy* provides that “*details of invited guests that attend elected member dinners are to be reported to the Audit and Risk Committee on a quarterly basis.*”.

Provided as Attachment 1 to this Report, is the attendance lists for the elected member dinner held on 27 August 2021.

## **Issues and Options Considered**

As the first quarterly report presented to the Audit and Risk Committee, the Committee may accept the report as presented or request further information.

## **Legislation / Strategic Community Plan / Policy Implications**

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

### **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** *Elected Members’ Entitlements Policy.*

## **Risk Management Considerations**

Not applicable.

## **Financial / Budget Implications**

The 2021-22 budget for elected member dinners is \$10,000 (excluding staffing costs).

### **Regional Significance**

Not applicable.

### **Sustainability Implications**

Not applicable.

### **Consultation**

Not applicable.

### **COMMENT**

Elected Members are entitled, under the *Elected Members' Entitlement Policy*, to host up to six dinners per financial year and invite up to nine guests to each dinner.

Clause 10 of the *Elected Members' Entitlements Policy* provides that “*details of invited guests that attend elected member dinners are to be reported to the Audit and Risk Committee on a quarterly basis.*”

One Elected Member dinner has taken place and was held on 27 August 2021. One further Elected Member dinner was held on 26 November 2021, however the attendance will be reported in the next quarterly report.

*The Director Financial Audit from the Office of the Auditor General left the room at 5.27pm.*

*The Manager Financial Services left the room at 5.27pm and returned at 5.29pm.*

**MOVED Cr Jones, SECONDED Cr Logan that the Audit and Risk Committee NOTES the Elected Member Dinner Attendance report for Quarter Two (August - October 2021) as detailed in this Report.**

**The Motion was Put and**

**CARRIED (5/0)**

**In favour of the Motion:** Cr Raftis, Mayor Jacob, Crs McLean, Jones and Logan.



## DETAILS

During the six months ended 30 June 2021 a total amount of \$10,452.48 was written off as unrecoverable. This amount includes the following:

- 4,857 items below the reportable limit totalling \$4,044.91 mainly comprising small rates balances, representing in the main rounding decimals or other minor miscellaneous charges for which the cost of collection was, for all practical purposes, uneconomical.
- One item of \$415.40 for court costs that were written off as agreed with the ratepayer on reaching a settlement of their dues.
- Nine other reportable items totalling \$5,992.17, as shown in the table below, that were written off during the period as uneconomical to continue with debt recovery actions.

Item	Debtor Name	Nature of Debt	Amount \$
1	<b>Lease Debtors</b>		
	Whitfords Senior Citizens Hairdressing Salon  <u>Write-off reason</u>  Write-off negotiated with the lessee as a result of disruptions due to capital works at the Whitfords Library and Senior Citizen Centre (refurbishment of toilet facilities) occurring during COVID recovery period.	Lease Rent: 50% of rent July – September 2020	750.00
	Cafelife Pty Ltd  <u>Write-off reason</u> Due to COVID lockdowns in January / February and April / May 2021.	Lease Rent: 100% during lockdown 31 January 2021 to 5 February 2021  Lease Rent: 100% during lockdown 23 April 2021 – 30 April 2021  Lease Rent: 50% during lockdown 1 May 2021 – 7 May 2021	2,200.38
2	<b>Facility Hire and Other Debtors (uneconomical to pursue recovery action)</b>		
	New Spirit Life Church	Facility hire arrears 2019.	861.07
	T. Losondo	Facility hire arrears September 2020.	843.45
	T. Soren	Basketball team hire arrears: July – September 2019	398.18
	T. Westworth	Soccer team hire arrears: July, September 2019	188.18
	M. Allen	Soccer team hire arrears: December 2019, January 2020	250.91

Item	Debtor Name	Nature of Debt	Amount \$
	Liber Victus Pty Ltd	Firebreak non-compliance at property	250.00
	O. Oleshko	Firebreak non-compliance at property	250.00
	Total		<b>\$5,992.17</b>

**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**

**Key theme**                              Financial Sustainability.

**Objective**                                Effective management.

**Strategic initiative**                Manage assets and liabilities through a planned, long-term approach.

**Policy**                                      Not applicable.

**Risk Management Considerations**

The amounts written off are either unrecoverable or uneconomical to recover, none of which represent a material financial risk to the City.

**Financial / Budget Implications**

**Account No:**                              3256  
**Budget Item**                                Bad Debts written-off.  
**Annual Budget**                            \$ 55,025  
**Year to Date Budget**                    \$ 55,025  
**Year to Date Actual**                    \$ 56,467  
**Year to Date variance**                (\$1,442)

All amounts quoted in this Report are exclusive of GST.

**Regional Significance**

Not applicable.

**Sustainability Implications**

Not applicable.

**Consultation**

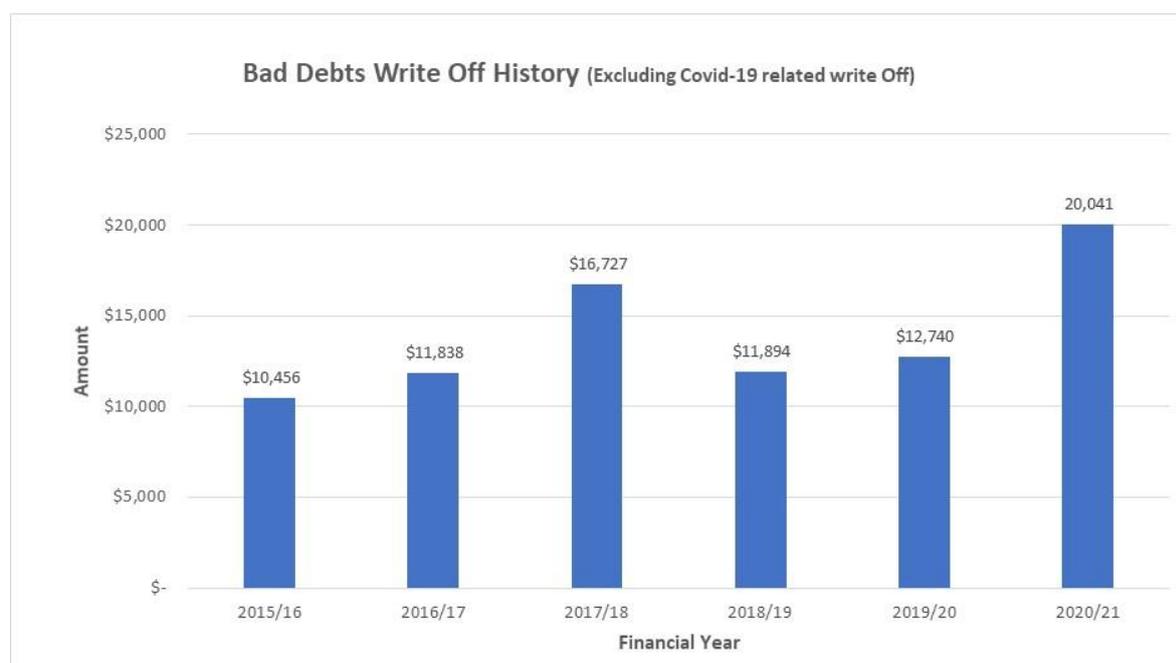
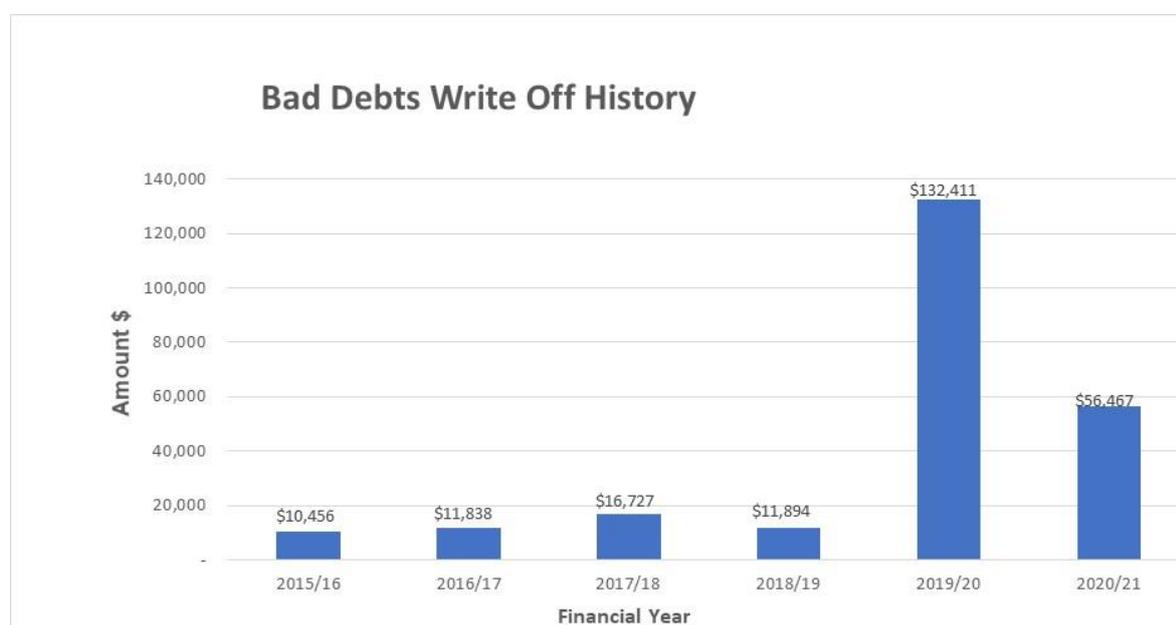
Not applicable.

**COMMENT**

Monies written off under delegation comprise 4,857 items below the reporting threshold, including 4,856 items of small unpaid rates amounts as well as 10 reportable items, constituting one waiver of court costs \$415.40 and nine other items totalling \$5,992.17 as detailed in this Report, that were written off as either unrecoverable or uneconomical to continue debt recovery action.

In some cases that were deemed uneconomical to pursue recovery, the City received advice by the debtors of their straitened financial circumstances due to COVID-19. These write-offs have not, however, been classified as COVID-related, as the City has not been able to verify the claims made.

The history of bad debts written off over the past five financial years is below:



## **VOTING REQUIREMENTS**

Simple Majority.

**MOVED Cr McLean, SECONDED Cr Jones that the Audit and Risk Committee RECEIVES the report of monies written-off under delegated authority for the period 1 January to 30 June 2021.**

**The Motion was Put and**

**CARRIED (5/0)**

**In favour of the Motion:** Cr Raftis, Mayor Jacob, Crs McLean, Jones and Logan.



The current Chief Executive Officer's contracts include the following clause:

*"14.1 (c) The Executive must take annual leave regularly to prevent more than 8 weeks of annual leave accruing at any time. In the event the Executive has annual leave accrued beyond 8 weeks, the Council may direct the Executive to take the amount of leave accrued in excess of 8 weeks, on giving the Executive four (4) weeks' notice. The Executive agrees to comply with such a direction."*

Recommendations of the internal audit included that the City improve the monitoring of leave accruals for the Chief Executive Officer, Directors and Managers to identify excessive leave and, where appropriate, initiate action to reduce or eliminate any excessive leave accruals, as well as considering defining excessive leave within future contracts for all Directors and Managers.

## **DETAILS**

### Chief Executive Officer, Directors and Managers

A new control, in the form of regular reports on accrued leave, has been developed.

The report shows the number of days of accrued leave for the Chief Executive Officer, Directors and Managers for:

- annual leave (not including future leave booked)
- annual leave (including future leave booked)
- long service leave (not including future leave booked)
- long service leave (including future leave booked)
- total combined leave (including future leave booked).

The report will be provided to the Chief Executive Officer and Directors on a quarterly basis.

An annual report will be presented to the Chief Executive Officer Recruitment and Performance Review Committee detailing the number of days of leave accrued by the Chief Executive Officer. As of 13 December 2021, the Chief Executive Officer has 12 annual leave days accrued (not including future leave booked).

The report has not identified any annual leave accruals for Directors and Managers that may be considered excessive. Including future annual leave booked, all Directors and Managers have annual leave accruals less than eight weeks. The report shows that one Director and three Managers have accumulated long service leave greater than 65 days. This indicates that their first entitlement of long service leave has not been taken.

Given the COVID-19 Pandemic it should be acknowledged that opportunities for booking and taking annual leave and / or long service leave has been severely restricted. However, this will continue to be monitored and reported and appropriate action taken to reduce excessive leave accruals when appropriate to do so.

### Other Employees

All Managers have access to the Human Resources Dashboard, which includes leave analysis for their employees to ensure the effective monitoring of accrued leave. During 2020, the clearance of excessive annual leave for a number of employees was undertaken. There are currently 31 employees with annual leave in excess of eight weeks, and in line with the *Guidelines for Managers – Dealing with excessive annual leave accruals*, the process to seek mutual agreement to reduce this leave has commenced.

The City's Enterprise Agreements includes the following clauses for excessive leave accruals:

- Inside Workforce

*"25.8 Excessive Leave Accruals*

- a) *An employee has an excessive leave accrual if the employee has accrued more than 8 weeks' paid annual leave.*
- b) *If an employee has an excessive leave accrual, the City or the employee may seek to confer with the other and genuinely try to reach agreement on how to reduce or eliminate the excessive leave accrual.*
- c) *Clause 25.9 sets out how the City may direct an employee who has an excessive leave accrual to take paid annual leave.*
- d) *Clause 25.10 sets out how an employee who has an excessive leave accrual may require the City to grant paid annual leave requested by the employee."*

- Outside Workforce

*"24. 7 Excessive Leave Accruals*

- a) *An employee has an excessive leave accrual if the employee has accrued more than 8 weeks paid annual leave.*
- b) *If an employee has an excessive leave accrual, the City or the employee may seek to confer with the other and genuinely try to reach agreement on how to reduce or eliminate the excessive leave accrual.*
- c) *Clause 24.8 sets out how the City may direct an employee who has an excessive leave accrual to take paid annual leave.*
- d) *Clause 24.9 sets out how an employee who has an excessive leave accrual may require the City to grant paid annual leave requested by the employee."*

- Building Maintenance

*"25. 8 Excessive Leave Accruals*

- a) *An employee has an excessive leave accrual if the employee has accrued more than 8 weeks paid annual leave.*
- b) *If an employee has an excessive leave accrual, the City or the employee may seek to confer with the other and genuinely try to reach agreement on how to reduce or eliminate the excessive leave accrual.*
- c) *Clause 25.9 sets out how the City may direct an employee who has an excessive leave accrual to take paid annual leave."*

**Legislation / Strategic Community Plan / Policy Implications**

**Legislation**                      Not applicable.

### **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 cross all corporate functions.

**Key theme** Financial Sustainability.

**Objective** Effective management.

**Strategic initiative** To conduct business in a financially sustainable manner.

**Policy** Not applicable.

### **Risk Management Considerations**

The accrual of excessive leave presents a risk to the City, including financial liability for the City and health and welfare risks for employees. In certain circumstances excessive accrued leave may also be considered as a red flag for fraudulent behaviour.

### **Financial / Budget Implications**

Not applicable.

### **Regional Significance**

Not applicable.

### **Consultation**

Not applicable.

### **COMMENT**

The implementation of this new control will provide transparent and regular reporting of leave accruals to assist in the effective monitoring and management of excessive leave.

### **VOTING REQUIREMENTS**

Simple Majority.

*The Manager Financial Services left the room at 5.40pm.*

*Mayor Jacob left the room at 5.52pm.*

**MOVED Cr Logan, SECONDED Cr McLean that the Audit and Risk Committee NOTES the new control in place for the monitoring of annual and long service leave accruals for the Chief Executive Officer, Directors and Managers.**

**The Motion was Put and**

**CARRIED (4/0)**

**In favour of the Motion:** Crs Raftis, McLean, Jones and Logan.



The WA Auditor General recognises that there are four lines of defence which underpin a strong governance framework, of which internal audit is the third line of defence:

- First line of defence – internal control measures.
- Second line of defence – internal oversight, monitoring and reporting.
- Third line of defence – internal audit and review.
- Fourth line of defence – external audit, investigations and reviews.

The *Three Year Internal Audit Plan* (the Plan) is designed to bring a systematic methodology that contributes to the overall assurance provided to management and the Audit and Risk Committee, that risks are appropriately identified, managed and controls are implemented and operating effectively. The Plan is developed following an assessment of the City's audit needs which includes, but is not limited to the following:

- Legislative audits, reviews and reporting requirements.
- Previous internal audit reports.
- Organisational risk registers.
- Review and analysis of external audit reports including the Corruption and Crime Commission, Office of the Auditor General and the Department of Local Government, Sport and Cultural Industries.
- External misconduct referrals, public interest disclosures and whistleblowing allegations.
- Chief Executive Officer, management and Audit and Risk Committee requests.
- Fraud, corruption and misconduct risks.
- COVID-19 Pandemic risks.
- New and emerging risks.
- New corporate systems and services.

The Plan identifies the proposed internal audit area, the timing of the audit, reason for inclusion, when the area was last audited and a brief scope for the audit.

Detailed scopes for each audit are developed for management agreement and sign-off prior to the commencement of the audit. Action plans are developed for the implementation of agreed audit recommendations which includes implementation dates and responsibility for implementation.

### **Legislation / Strategic Community Plan / Policy Implications**

**Legislation** Part 7, *Local Government Act 1995*.  
Section 14 and 15, *Local Government (Audit) Regulations 1996*.  
Regulation 17, *Local Government (Audit) Regulations 1996*.  
Regulation 5(2)(c), *Local Government (Financial Management) 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.
- Continually strive to improve performance and service delivery across all corporate functions.

**Policy** Not applicable.

### **Risk Management Considerations**

Internal audit is an independent and objective appraisal service designed to add value and assist an organisation achieve its objectives through a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, internal control and governance processes.

The Office of the Auditor General also places reliance on internal audit activities when conducting their annual financial audit of the City.

### **Financial / Budget Implications**

Not applicable.

### **Regional Significance**

Not applicable.

### **Sustainability Implications**

Not applicable.

### **Consultation**

Not applicable.

### **COMMENT**

At the Audit and Risk Committee meeting held on 9 August 2021 the external member suggested that the City consider developing an internal audit plan to cover a period greater than one year. The development of a three-year Plan will assist in directing internal audit resources more efficiently to provide sufficient assurance that key risks are identified, assessed and controlled effectively.

### **VOTING REQUIREMENTS**

Simple Majority.

*Mayor Jacob entered the room at 5.56pm.*

**MOVED Cr McLean, SECONDED Cr Jones that the Audit and Risk Committee NOTES the Three Year Internal Audit Plan for the years 2021-2022 to 2023-2024 forming Attachment 1 to this Report.**

**The Motion was Put and**

**CARRIED (5/0)**

**In favour of the Motion:** Cr Raftis, Mayor Jacob, Crs McLean, Jones and Logan.

*Appendix 2 refers*

*To access this attachment on electronic document, click here: [Attach2AUDIT211215.pdf](#)*



## **CLOSURE**

There being no further business, the Presiding Member declared the Meeting closed at 6.06pm the following Committee Members being present at that time:

CR JOHN RAFTIS  
MAYOR HON. ALBERT JACOB, JP  
CR NIGE JONES  
CR JOHN LOGAN  
CR TOM MCLEAN, JP