

CITY OF JOONDALUP

MINUTES OF MEETING OF THE AUDIT COMMITTEE HELD IN CONFERENCE ROOM 2, JOONDALUP CIVIC CENTRE, BOAS AVENUE, JOONDALUP ON TUESDAY 24 OCTOBER 2006

ATTENDANCE

Committee Members:

Cr Steve Magyar	- Deputy Presiding Person	North-Central Ward
Cr Michele John		South-West Ward
Cr Sue Hart		South-East Ward
Cr Richard Currie		South Ward

Officers:

Mr Garry Hunt	Chief Executive Officer	
Mr Mike Tidy	Director Corporate Services	
Mr Said Hafez	Manager, Financial Services	to 1756 hrs
Ms Lesley Taylor	Administrative Secretary	

In Attendance

Mr Ross Jerrard	Deloitte	to 1756 hrs
Mr Tim Richards	Deloitte	to 1756 hrs

DECLARATION OF OPENING

The Deputy Presiding Person declared the meeting open at 1740 hrs.

APOLOGIES/LEAVE OF ABSENCE

Leave of absence previously approved:

Mayor Troy Pickard	16 October 2006 - 30 October 2006 inclusive
Cr T McLean	17 October 2006 - 09 November 2006 Inclusive
Cr G Amphlett	23 October 2006 - 03 November 2006 inclusive

CONFIRMATION OF MINUTES

MINUTES OF THE AUDIT COMMITTEE MEETING HELD ON 10 OCTOBER 2006

MOVED Cr John, **SECONDED** Cr Currie that the minutes of the meeting of the Audit Committee held on 25 July 2006 be confirmed as a true and correct record.

The Motion was Put and

CARRIED UNANIMOUSLY (4/0)

In favour of the Motion: Crs Currie, Hart, John, and Magyar

ANNOUNCEMENTS BY THE DEPUTY PRESIDING PERSON WITHOUT DISCUSSION

Nil.

DECLARATIONS OF INTEREST**Disclosure of Financial Interests**

Nil.

Disclosure of interest affecting impartiality

Name/Position	Mr Mike Tidy – Director Corporate Services
Item No/Subject	Item 1 – 2005/06 Annual Financial Report
Nature of interest	Interest that may affect impartiality.
Extent of Interest	Mr Tidy's brother is an employee of Deloitte, but not an auditor and not part of the audit team for the City of Joondalup.

Name/Position	Mr Garry Hunt – Chief Executive Officer
Item No/Subject	Item 2 – Quarterly Report – Corporate Credit Card Usage
Nature of interest	Interest that may affect impartiality
Extent of interest	Relates to CEO credit card expenditure

IDENTIFICATION OF MATTERS FOR WHICH THE MEETING MAY SIT BEHIND CLOSED DOORS

Nil.

PETITIONS AND DEPUTATIONS

Nil.

ITEM 1 2005/06 ANNUAL FINANCIAL REPORT - [50068]

WARD: All

RESPONSIBLE Mr Mike Tidy
DIRECTOR: Corporate Services

PURPOSE

To consider the 2005/06 Annual Financial Statements and the auditor's report.

EXECUTIVE SUMMARY

In accordance with Section 6.4 of the Local Government Act 1995, the 2005/06 Annual Financial Report has been prepared and the accounts and the report have been submitted to the City's auditors.

The City's auditors have completed their audit of Council's accounts and the Annual Financial Report for the 2005/06 financial year in accordance with the terms of their appointment and the requirements of the Local Government Act 1995 Part 7 Division 3 and submitted their report. An abridged set of Financial Statements will form part of the 2005/06 Annual Report.

The auditors report and the Annual Financial Report for the financial year 2005/06 are submitted for the Committee's consideration.

The following recommendation is provided for the Audit Committee's consideration:

That the Audit Committee RECOMMENDS that Council, BY AN ABSOLUTE MAJORITY, ACCEPTS the Annual Financial Report of the City of Joondalup and the accompanying audit report for the financial year 2005/06 forming Attachment 1 to this Report.

BACKGROUND

Section 6.4 of the Local Government Act 1995 sets out the requirements for a local government 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 these requirements and the City's auditors have completed the audit of Council's accounts and Annual Financial Report for the financial year 2005/06.

As has been past practice, an abridged version of the Annual Financial Report has also been prepared for inclusion in the City's Annual Report. The Annual Financial Report for the financial year 2005/06 is included with this report at Attachment 1.

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 abridged version of the financial report will be considered. The Annual Financial Report is also required to be submitted to the Executive Director of the Department of Local Government and Regional Development.

Link to Strategic Plan:

Strategy 4.1 of the City's Strategic Plan 2003-2008:

"To manage the business in a responsible and accountable manner"

Legislation – Statutory Provisions:

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 Executive Director within 30 days of the receipt by the 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:

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.*

Risk Management considerations:

The risk associated with not accepting the Annual Financial Report for the financial year 2005/06 is that it could lead to failure to set a date for the Annual General Meeting of Electors resulting in non-compliance with the requirements of the Local Government Act 1995.

Financial/Budget Implications:

Nil.

Policy Implications:

Nil.

Regional Significance:

Nil.

Sustainability Implications:

Nil.

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 abridged financial report to be made available publicly. The full Annual Financial Report will also be publicly available.

COMMENT

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 2005/06.

ATTACHMENTS

Attachment 1 Annual Financial Report for the financial year 2005/06.

VOTING REQUIREMENTS

Absolute Majority

MOVED Cr Hart, SECONDED Cr John that the Audit Committee RECOMMENDS that Council ACCEPTS the Annual Financial Report of the City of Joondalup and the accompanying audit report for the financial year 2005/06 forming Attachment 1 to this Report.

Discussion ensued.

Messrs Jerrard and Richards provided an overview of the audit recently undertaken with regard to the City's financial accounts.

AMENDMENT MOVED Cr Hart, SECONDED Cr Currie that an Additional Point 2 be added to the Motion as follows:

“2 that the Director of Corporate Services and the Manager of Financial Services and responsible officers involved with the preparation of the Annual Financial Statements be complimented.

The Amendment was Put and

CARRIED (4/0)

In favour of the Amendment: Crs Currie, Hart, John, and Magyar

The Original Motion as amended, being:**That the:**

- 1 Audit Committee RECOMMENDS that Council ACCEPTS the Annual Financial Report of the City of Joondalup and the accompanying audit report for the financial year 2005/06 forming Attachment 1 to this Report;**
- 2 Director of Corporate Services and the Manager of Financial Services and responsible officers involved with the preparation of the Annual Financial Statements be complimented.**

was Put and**CARRIED BY AN
ABSOLUTE MAJORITY (4/0)****In favour of the Motion:** Crs Currie, Hart, John, and Magyar*Appendix 1 refers**Messrs Jerrard and Richards of Deloitte and Manager Financial Services left the Room at 1756 hrs.*

Director Corporate Services advised the committee that 2006 was the last year of the current Audit contract.

**ITEM 2 QUARTERLY REPORT- CORPORATE CREDIT
CARD USAGE - [098820 [18049] [50068]****WARD:** All**RESPONSIBLE** Mr Mike Tidy
DIRECTOR: Director Corporate Services

PURPOSE

The purpose of this report is to provide the Audit Committee with details of the corporate credit card usage of the CEO for the quarter ended 30 September 2006.

EXECUTIVE SUMMARY

At its meeting held on 11 October 2005, Council inter alia resolved that a quarterly report on the corporate credit card usage of the CEO and Mayor is to be prepared and presented to the Audit Committee - CJ210-10/05. The report for the quarter ended 30 September 2006 is attached.

It is recommended that the Audit Committee NOTES the report on the corporate credit card usage of the CEO for the quarter ended 30 September 2006 as shown on Attachment 1 to this Report.

BACKGROUND

The information to be provided in the Warrant of Payments on the usage of corporate credit cards was the subject of extensive investigation by the City, details of which were reported to Council on 11 October 2005.

Following its deliberation, it was resolved:

That Council:

- 1 *AGREES that the payee name be provided on the single line credit card payments included in the Warrant of Payments;*
- 2 *AMENDS the wording of the recommendation in the Warrant of Payments report to reflect the CEO's delegated power to make payments and Councils procedural role in noting the report;*
- 3 *REQUESTS that the Director of Corporate Services prepare a quarterly report for the Audit Committee on the corporate credit card usage of the CEO and Mayor.*

DETAILS

At its meeting held on 11 October 2005, Council considered the advice received from the City's legal representatives, the City's Auditors and the Department of Local Government on the details to be provided in the Warrant of Payments in relation to credit cards. Following its deliberation, Council inter alia requested the Director of Corporate Services to prepare a quarterly report for the Audit Committee on the corporate credit card usage of the CEO and Mayor.

The quarterly report as requested is provided per Attachment 1.

Issues and options considered:

As provided in CJ210 – 10/05.

Link to Strategic Plan:

The list of payments links to the Strategic Plan outcome of: "The City of Joondalup is a sustainable and accountable business" and in particular objective 4.1 which is "to manage the business in a responsible and accountable manner".

Legislation – Statutory Provisions:

Regulation 11(1) of the Local Government (Financial Management) Regulations 1996 requires a local government to develop procedures for the authorisation and payment of accounts to ensure that there is effective security for, and properly authorised use of credit cards.

Risk Management considerations:

In accordance with the City's procedure 5.9 Use of Credit/Charge Cards, the CEO's credit card has a maximum limit of \$5,000. All expenditure incurred by the CEO by way of credit card is authorised by the Director Corporate Services. It is also a requirement, by resolution of Council, that the CEO's credit card expenditure is reviewed by the Audit

Committee on a quarterly basis. The procedure additionally covers matters such as the issue and return of credit cards, lost or stolen cards, what purchases can be made by credit cards, documentation requirements and management review.

Financial/Budget Implications:

Not Applicable.

Policy Implications:

Not Applicable.

Regional Significance:

Not Applicable.

Sustainability Implications:

By ensuring that expenditure is incurred in accordance with procedures and within budget parameters, financial viability and sustainability is maintained.

Consultation:

Not Applicable.

COMMENT

The CEO's credit card usage is in accordance with procedure 5.9 Use of Credit/Charge Cards and the Contract of Employment of the CEO, with all expenditure being business related and authorised by the Director Corporate Services.

ATTACHMENTS

Attachment 1 CEO Quarterly Credit Card Expenditure for the Quarter Ended 30 September 2006.

VOTING REQUIREMENTS

Simple Majority

MOVED Cr Hart, SECONDED Cr John that the Audit Committee NOTES the report on the corporate credit card usage of the CEO for the quarter ended 30 September 2006 as shown on Attachment 1 to this Report.

Chief Executive Officer provided an explanation in relation to individual entries listed as expenditures against his credit card.

The Motion was Put and

CARRIED UNANIMOUSLY (4/0)

In favour of the Motion: Crs Currie, Hart, John, and Magyar

Appendix 2 refers

ITEM 3 REVIEW OF LEVEL OF DELEGATION TO THE CEO IN RELATION TO WRITE-OFF OF MONIES - [23171] [50068]

WARD: All

RESPONSIBLE Mr Mike Tidy
DIRECTOR: Director Corporate Services

PURPOSE

The purpose of this report is to review the level of delegation to the CEO in relation to the write-off of monies as requested by Council at its meeting of 6 June 2006.

EXECUTIVE SUMMARY

Council has requested the Audit Committee to undertake a review of the existing delegation for Write-Off of Monies. The review has examined similar delegations in place at a number other local governments. It is clear that there is no industry standard or benchmark and the Council needs to determine its own level of delegation in relation to its own particular circumstances.

Having given consideration to all of these issues it is recommended that Council:

- 1 *NOTES the review undertaken by the Audit Committee of the Write-off of Monies delegation; and*
- 2 *DETERMINES that there be no change to the existing delegation for the Write-off of Monies.*

BACKGROUND

At its meeting of 6 June 2006 Council resolved as follows:

- 1 NOTES the minutes of the Audit Committee meeting held on 26 April 2006 forming Attachment 1 to Report CJ079-06/06;
- 2 APPROVES an amendment to the Chief Executive Officer's 'Authority To Write-Off Monies' as detailed in the Register Of Delegated Authority to read:

 'Delegation to – Chief Executive Officer –individual items to \$20,000, subject to a report being provided to the Audit Committee on a six (6) monthly basis on the exercise of this delegation for amounts between \$100 and \$20,000';
- 3 REQUESTS the Audit Committee to review the level of delegation to the CEO to write-off monies before the end of the year 2006;

- 4 REQUESTS the Audit Committee to include the following references in the determination of the appropriate level of delegation to write-off monies:
- (a) The Local Government Act 1995, Section 1.3(2) (c) and (d), that is greater accountability of local governments to their communities and more efficient and effective local government;
 - (b) The Local Government Act 1995, Section 2.7(1):
 - (1) That the Council directs and controls the local government's affairs and is responsible for the performance of the local government's functions;
 - (2) Without limiting subsection (1), the Council is to oversee the allocation of the local government's finances and resources;
 - (c) The Local Government Act 1995, Section 5.41 (d) – the CEO's functions to manage the day to day operations of the local government;
- 5 REQUESTS the Audit Committee to refer to the Shire of Busselton and City of Wanneroo delegations for the write-off of monies.

DETAILS

Issues and options considered:

The current delegation for the write-off of monies has a limit for individual items up to \$20,000.

Item 4 of the resolution of 6 June 2006 sets out various provisions of the Local Government Act 1995 that the Audit Committee (the Committee) is asked to reference in their review of this delegation.

Section 1.3(2) of the act talks about the act being intended to result in:

- (c) greater accountability of local governments to their communities; and
- (d) more efficient and effective local government.

The current delegation clearly sets out to achieve both of these objectives. There are regular six monthly reports to Council via the Committee of all write-offs that have been approved under delegation. A review of these indicates that the vast majority of write-offs are minor in nature. It would not be efficient or effective for reports to be continually going to Council for approval. Not only is administrative efficiency an issue being able to respond in a timely manner to customers is also very important.

Section 2.7 of the act talks about the role of the council and amongst other things sets out that:

- (1) The council —
 - (a) directs and controls the local government's affairs; and
 - (b) is responsible for the performance of the local government's functions.
- (2) Without limiting subsection (1), the council is to —
 - (a) oversee the allocation of the local government's finances and resources; and
 - (b) determine the local government's policies.

A delegation with regular reporting procedures addresses all of these elements. The Council is setting out in the delegation what powers can be exercised and in what circumstances. It is therefore directing and controlling the financial arrangements in relation to write-offs. Through regular reporting it is then able to have oversight of how the delegation has been exercised and therefore obtain comfort that it is in accordance with Council's intentions. This is overseeing the allocation of the City's finances and resources.

Section 5.41 of the act deals with the functions of the CEO and amongst other things provides that the CEO's functions are to;

- (d) manage the day-to-day operations of the local government;
- (i) perform any other function specified or delegated by the local government or imposed under this Act or any other written law as a function to be performed by the CEO.

By exercising the delegation in relation to the write-off of monies the CEO is taking responsibility for managing the day-to-day operations of the City but within a framework that is open and accountable and also ensures that the Council is fulfilling its obligations under the act in terms of responsibility, efficiency and effectiveness.

There is therefore a sound argument that the delegation meets the requirements and intent of the provisions of the act that the Committee has been asked to consider in its review.

Item 5 of the resolution of the 6 June 2006 requested that the Audit Committee refer to the delegations that the Shire of Busselton and the City of Wanneroo have in place for the write-off of monies. These have been included with the others that have been examined and are summarised in attachment 1. There is nothing particularly significant about the delegation that these two local authorities have in place.

Other than the Shire of Busselton all the other authorities are modest to large sized metropolitan authorities. As can be seen there is a large variety of levels of delegation with various limits. These range from several local authorities that have no delegations in place at all, up the City of Stirling where the limit is set at \$50,000.

This limit is an annual one and it does not apply to rates and service charges. The City of Perth has a maximum individual write-off limit of \$10,000 and a maximum annual aggregate limit of \$20,000. The City of Wanneroo's delegation, which is only \$500 also does not relate to rates debts.

Clearly there is no industry trend or common level of practice in relation to the delegations and Council therefore needs to consider its own circumstances in relation to the limit that it applies to a delegation to write-off monies.

The last three reports to the Committee on the exercise of the delegation cover its application over the combined period of two years from June 2004 to June 2006. Over this period the total of write-offs amounted to only \$12,983. These were all rates write-offs and were spread over literally hundreds of transactions. Individually most are very small with largest amounting to several hundred dollars.

Although this is fairly normal for rates it is general debtors where the amounts could potentially be larger. There has not been any general debtor write-offs in the period referred to but there are several current outstanding debts that are in difficulty eg a company in liquidation, which may result in the necessity for a full or partial write-off. The full debt in this example is \$6,921.20.

This needs to be kept in perspective and considered in the context of the size of the organisation. It is not unusual for end of month debtors balances to be in the order of \$1.5m at different times of the year. There will be occasions where a quick response to a request for write-off needs to be dealt with and there needs to be a reasonable level of delegation to deal with this. Within this context the current \$20,000 limit to the level of delegation does not seem unreasonable. It should be noted that the delegation is not used frivolously. All avenues of recovery are explored bearing in mind the potential cost of that recovery action. In the example used there will be no write-off until all avenues for recovery have been exhausted.

Link to Strategic Plan:

- 4.2.1 Provide efficient and effective service delivery
- 4.3.3 Provide fair and transparent decision making processes

Legislation – Statutory Provisions:

In addition to the sections already referred to, section 6.12 of the Local Government Act 1995 sets out Council's powers in relation to the write-off of amounts of money. Sections 5.42 and 5.43 then set out the provisions in relation to the delegation of power to the CEO.

Risk Management considerations:

The risk management considerations are really about ensuring that there is proper exercise of the delegation and that there is appropriate oversight of the decisions made to write-off monies. As the delegation currently stands there are requirements that a report of the exercise of the delegation be provided to the Committee on a six monthly basis.

Financial/Budget Implications:

The budget implications of write-offs will vary from year to year. In recent times the amount of total debt written off in a financial year has not been significant with the total value of write-offs for the last two full financial years only amounting to \$12,983. In this context the budget implications are minor.

Policy Implications:

There are no policy implications, this report relates to the delegation only.

Regional Significance:

Not Applicable.

Sustainability Implications:

Not Applicable.

Consultation:

Not Applicable.

COMMENT

It is quite apparent from looking at what other Councils are doing in relation to delegating power to write-off monies that there is no common or standard industry practice. It is really up to Council to determine what its needs are for its requirements and circumstance.

From a practical point of view in terms of efficiency, effectiveness and responding to customers in a timely manner it is clear that there needs to be some level of delegation to write-off monies.

Historically most of the write-offs are rates, albeit in very small amounts representing rounding errors or minor short payments of accounts. It could be argued that given the recent history of the level of write-offs that the current level of delegation that is in place is quite high. It is important to appreciate however that on a day-to-day management basis it is essential to have flexibility when negotiating the recovery of outstanding monies and to be able to make decisions quickly in relation to issues associated with the recovery of debts.

It is considered therefore that the current delegation and the level of delegation to write-off monies for individual items up to \$20,000 is appropriate to the needs of the City of Joondalup. It is also considered that the Council's and CEO's obligations in relation to openness, accountability, efficiency and effectiveness are appropriately addressed in the delegation and associated reporting requirements.

ATTACHMENTS

Attachment 1 Summary of Write-Off Delegations and Limits of Other Councils.

VOTING REQUIREMENTS

Simple Majority

MOVED Cr Currie, SECONDED Cr John that the Audit Committee recommends that Council:

- 1 NOTES the review undertaken by the Audit Committee of the Write-off of Monies delegation;**
- 2 DETERMINES that there be no change to the existing level of delegation for the Write-off of Monies.**

Discussion ensued. Cr Magyar raised concerns at the level of delegation to write-off monies for individual items up to \$20,000 and felt it was more appropriate that the amount should be \$10,000.

The Motion was Put and

CARRIED (3/1)

In favour of the Motion: Crs Currie, Hart, John **Against the Motion:** Cr Magyar

Appendix 3 refers

MOTIONS OF WHICH PREVIOUS NOTICE HAS BEEN GIVEN

Nil.

REQUESTS FOR REPORTS FOR FUTURE CONSIDERATION

Nil.

CLOSURE

There being no further business, the Deputy Presiding Person declared the Meeting closed at 1812 hrs; the following Elected members being present at that time:

Cr S Magyar
Cr M John
Cr R Currie
Cr S Hart