

Minutes **Audit Committee**

MEETING HELD ON MONDAY, 20 OCTOBER 2008

CITY OF JOONDALUP

MINUTES OF THE AUDIT COMMITTEE MEETING HELD IN CONFERENCE ROOM 2, JOONDALUP CIVIC CENTRE, BOAS AVENUE, JOONDALUP ON MONDAY, 20 OCTOBER 2008

ATTENDANCE

Committee Members:

| | |
|---------------------|--------------------------------|
| Cr Tom McLean | <i>Presiding Person</i> |
| Cr Marie Macdonald | <i>Deputy Presiding Person</i> |
| Mayor Troy Pickard | |
| Cr Albert Jacob, JP | |
| Cr Michele John | <i>from 1748 hrs</i> |

Officers:

| | |
|-------------------|-----------------------------|
| Mr Garry Hunt | Chief Executive Officer |
| Mr Mike Tidy | Director Corporate Services |
| Mr Peter McGuckin | Internal Auditor |
| Mrs Lesley Taylor | Administrative Secretary |

In Attendance

| | |
|-----------------|---|
| Mr Patrick Warr | Auditor – Grant Thornton (WA) Partnership |
|-----------------|---|

DECLARATION OF OPENING

The Presiding Person declared the meeting open at 1738 hrs.

APOLOGIES/LEAVE OF ABSENCE

Nil.

CONFIRMATION OF MINUTES

MINUTES OF THE AUDIT COMMITTEE MEETING HELD ON 19 AUGUST 2008

MOVED Cr Macdonald, **SECONDED** Mayor Pickard that the minutes of the meeting of the Audit Committee held on 19 August 2008 be confirmed as a true and correct record.

The Motion was Put and

CARRIED (4/0)

In favour of the Motion: Cr McLean, Cr Macdonald, Mayor Pickard and Cr Jacob

ANNOUNCEMENTS BY THE PRESIDING PERSON WITHOUT DISCUSSION

Nil.

DECLARATIONS OF INTEREST

Nil.

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

Nil.

PETITIONS AND DEPUTATIONS**WELCOME – AUDITOR**

The Presiding Person introduced Mr Patrick Warr of Grant Thornton (WA) Partnership, the external Auditor who was in attendance to address any queries with respect to the Financial Statements for 2007/08.

REPORTS**ITEM 1 2007/08 ANNUAL FINANCIAL REPORT -
[12283] [54620]**

WARD: All

**RESPONSIBLE
DIRECTOR:** Mr Mike Tidy
Corporate Services

PURPOSE

To consider the 2007/08 Annual Financial Statements and the auditor's report.

EXECUTIVE SUMMARY

In accordance with Section 6.4 of the Local Government Act 1995, the 2007/08 Annual Financial Report has been prepared and, together with the City's accounts, has been submitted to the City's auditors to conduct their annual audit.

The City's auditors have completed their audit in accordance with the terms of their engagement and the requirements of Part 7 Division 3 of the Local Government Act

1995 and have submitted their audit report. An abridged set of the audited Financial Statements will form part of the 2007/08 Annual Report.

The auditors' report and the Annual Financial Report for the 2007/08 financial year are presented to the Committee for its consideration.

It is recommended 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 2007/08 forming Attachment 1 to this Report.

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 auditors have completed their audit of the accounts and the Annual Financial Report for the financial year 2007/08.

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 2007/08 is included as Attachment 1 to this Report

DETAILS

Issues and options considered:

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

The Annual Financial Report needs to be accepted by Council in order to enable the holding of an Annual General Meeting of Electors at which the City's Annual Report containing the abridged version of the financial report will be considered. The Annual Financial Report is also required to be submitted to the Departmental CEO.

Link to Strategic Plan:

Objective 1.1 of the City's Strategic Plan 2008-2011:

"To ensure that the processes of local governance are carried out in a manner that is ethical, transparent and accountable"

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 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.*

Risk Management considerations:

The risk associated with not accepting the Annual Financial Report for the financial year 2007/08 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:

Not Applicable.

Policy Implications:

Not Applicable.

Regional Significance:

Not Applicable.

Sustainability Implications:

Not Applicable.

Consultation:

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

COMMENT

It is proposed that the Annual Financial Report will be produced on CD-Rom and made available on the City's public website. A minimal number of printed, bound colour copies will be available for viewing at libraries, leisure centres and customer services centres.

In order for the City to meet its legislative requirements, it is recommended that the Council accepts the Annual Financial Report for the financial year 2007/08.

ATTACHMENTS

Attachment 1 Annual Financial Report for the financial year 2007/08

VOTING REQUIREMENTS

Absolute Majority

ADDITIONAL INFORMATION

There is a minor error to the attachment to the report on 2007/08 Annual Financial Report. On the second page under the heading "Electronic presentation of audited financial report", the second sentence commences "The Company's directors.....". This is incorrect and should refer to the Chief Executive Officer.

A revised Independent Auditor's Report is provided hereto – Appendix 1 refers.

MOVED Mayor Pickard, SECONDED Cr Macdonald 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 2007/08 forming Attachment 1 to this Report.

Director, Corporate Services gave an overview of the results contained within the financial statements for 2007/08 and provided responses to the questions raised by Committee members.

Discussion ensued.

During discussion, Cr John entered the Room at 1748 hrs.

The Motion was Put and

CARRIED (5/0)

In favour of the Motion: Cr McLean, Cr Macdonald, Cr Jacob, Cr John and Mayor Pickard

Appendix 1 refers

ITEM 2 WRITE OFF OF FIXED ASSETS - [17394]

WARD: All

RESPONSIBLE: Mr Mike Tidy

DIRECTOR: Corporate Services

PURPOSE

The purpose of this report is to advise the Audit Committee of the outcome of the City's investigation into the loss of two identified assets on the list of items previously recommended for write off.

EXECUTIVE SUMMARY

At its meeting held on 19 August 2008, the Audit Committee recommended that identified assets no longer held by the City be written off, excluding assets 15817 and 15553, and that a further report be presented to the Committee after the completion of an audit review of those two assets.

Investigations revealed that asset 15817 - a Samsung 40 inch LCD, with a book value of \$1898.74 was stolen in a break-in at the Joondalup Library in July 2007 and is one of the items included in the subsequent insurance claim and settlement. This asset needs to be written off.

Asset 15553 - a Kyocera Mitra Colour Printer, with a book value of \$2008.01 was relocated and appears to have been assigned a new number without updating the asset register. This asset does not need to be written off and the Assets Register will be updated.

It is recommended that the Audit Committee recommends that Council writes off Asset 15817, a Samsung 40 inch LCD, that is no longer held by the City with a book value of \$1898.74.

BACKGROUND

Section 6.5 (b) of the Local Government Act 1995 requires the CEO of the City to keep all accounts and records up to date.

An end of financial year stock take has identified certain assets still recorded in the Asset Register that are no longer held by the City and are recommended for write off. Assets 15553 and 15817 were two of those assets identified with a combined book value of \$3906.75. The Audit Committee excluded those two assets and requested a further report advising the outcome of an audit review of those assets.

DETAILS

The audit review of the two excluded assets revealed the following:

Asset 15817 - Samsung 40 inch LCD

This Asset was listed as having been purchased on 15 May 2007. Its carrying value was reported to be \$1898.74 and its location, incorrectly stated, as unknown.

This LCD screen was allocated to the Joondalup Library and was stolen in a break-in at the Library in July 2007. The break-in was the subject of an insurance claim to compensate the City for repairing the damage it caused and replacing the stolen equipment.

The asset should have been removed from the Asset Register at the time. It is now recommended to be written off.

Asset 15553 - Kyocera Mitra Colour Printer

This asset was listed as having been purchased on 9 January 2007. Its carrying value was reported to be \$2008.01 and its location stated as unknown.

This printer was allocated to the Governance and Strategy Directorate when purchased. It was later determined to be surplus to their need and was relocated within Strategic Development. It would appear that the printer was given a new asset number when it was relocated without updating the Asset Register accordingly.

Whilst the stock-take indicated that Asset 15553 could not be located, it also revealed the existence of a similar printer with an asset number not listed in the Asset Register.

The Asset Register will be correctly amended without the need to write off the printer

Issues and options considered:

A revised Asset Control Procedure is being documented to prevent similar incidents in the future.

Link to Strategic Plan:

Objective 1.3 To lead and manage the City effectively

Legislation – Statutory Provisions:

- Section 6.5 (b) of the Local Government Act 1995
- Regulation 5 (1) (d) (iii) of the Local Government (Financial Management) Regulations 1996

Risk Management considerations:

The total value of the asset to be written off is immaterial compared to the total carrying value of assets held by the City at 30 June 2008.

Financial/Budget Implications:

A provision for write off of assets has been created at the end of 2007/08 financial year to account for the carrying value of identified assets recommended for write off.

COMMENT

The audit review of the two excluded assets requested by the Audit committee revealed that asset 15817 the LCD screen was stolen and needs to be written off whilst the Kyocera printer was assigned a different asset number requiring the Asset Register to be amended accordingly.

ATTACHMENTS

Nil.

VOTING REQUIREMENTS

Simple Majority

MOVED Cr Jacob, SECONDED Cr Macdonald that the Audit Committee recommends that Council WRITES OFF Asset 15817 – a Samsung 40 inch LCD, that is no longer held by the City, with a book value of \$1898.74.

Discussion ensued.

The Motion was Put and

CARRIED (5/0)

In favour of the Motion: Cr McLean, Cr Macdonald, Mayor Pickard, Cr Jacob and Cr John

MOTIONS OF WHICH PREVIOUS NOTICE HAS BEEN GIVEN

Nil.

REQUESTS FOR REPORTS FOR FUTURE CONSIDERATION

Nil.

CLOSURE

There being no further business, the Presiding Person declared the Meeting closed at 1803 hrs; the following Elected Members being present at that time:

Cr Tom McLean
Cr Marie Macdonald
Mayor Troy Pickard
Cr Albert Jacob, JP
Cr Michele John