

minutes

Audit Committee

MEETING HELD ON **28 SEPTEMBER 2010**

TABLE OF CONTENTS

Item No	Title	Page No
	Declaration of Opening	4
	Election of Presiding Person	4
	Election of Deputy Presiding Person	5
	Apologies/Leave of absence	5
	Confirmation of Minutes	5
	Announcements by the Presiding Person without discussion	5
	Declarations of Interest	5
	Identification of matters for which the meeting may sit behind closed doors	5
	Petitions and deputations	5
	Reports	
1	CEO's Credit Card Expenditure – Quarter ended 31 March 2010	6
2	CEO's Credit Card Expenditure – Quarter Ended 30 June 2010	8
3	Half Yearly Report - Write Off of Monies - 1 January 2010 – 30 June 2010	10
4	Internal Audit Plan 2010/11	13
5	Internal Audit Review – City's Groundwater Consumption Report for 2009/10	15
6	Outstanding Revenue Received from Adshel and Telecommunications Companies	19
7	Material Recovery Facility Back Payment	22
8	4 Yearly Review of the City's Financial Management Systems	24
9	Internal Audit Activity Report	27
10	Half Yearly Report – Contract Extensions	29

11	Material Variances for the Financial Year Ending 30 June 2011	31
	Motions of which previous notice has been given	35
	Requests for Reports for future consideration	35
	Closure	35

CITY OF JOONDALUP

MINUTES OF THE AUDIT COMMITTEE MEETING HELD IN CONFERENCE ROOM 2, JOONDALUP CIVIC CENTRE, BOAS AVENUE, JOONDALUP ON TUESDAY, 28 SEPTEMBER 2010

ATTENDANCE

Committee Members:

Cr Tom McLean	<i>Presiding Person</i>	
Mr Robert (Andy) Cowin	<i>Deputy Presiding Person</i>	<i>From 1817 hrs</i>
Cr Geoff Amphlett, JP		
Cr Christine Hamilton-Prime		
Cr John Chester		

Officers:

Mr Garry Hunt	Chief Executive Officer
Mr Mike Tidy	Director Corporate Services
Mr Peter McGuckin	Internal Auditor
Mr Tim Hegney	Governance Coordinator
Mrs Brenda Lohead	Governance Officer

Observer:

Cr Liam Gobbert

DECLARATION OF OPENING

The Presiding Person declared the meeting open at 1810 hrs.

APOLOGIES/LEAVE OF ABSENCE

Apologies

Mayor Troy Pickard
Cr Fiona Diaz

Leave of Absence previously approved

Cr Young 22 September – 2 October 2010 inclusive.

CONFIRMATION OF MINUTES

MINUTES OF THE AUDIT COMMITTEE HELD 16 MARCH 2010

MOVED Cr Chester SECONDED Cr Hamilton-Prime that the minutes of the meeting of the Audit Committee held on 16 March 2010 be confirmed as a true and correct record.

The Motion was Put and**CARRIED (4/0)**

In favour of the motion: Crs McLean, Amphlett, Hamilton-Prime and Chester.

ANNOUNCEMENTS BY THE PRESIDING PERSON WITHOUT DISCUSSION

Nil.

DECLARATIONS OF INTEREST**Disclosure of Financial Interests**

Nil.

Disclosure of interest affecting impartiality

Elected Members (in accordance with Regulation 11 of the Local Government [Rules of Conduct] Regulations 2007) and employees (in accordance with the Code of Conduct) are required to declare any interest that may affect their impartiality in considering a matter. This declaration does not restrict any right to participate in or be present during the decision-making process. The Elected Member/employee is also encouraged to disclose the nature of the interest.

Name/Position	Mr Garry Hunt, Chief Executive Officer
Item No/Subject	Item 1 - CEO's Credit Card Expenditure for the quarter ended 31 March 2010
Nature of interest	Interest that may affect impartiality
Extent of Interest	The CEO is the card holder

Name/Position	Mr Garry Hunt, Chief Executive Officer
Item No/Subject	Item 2 - CEO's Credit Card Expenditure for the quarter ended 30 June 2010
Nature of interest	Interest that may affect impartiality
Extent of Interest	The CEO is the card holder

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

Nil.

PETITIONS AND DEPUTATIONS

Nil.

REPORTS**ITEM 1 CEO'S CREDIT CARD EXPENDITURE FOR THE QUARTER ENDED 31 MARCH 2010**

WARD:	All
RESPONSIBLE	Mr Mike Tidy, Director Corporate Services
FILE NUMBER:	09882, 18049
ATTACHMENTS:	Attachment 1 CEO's Credit Card Expenditure – Quarter Ended 31 March 2010

PURPOSE

The purpose of this report is to provide the Audit Committee with details of the corporate credit card usage of the Chief Executive Officer (CEO) for the quarter ended 31 March 2010.

EXECUTIVE SUMMARY

The report of the CEO's credit card usage for the quarter ended 31 March 2010 is attached.

It is recommended that the Audit Committee NOTES the report on the corporate credit card usage of the Chief Executive Officer for the quarter ended 31 March 2010 forming Attachment 1 to this Report.

BACKGROUND

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 to be prepared and presented to the Audit Committee – CJ210-10/05.

DETAILS

The report listing all credit card payments made by the CEO for the quarter, including bank fees is set out in Attachment 1.

Issues and options considered:

Not Applicable.

Legislation/Strategic Plan/Policy Implications

Legislation 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.

Strategic Plan

Key Focus Area: Leadership and Governance.

Objective: 1.1 To ensure that the processes of local governance are carried out in a manner that is ethical, transparent and accountable.

Policy Not Applicable.

Risk Management considerations:

In accordance with the City's Use of Corporate Credit Cards Protocol, the CEO's credit card has a maximum limit of \$10,000. 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:

Expenditures paid for by the corporate credit card assigned to the CEO are incurred under the approved budget.

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 Corporate 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.

VOTING REQUIREMENTS

Simple Majority.

MOVED Cr Amphlett **SECONDED** Cr Hamilton-Prime that the Audit Committee **NOTES** the report on the corporate credit card usage of the Chief Executive Officer for the quarter ended 31 March 2010, forming Attachment 1 to this Report.

The Motion was Put and

CARRIED (4/0)

In favour of the Motion: Crs McLean, Amphlett, Hamilton-Prime and Chester.

Appendix 1 refers

To access this attachment on electronic document, click here: [Attach1agn280910.pdf](#)

Name/Position	Mr Garry Hunt, Chief Executive Officer
Item No/Subject	Item 2 - CEO's Credit Card Expenditure for the quarter ended 30 June 2010
Nature of interest	Interest that may affect impartiality
Extent of Interest	The CEO is the card holder

ITEM 2 CEO'S CREDIT CARD EXPENDITURE FOR THE QUARTER ENDED 30 JUNE 2010

WARD: All

RESPONSIBLE Mr Mike Tidy, Director Corporate Services

FILE NUMBER: 09882, 18049

ATTACHMENTS: Attachment 1 CEO's Credit Card Expenditure– Quarter Ended 30 June 2010.

PURPOSE

The purpose of this report is to provide the Audit Committee with details of the corporate credit card usage of the Chief Executive Officer (CEO) for the quarter ended 30 June 2010.

EXECUTIVE SUMMARY

The report of the CEO's credit card usage for the quarter ended 30 June 2010 is attached.

It is recommended that the Audit Committee *NOTES the report on the corporate credit card usage of the Chief Executive Officer for the quarter ended 30 June 2010 forming Attachment 1 to this Report.*

BACKGROUND

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 to be prepared and presented to the Audit Committee – CJ210-10/05.

DETAILS

The report listing all credit card payments made by the CEO for the quarter, including bank fees, is set out in Attachment 1.

Issues and options considered:

Not Applicable.

Legislation/Strategic Plan/Policy Implications

Legislation 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.

Strategic Plan

Key Focus Area: Leadership and Governance.

Objective: 1.1 To ensure that the processes of local governance are carried out in a manner that is ethical, transparent and accountable.

Policy Not Applicable.

Risk Management considerations:

In accordance with the City's Use of Corporate Credit Cards Protocol, the CEO's credit card has a maximum limit of \$10,000. 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:

Expenditures paid for by the corporate credit card assigned to the CEO are incurred under the approved budget.

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 the Use of Corporate Credit Cards Protocol and the Contract of Employment of the CEO, with all expenditure being business related and authorised by the Director Corporate Services.

VOTING REQUIREMENTS

Simple Majority.

MOVED Cr Chester, SECONDED Cr Hamilton-Prime that the Audit Committee NOTES the report on the corporate credit card usage of the Chief Executive Officer for the quarter ended 30 June 2010, forming Attachment 1 to this Report.

The Motion was Put and

CARRIED (4/0)

In favour of the motion: Crs McLean, Amphlett, Hamilton-Prime and Chester.

Appendix 2 refers

To access this attachment on electronic document, click here: [Attach2agn280910.pdf](#)

ITEM 3 HALF YEARLY REPORT - WRITE OFF OF MONIES 1 JANUARY 2010 – 30 JUNE 2010

WARD: All

RESPONSIBLE Mr Mike Tidy, Director Corporate Services

FILE NUMBER: 07032

ATTACHMENTS: Nil

PURPOSE

To report to the Audit Committee on monies written off under delegated authority.

EXECUTIVE SUMMARY

The total amount written off under delegated authority during the six months ended on 30 June 2010 came to \$5,834.78, comprising 4,632 small amounts of unpaid rates, all below the \$100 reportable limit.

It is recommended that the Audit Committee RECEIVES the report of amounts written off under delegated authority for the period 1 January 2010 to 30 June 2010.

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 inter alias to delegate to the CEO the authority to write off monies owed to the City, subject to a report being provided to the Audit Committee on a six monthly basis on the exercise of this delegation for amounts between \$100 and \$20,000.

The CEO under Section 5.44 of the Local Government Act 1995 has on delegated his authority to nominated employees, up to the limits provided in the instrument of delegation.

DETAILS

During the six months ended on 30 June 2010, a total amount of \$5,834.78 was written off. This was made up of 4,632 items of small Rate balances representing in the main rounding decimals or penalty interest charged for a few days late payment where ratepayers did not pay the penalty and the cost of collection was, for all practical purposes, proving to be un-economical. None of those items reached the reportable limit.

Issues and options considered:

Not Applicable.

Legislation/Strategic Plan/Policy Implications

Legislation Sections 6.12 (1)(c), 5.42 and 5.44 of the Local Government Act 1995.

Strategic Plan

Key Focus Area: Leadership and Governance.

Objective: To ensure that the processes of local governance are carried out in the manner that is ethical, transparent and accountable.

Policy Not Applicable.

Risk Management considerations:

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

Financial/Budget Implications:

Rates adjustment and corrections are charged back to the Rate account originally credited.

Regional Significance:

Not Applicable.

Sustainability implications:

Not Applicable.

Consultation:

Not Applicable.

COMMENT

Monies written off under delegated authority comprised 4,632 small amounts of unpaid rates totalling \$5,834.78, all of which were below the \$100.00 reportable limit.

VOTING REQUIREMENTS

Simple Majority.

MOVED Cr Amphlett SECONDED Cr Hamilton-Prime that the Audit Committee RECEIVES the Report of monies written off under delegated authority for the period 1 January to 30 June 2010.

The Motion was Put and

CARRIED (4/0)

In favour of the motion: Crs McLean, Amphlett, Hamilton-Prime and Chester.

ITEM 4 INTERNAL AUDIT PLAN 2010/11

WARD:	All
RESPONSIBLE	Mr Garry Hunt, Office of the CEO
FILE NUMBER:	89528
ATTACHMENTS:	Attachment 1 Internal Audit Plan 2010/11

PURPOSE

This report is to provide the Audit Committee with the Internal Audit Plan detailing the proposed areas of Internal Audit activity for 2010/11.

EXECUTIVE SUMMARY

To minimise risk within the City, an Internal Audit Plan is developed. The plan sets out a programme of internal audits to guide the work of the Internal Auditor and also allows for unspecified management requests, specialist advice and investigations. The Audit Plan is subject to change during the year on the authorisation of the Chief Executive Officer.

It is recommended that the Audit Committee NOTES the Internal Audit Plan for 2010/11 forming Attachment 1 to this Report.

BACKGROUND

Part 7 of the *Local Government Act 1995* sets out the requirements in relation to the conduct of audits of local governments. This includes provisions for the establishment of regulations in relation to the conduct of audits and these are in turn set out in the *Local Government (Audit) Regulations 1996*.

DETAILS

The Audit Plan sets out the program of internal audit activity proposed for 2010/11 to be carried out by the City's Internal Auditor. The plan is established in consultation between the Chief Executive Officer and the Internal Auditor and concentrates on areas that present risks to the City's operations. The Audit Plan is subject to change during the year on the authority of the Chief Executive Officer. The Internal Audit Program is relied upon by the External Auditors as part of their audit.

Issues and options considered:

The issues identified for 2010/11 were developed in conjunction with the Chief Executive Officer and the Internal Auditor based on knowledge of areas of risk within the City and information from the Audit Committee.

Legislation/Strategic Plan/Policy Implications

Legislation Part 7 of the Local Government Act 1995 and the Local Government (Audit) Regulations 1996.

Strategic Plan

Key Focus Area: Leadership and Governance

Objective: 1.1 To ensure that the processes of local governance are carried out in a manner that is ethical, transparent and accountable.

Policy

Not Applicable.

Risk Management considerations:

Internal Audit activity is an important element of risk management and a contributor to the mitigation of risk.

Financial/Budget Implications:

Not Applicable.

Regional Significance:

Not Applicable.

Sustainability Implications:

Not Applicable.

Consultation:

Not Applicable.

COMMENT

Internal audit activity during the year will focus on areas of risk including financial and non-financial control systems and compliance with legislation, regulations, policies and best practice. Action plans will be developed and agreed with the appropriate Business Unit for agreed recommendations and follow-ups conducted to ensure that they are implemented by management. Established criteria will be used to determine the status of each recommendation and its level of implementation and to report on the overall status of the internal audit.

Two audit areas have been carried forward from the 2009/10 Audit Plan:

- Planning and Building Processes;
- Library Operations.

The City conducted a review of Planning and Building Processes and both of these areas were considered lower risk.

VOTING REQUIREMENTS

Simple Majority

MOVED Cr Chester SECONDED Cr Amphlett that the Audit Committee NOTES the Internal Audit Plan for 2010/11 forming Attachment 1 to this Report.

The Motion was Put and

CARRIED (4/0)

In favour of the motion: Crs McLean, Amphlett, Hamilton-Prime, and Chester.

Appendix 3 refers

To access this attachment on electronic document, click here: [Attach3a9n280910.pdf](#)

Mr Cowin entered the Room at 1817 hrs

ITEM 5 OUTSTANDING REVENUE RECEIVED FROM ADSHEL AND TELECOMMUNICATIONS COMPANIES

WARD: All

RESPONSIBLE Mr Garry Hunt, Office of the CEO

FILE NUMBER: 89528

ATTACHMENTS: Nil

PURPOSE

This report is to inform the Audit Committee of outstanding revenue and bus shelters obtained from Adshel Street Furniture Pty Ltd (Adshel) under Contract 135-97/98 (the Contract) for the supply and installation of bus shelters. The report also provides information relating to outstanding revenue identified and received from telecommunications companies (telcos) for the use of City property and electricity.

EXECUTIVE SUMMARY

On the instructions of the Chief Executive Officer the Internal Auditor undertook a review of the Contract with Adshel. The review highlighted a number of issues including a shortfall in bus shelters supplied and non-receipt of advertising revenue share that the City was entitled to under the Contract.

The review of the issues regarding utility charges for lessees' hire of City facilities identified a number of telcos that had masts erected on City property drawing electricity which the City was paying for. It was also revealed that a number of these companies were not paying lease fees to the City.

It is recommended that the Audit Committee NOTES the Report on Outstanding Revenue Received From Adshel and Telecommunication Companies.

BACKGROUND

It was considered that all bus shelters had been supplied and installed in compliance with the Contract between the City and Adshel but the internal audit review identified that five bus shelters could not be accounted for. The contract also requires that Adshel pay the City a share of advertising revenue each quarter. The internal audit revealed that advertising revenue had not been paid to the City for the six quarters from April 2002 to September 2003. It was further revealed that revenue payments had yet to be made to the City for the quarters April 2008 to September 2008.

Three telcos have masts erected on the City's Administration Building drawing power for which they are not charged. Other masts were located on City land at Whitfords Nodes which were also drawing power which the City was paying for. A number of these companies are also not paying lease fees as they are required to do.

DETAILS

Outstanding Adshel Revenue and Bus Shelters

The Contract between the City and Adshel is for fifteen years and expires June 2014. The share of advertising revenue due to the City is 5% for years one to five, 10% for years six to ten and 15% for the final five years. The internal audit review revealed revenue payments were not paid to the City for the six quarters April 2002 to September 2003 as follows:

April to June 2002	\$ 5,184.30
July to September 2002	\$ 5,639.05
October to December 2002	\$ 6,960.60
January to March 2003	\$ 6,320.90
April to June 2003	\$ 5,017.46
July to September 2003	<u>\$ 8,397.07</u>
Total (excluding GST)	\$37,519.38

The internal audit review also revealed that revenue payments had not been made to the City for the two quarters April 2008 to September 2008 amounting to \$39,402 (excluding GST).

The Contract required that Adshel supply and installs 85 bus shelters in the City. Adshel had considered that this requirement had been met during 2004 and the City then proceeded to pay Adshel for further bus shelters from June 2004 onwards. However, the review revealed that only 80 bus shelters had been supplied by Adshel, therefore there was a shortfall of five.

The costs of bus shelters varied depending on the type of shelter and the work required for installation with the average price paid by the City for bus shelters from years 2004 to 2008 being \$14,036. Therefore the City had paid approximately \$70,180 for five bus shelters which should have been provided as part of the contract.

The City wrote to Adshel and demanded payment of the outstanding revenue and that the shortfall of five bus shelters is made up. After a period of correspondence and negotiation Adshel paid all outstanding revenue in full and have since supplied and installed five bus shelters free of charge.

There are still some issues that are in the process of being resolved with Adshel including a shortfall in revenue relating to one other shelter recently identified. Adshel have proposed to make a payment of \$12,006 to the City including interest.

The total approximate value received for unpaid revenue, (including proposed payment of \$12,000) and missing bus shelters is \$159,107. The City is currently receiving an average of \$24,200 per quarter from Adshel as its share of advertising revenue.

Telcos' Electricity and Lease Fees

Following the identification of telcos that were drawing power at the City's expense and not paying their lease fees a review was undertaken by Asset Management and the Internal Auditor to determine the period of use and calculate the charges that were owed to the City. It was established that Optus, Hutchison 3GIS and Telstra had masts erected on the City's Administration Building with Telstra having three other masts on City property at Whitfords Nodes. Each of the masts were fitted with a sub meter which was used to determine their use of electricity and calculate the amount owing to the City. On installation of the masts lease fees were also agreed with the telcos with a 5% increase applied each year. It was revealed that only Telstra has been paying this fee with Optus and Hutchison 3GIS not making any lease fee payments.

After facing initial resistance and following a period of negotiation the telcos settled all the above charges as calculated by the City. The following table provides the details relating to each telco for electricity and lease fees:

Electricity

Telco	Location	Date Applicable	Calculated to	Amount of Arrears Invoiced	Date Paid	Total Received at end July 2010
Optus	Admin Building	1/09/2006	27/11/2009	\$5,258	30/04/2010	\$6,972
3GIS	Admin Building	1/12/2005	27/10/2009	\$8,509	20/01/2010	\$10,080
Telstra	Admin Building	27/06/1995	27/10/2009	\$27,090	11/03/2010	\$28,617
Telstra	Whitfords Nodes	30/07/1993	3/03/2010	\$45,534	23/07/2010	\$45,534
Totals				\$86,391		\$91,203

Lease Fees

Telco	Location	Date applicable	Invoiced to	Amount of Arrears Invoiced	Date Paid	Current Annual Lease Fee
Optus	Admin Building	1/09/2006	31/08/2010	\$73,273	11/05/2010	\$19,680
3GIS	Admin Building	1/12/2005	30/11/2009	\$73,273	2/03/2010	\$19,680
Totals				\$146,546		\$39,360

(N.B. Above amounts are excluding GST)

Summary

- Arrears have been obtained from the telcos of \$86,391 for electricity and \$146,546 for lease fees, total \$232,937.
- Regular invoicing has now commenced and it is estimated that this will attract total revenue for electricity and lease fees from the telcos of approximately \$65,000 per annum which was not previously being collected.

Issues and options considered:

Not Applicable.

Legislation/Strategic Plan/Policy Implications

Legislation Part 7 of the Local Government Act 1995 and the Local Government (Audit) Regulations 1996.

Strategic Plan

Key Focus Area: Leadership and Governance

Objective 1.1: To ensure that the processes of local governance are carried out in a manner that is ethical, transparent and accountable.

Policy Not Applicable.

Risk Management considerations:

Internal Audit activity is an important element of risk management and a contributor to the mitigation of risk.

Financial/Budget Implications:

Not Applicable.

Regional Significance:

Not Applicable.

Sustainability Implications:

Not Applicable.

Consultation:

Not Applicable.

COMMENT

Following this review the total value of arrears received from the telecommunication companies and Adshel, including the approximate value of the five missing bus shelters, is \$392,044 (excluding GST). Systems have been introduced within the City to ensure that invoices are issued to the Telcos and Adshel on a timely basis and to ensure that revenue is received regularly.

VOTING REQUIREMENTS

Simple Majority

MOVED Cr Hamilton-Prime SECONDED Cr Amphlett that the Audit Committee NOTES the report on outstanding revenue received from Adshel and telecommunications companies.

The Motion was Put and

CARRIED (5/0)

In favour of the motion: Crs McLean, Amphlett, Hamilton-Prime, Chester and Mr Cowin.

**ITEM 6 INTERNAL AUDIT REVIEW – CITY'S
GROUNDWATER CONSUMPTION REPORT
FOR 2009/10**

WARD: All

RESPONSIBLE Mr Garry Hunt, Office of the CEO

FILE NUMBER: 89528

ATTACHMENTS: Attachment 1 Internal Audit Review of City's Groundwater Consumption Report for Year Ending June 2010

PURPOSE

This report is to provide the Audit Committee with the results of the Internal Audit review of the City's Groundwater Consumption Report for the year ending June 2010.

EXECUTIVE SUMMARY

The City is committed to sustainable water management and reducing water consumption and therefore it is necessary that ongoing monitoring and reporting of groundwater consumption takes place.

It is recommended that the Audit Committee NOTES the Internal Audit Report forming attachment 1 to this Report on the City's groundwater consumption for the year ending June 2010 forming Attachment 1 to this Report.

BACKGROUND

The City has been granted three licences by the Department of Water allowing extraction of groundwater for irrigation. Each licence permits entitlement to extract a limited amount of groundwater for irrigation. The City monitors its consumption of groundwater in order to measure and report on progress against the Department of Water's Water Conservation Plan and the International Council for Local Environmental Initiatives (ICLEI) Water Campaign™.

DETAILS

Each month and at the end of the year the City's Environmental Technical Officer prepares a report on the City's consumption of groundwater. The report of 9 July 2010 reported on the City's consumption for the year ending June 2010 and presented figures relating to groundwater consumption for each licence and the savings being achieved by the City. The Chief Executive Officer instructed that the Internal Auditor review the report to validate the information contained in it.

Issues and options considered:

Not Applicable.

Legislation/Strategic Plan/Policy Implications

Legislation Not Applicable.

Strategic Plan

Key Focus Area: Leadership and Governance

Objective: 1.1 To ensure that the processes of local governance are carried out in a manner that is ethical, transparent and accountable.

Policy Not Applicable.

Risk Management considerations:

Internal Audit activity is an important element of risk management and a contributor to the mitigation of risk.

Financial/Budget Implications:

Not Applicable.

Regional Significance:

Not Applicable.

Sustainability Implications:

Not Applicable.

Consultation:

Not Applicable.

COMMENT

The Internal Audit review of the City's Groundwater Consumption Report to the end of June 2010 confirms the accuracy of the information contained in the Report. The review also confirmed that systems are in place within the City to monitor groundwater consumption and accurately report on progress against the Department of Water's Water Conservation Plan and the ICLEI Water Campaign™. When the City identified that it had exceeded its groundwater licence allocation in 2007/08 and 2008/09 a new watering regime was adopted. This resulted in the City reducing its groundwater consumption in 2009/10 by 37%, which was 21% within its licence allocation. It is expected that the City's new watering regime will result in the consumption of groundwater continuing to be within the groundwater licence limit for the remainder of the licence period, being to 30 September 2016.

VOTING REQUIREMENTS

Simple Majority.

MOVED Cr Chester SECONDED Cr Hamilton-Prime that the Audit Committee NOTES the internal audit review of the city's groundwater consumption report for year ending June 2010 forming Attachment 1 to this Report.

The Motion was Put and

CARRIED (5/0)

In favour of the motion: Crs McLean, Amphlett, Hamilton-Prime, Chester and Mr Cowin.

Appendix 4 refers

To access this attachment on electronic document, click here: [Attach4agn280910.pdf](#)

**ITEM 7 MATERIAL RECOVERY FACILITY BACK
 PAYMENT****WARD:** All**RESPONSIBLE** Mr Mike Tidy, Director Corporate Services**FILE NUMBER:** 54119 00148**ATTACHMENTS:** Attachment 1 City of Wanneroo Letter 30 November 2009
Attachment 2 Audit Report

PURPOSE

To report on the audit of the Materials Recovery Facility (MRF) operating costs, to verify the back payment of \$280,832, claimed from the City and is yet to be paid.

EXECUTIVE SUMMARY

The City received notification from the City of Wanneroo claiming \$280,832 of undercharged costs to the MRF during the year ended on 30 June 2009.

The City requested and received a subsequent independent audit confirmation to support the amount claimed.

Payment of the amount claimed is now recommended.

BACKGROUND

The MRF is a facility jointly owned by the Cities of Joondalup, Wanneroo and Swan and is operated by the City of Wanneroo. The three owners contribute jointly to the operating costs of the facility.

The City of Wanneroo determines the operating costs of the MRF through an internal costs allocation mechanism and apportions the costs to the three owners based on tonnage of materials collected from each municipality.

DETAILS

The City received a letter from the City of Wanneroo dated 30 November 2009 advising of an undercharged cost allocation to the MRF, uncovered during the audit of their Annual Accounts for the year ended on 30 June 2009.

The total undercharged costs were reported to be \$618,806, of which the City of Joondalup's share was calculated at \$280,832 based on tonnage of materials collected from the City during the 2008/09 financial year (Attachment 1 refers).

The City requested an independent audit of the cost allocation mechanism to verify the accuracy of the claim.

In response, the City of Wanneroo engaged UHY Haines Norton, Chartered Accountants, to conduct the audit and verify the reported undercharged Costs.

The Audit Report (Attachment 2 refers), contains the following Audit Opinion:

“In our opinion, the report presents fairly, in all material respect, the under and over cost allocation between City of Joondalup, City of Swan and City of Wanneroo for the year ended 30 June 2009 and that all funds claimed are in accordance with the terms of the agreement.”

Having regard to the outcome of the audit, the City is satisfied that the expenditure has been incurred and the City’s share of the undercharged costs is due and payable.

Issues and options considered:

The City has requested independent audit verification of the calculations of the back payment which have been confirmed and it is therefore appropriate to pay the account.

Legislation/Strategic Plan/Policy Implications

Legislation Not Applicable.

Strategic Plan

Key Focus Area: Leadership and Governance

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

Risk Management considerations:

The reported undercharge has been independently verified and the City’s share is fairly represented as claimed. Processing the payment does not entail risk.

Financial/Budget Implications:

The City provided for this claim in the 2009/10 Budget Review, pending the audit verification and the unpaid amount has been accrued for at the end of June 2010.

Account No:	625.A6205.337.0000
Budget Item:	Waste Management Services- MRF
Budget Amount for the claim:	\$280,832
Amount Spent To Date:	\$ 0

Regional Significance:

The MRF is jointly owned by the Cities of Joondalup, Wanneroo (operator) and Swan.

Sustainability Implications:

The MRF is a key element of the City's sustainable approach to waste management.

Consultation:

The City consulted with the City of Wanneroo on the intent and scope of the audit required.

COMMENT

The City of Wanneroo MRF undercharge claim has been independently audited as requested by the City and the Audit Report confirmed that the claim represented fairly the amount payable by the City in accordance with the management agreement.

MOVED Cr Amphlett SECONDED Cr McLean that the Audit Committee NOTES the independent audit report, forming Attachment 1 to this Report, requested by the City to verify the City of Wanneroo's claim for under recovered costs of \$280,832 for the material recovery facility for the 2008/09 financial year and that all funds claimed are in accordance with the terms of the agreement.

The Motion was Put and

CARRIED (5/0)

In favour of the motion: Crs McLean, Amphlett, Hamilton-Prime, Chester and Mr Cowin.

Appendix 5 refers

To access this attachment on electronic document, click here: [Attach5agn280910.pdf](#)

ITEM 8 FOUR YEARLY REVIEW OF THE CITY'S FINANCIAL MANAGEMENT SYSTEMS

WARD: All

RESPONSIBLE Mr Garry Hunt, Office of the CEO

FILE NUMBER: 89528

ATTACHMENTS: Attachment 1 Financial Management Systems Audit Report

PURPOSE

The purpose of this report is to provide the Audit Committee with information relating to the four yearly review of the City's Financial Management Systems and present the final audit report.

EXECUTIVE SUMMARY

The Local Government (Financial Management) Regulations 1996 require the City to undertake reviews of its financial management systems and procedures not less than once in every four financial years.

It is recommended that the Audit Committee:

Notes the review of the City's financial management systems and the final audit report which will be presented to Council by the Chief Executive Officer.

BACKGROUND

Regulation 5 (2)(c) of the Local Government (Financial Management) Regulations 1996 requires that the Chief Executive Officer of a local government is to *“Undertake reviews of the appropriateness and effectiveness of the financial management systems and procedures of the local government regularly (and not less than once in every four financial years) and report to the local government the results of those reviews.”*

DETAILS

The financial management duties of the Chief Executive Officer are provided for in Regulation 5 (1) of the Local Government (Financial Management) Regulations 1996 which state that efficient systems and procedures are to be established by the Chief Executive Officer of a local government:

- “(a) for the proper collection of money owing to the local government;*
- (b) for the safe custody and security of all money collected or held by the local government;*
- (c) for the proper maintenance and security of the financial records of the local government (whether maintained in written form or by electronic or other means or process);*
- (d) to ensure proper accounting for municipal or trust –*
 - (i) Revenue received or receivable*
 - (ii) Expenses paid or payable; and*
 - (iii) Assets and liabilities;*
- (e) to ensure proper authorisation for the incurring of liabilities and the making of payments;*
- (f) for the maintenance of payroll, stock control and costing records; and*
- (g) to assist in the preparation of budgets, budget reviews, accounts and reports required by the Act or these regulations.”*

Deloitte Touche Tohmatsu was engaged by the City to undertake the review which was completed in June 2010 and a draft report issued to the City July 2010. The City gathered responses and comments from the appropriate managers which were incorporated into the final report as action plans to implement the recommendations made. The final audit report was issued September 2010.

Issues and options considered:

Not Applicable.

Legislation/Strategic Plan/Policy Implications

Legislation Regulation 5 (2)(c) of the Local Government (Financial Management) Regulations 1996.

Strategic Plan

Key Focus Area: Leadership and Governance

Objective 1.1: To ensure that the processes of local governance are carried out in a manner that is ethical, transparent and accountable.

Policy Not Applicable.

Risk Management considerations:

The review will assist in improving the control environment and reduce the risks associated with financial management systems. The review will also ensure that the City is in compliance with relevant legislation.

Financial/Budget Implications:

Not Applicable.

Regional Significance:

Not Applicable.

Sustainability Implications:

Not Applicable.

Consultation:

The City provided access to all relevant personnel and information and records to facilitate the auditors in undertaking the review of its financial management systems.

COMMENT

The review of the City's financial management systems by Deloitte Touche Tohmatsu concluded:

“Based on our work as described in this report, except for the improvement opportunities set out in Appendix 1, nothing has come to our attention that causes us to believe that appropriate and effective financial management systems and procedures have not been established by the City.”

VOTING REQUIREMENTS

Simple Majority.

MOVED Mr Cowin SECONDED Cr Hamilton-Prime that the Audit Committee NOTES the four yearly review of the City’s financial management systems and the final audit report, forming Attachment 1 to this Report, which will be presented to Council by the Chief Executive Officer.

The Motion was Put and CARRIED (5/0)

In favour of the motion: Crs McLean, Amphlett, Hamilton-Prime, Chester and Mr Cowin.

Appendix 6 refers

To access this attachment on electronic document, click here: [Attach6agn280910.pdf](#)

ITEM 9 INTERNAL AUDIT ACTIVITY REPORT

WARD: All

RESPONSIBLE Mr Garry Hunt, Office of the CEO

FILE NUMBER: 89528

ATTACHMENTS: Attachment 1 Internal Audit Activity - Four Months Ending July 2010

PURPOSE

This report is to inform the Audit Committee on the areas of recent Internal Audit activity.

EXECUTIVE SUMMARY

To minimise risk within the City an annual Internal Audit Plan is developed. The Plan sets out a program of internal audits to guide the work of the Internal Auditor and also allows for unspecified management requests, specialist advice and investigations. The audit plan is subject to change during the year on the authorisation of the Chief Executive Officer.

It is recommended that the Audit Committee NOTES the Internal Audit activity for the period ending July 2010 forming Attachment 1 to this Report.

BACKGROUND

Part 7 of the *Local Government Act 1995* sets out the requirements in relation to the conduct of audits of local governments. This includes provisions for the establishment of regulations in relation to the conduct of audits and these are in turn set out in the *Local Government (Audit) Regulations 1996*.

DETAILS

The Audit Plan sets out the program to be implemented for the year and also allows for unspecified requests by management or the Chief Executive Officer. The Plan is established in consultation between the Chief Executive Officer and the Internal Auditor and concentrates on areas that present risks to the City's operations. The Internal Audit Program is relied upon by the External Auditors as part of their audit.

Issues and options considered:

Not Applicable.

Legislation/Strategic Plan/Policy Implications

Legislation Part 7 of the Local Government Act 1995 and the Local Government (Audit) Regulations 1996.

Strategic Plan

Key Focus Area: Leadership and Governance

Objective 1.1: To ensure that the processes of local governance are carried out in a manner that is ethical, transparent and accountable.

Policy Not Applicable.

Risk Management considerations:

Internal Audit activity is an important element of risk management and a contributor to the mitigation of risk.

Financial/Budget Implications:

Not Applicable.

Regional Significance:

Not Applicable.

Sustainability Implications:

Not Applicable.

Consultation:

Not Applicable.

COMMENT

Recent internal audit activity has included significant areas of risk including financial and non-financial control systems and compliance with legislation, regulations, policies and best practice. Where applicable action plans are developed for agreed recommendations and follow-ups conducted to ensure that they are implemented by management. Criteria has been established to report on the status of implementation of each recommendation and to determine the overall status of the internal audit.

VOTING REQUIREMENTS

Simple Majority.

MOVED Cr Hamilton-Prime SECONDED Cr Chester that the Audit Committee NOTES the internal audit activity report for period ending July 2010 forming Attachment 1 to this Report.

The Motion was Put and

CARRIED (5/0)

In favour of the motion: Crs McLean, Amphlett, Hamilton-Prime, Chester and Mr Cowin.

Appendix 7 refers

To access this attachment on electronic document, click here: [Attach7agn280910.pdf](#)

ITEM 10 HALF YEARLY REPORT - CONTRACT EXTENSIONS

WARD: All

RESPONSIBLE Mr Mike Tidy, Director Corporate Services

FILE NUMBER: 07032

ATTACHMENTS: Nil.

PURPOSE

The purpose of this report is to provide the Audit Committee with details of Contracts extended by the Chief Executive Officer (CEO) between July 2009 and June 2010.

EXECUTIVE SUMMARY

There were no Contracts extended by the Chief Executive Officer during the period July 2009 to June 2010.

It is recommended that the Audit Committee NOTES that no Contracts were extended by the Chief Executive Officer during the period July 2009 to June 2010.

BACKGROUND

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

DETAILS

Council has delegated to the CEO the authority to approve all Contract extensions on tenders approved by Council subject to a report to the Audit Committee being prepared on a half-yearly basis providing details of those Contracts extended.

Issues and options considered:

The report detailing that no Contracts were extended by the CEO.

Legislation/Strategic Plan/Policy Implications

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

Strategic Plan

Key Focus Area: The report of Contracts extended by the CEO links to the Strategic Plan.

Objective: 1.3 To lead and manage the City effectively.

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

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 Committee with details of Contracts originally approved by Council or by the CEO under delegated authority. There were no Contracts extended by the CEO during the period from July 2009 to June 2010.

VOTING REQUIREMENTS

Simple Majority.

MOVED Cr Amphlett, SECONDED Cr Hamilton-Prime, that the Audit Committee NOTES that no contracts were extended by the Chief Executive Officer during the period July 2009 to June 2010.

The Motion was Put and

CARRIED (5/0)

In favour of the motion: Crs McLean, Amphlett, Hamilton-Prime, Chester and Mr Cowin.

ITEM 11 MATERIAL VARIANCES FOR THE FINANCIAL YEAR ENDING 30 JUNE 2011

WARD: All
RESPONSIBLE Mr Mike Tidy, Director Corporate Services
FILE NUMBER: 100160
ATTACHMENTS: Nil.

PURPOSE

The purpose of this report is to seek Council determination as to what constitutes a material variance in the Monthly Financial Activity Statement, in respect of which an explanation is to be provided to Council for the 2010/11 financial year.

EXECUTIVE SUMMARY

The Local Government Act 1995 and the Local Government (Financial Management) Regulations 1996 require that each financial year a local government is to adopt a materiality level for the purpose of reporting variances in the monthly Statement of Financial Activity.

That the Audit Committee RECOMMENDS that Council

- 1 *ADOPTS for the Financial Year ending 30 June 2011 a variance amount of \$50,000 or 5% of the appropriate base, whichever is the higher, to be a material variance for the purposes of reporting under Regulation 34 (5) of the Local Government (Financial Management) Regulations 1996;*
- 2 *In future CONSIDERS the variance amount for the purposes of reporting under Regulation 34 (5) of the Local Government (Financial Management) Regulations 1996 as part of the annual budget adoption resolution where no change is proposed; and*
- 3 *DETERMINES that where a change is proposed to the variance amount for the purposes of reporting under Regulation 34 (5) of the Local Government (Financial Management) Regulations 1996 that this will be reported to the Audit Committee for its recommendation to Council.*

BACKGROUND

The Local Government (Financial Management) Regulations 1996 - Financial Reports s.6.4 include a Regulation 34 requiring the local government to prepare each month a Statement of Financial Activity, as set out in the Rate Setting Statement included in the annual budget.

Regulation 34 (1) lists the details to be included in the Statement of Financial Activity, among which are material variances between budget estimates and actual amounts of expenditure, revenue and income to the end of the month to which the statement relates.

Regulation 34 (2) (b) requires an explanation to be provided to Council for each of the material variances shown in each Statement of Financial Activity.

Regulation 34 (5) prescribes that each financial year, a local government is to adopt a percentage or value, calculated in accordance with accounting standards to be used in statements of financial activity for reporting material variances.

This report recommends the percentage or value to be adopted in determining material variances for the purposes of Regulation 34 of the Local Government (Financial Management) Regulations 1996 as amended, during the current financial year.

DETAILS

Accounting Standard AASB 1031 defines materiality in relation to information to mean that information which if omitted, misstated or not disclosed has the potential to adversely affect decisions or the discharge of accountability by management or the governing body of the entity.

The Standard also provides that an amount, which is equal to or greater than 10% of the appropriate base, may be presumed to be material, whilst an amount equal to or less than 5% of the appropriate base may be presumed not to be material unless there is evidence to the contrary.

The value for material variances previously determined by Council is an amount of \$50,000 or 5%, whichever is the higher.

Having regard to the quantum of the Annual Budget, the content of AASB 1031 and considering other limits prescribed in the Local Government Regulations it is proposed that Council does not change the previous variance limits and adopts a combined percentage and value for material variances, to be an amount of \$50,000 or 5% of the appropriate base, whichever is higher.

In determining whether the variance amount of an item is material, the variance is to be compared with the corresponding budgeted revenue and expense amount to the end of the month to which the Statement of Financial Activity relates.

Issues and options considered:

The City is required to comply with regulation 34 of the Local Government (Financial Management) Regulations 1996.

Legislation/Strategic Plan/Policy Implications

Legislation Section 6.4 of the Local Government Act 1995 requires a local government to prepare an annual financial report for the preceding year and such other financial reports as are prescribed.

Regulation 34 of the Local Government (Financial Management) Regulations 1996 requires the local government to prepare each month a Statement of Financial Activity reporting on the source and application of funds as set out in the annual budget.

Strategic Plan

Key Focus Area: Leadership and Governance

Objective: 1.3 To lead and manage the City effectively.

Policy Financial Planning and Strategic Matters

Risk Management considerations:

Adoption of the materiality limits will satisfy statutory compliance requirements.

Financial/Budget Implications:

Not Applicable.

Regional Significance:

Not Applicable.

Sustainability implications:

Not Applicable.

Consultation:

In accordance with Section 6.2 of the Local Government Act 1995, the annual budgets are prepared having regard to the Strategic Financial Plan, prepared under Section 5.56 of the Local Government Act 1995.

COMMENT

The adoption of the recommended materiality limits will satisfy the requirements of the accounting standards and the Local Government (Financial Management) Regulations 1996. It is also proposed that in future Council determine the material variance for reporting purposes as part of the annual budget adoption resolutions subject to there being no proposed change. This will ensure timely resolution of this requirement each year.

If it is proposed to change the amount or percentage for the material variance then a report will be put to the Audit Committee as is the current practice.

VOTING REQUIREMENTS

Simple Majority.

MOVED Cr Chester SECONDED Cr Hamilton-Prime that the Audit Committee RECOMMENDS that Council:

- 1 ADOPTS for the Financial Year ending 30 June 2011 a variance amount of \$50,000 or 5% of the appropriate base, whichever is the higher, to be a material variance for the purposes of reporting under Regulation 34 (5) of the Local Government (Financial Management) Regulations 1996;**
- 2 In future CONSIDERS the variance amount for the purposes of reporting under Regulation 34 (5) of the Local Government (Financial Management) Regulations 1996 as part of the annual budget adoption resolution where no change is proposed;**
- 3 DETERMINES that where a change is proposed to the variance amount for the purposes of reporting under Regulation 34 (5) of the Local Government (Financial Management) Regulations 1996 that this will be reported to the Audit Committee for its recommendation to Council.**

The Motion was Put and

CARRIED (5/0)

In favour of the motion: Crs McLean, Amphlett, Hamilton-Prime, Chester and Mr Cowin.

MOTIONS OF WHICH PREVIOUS NOTICE HAS BEEN GIVEN

Nil.

REQUESTS FOR REPORTS FOR FUTURE CONSIDERATION

The Chief Executive Officer advised that a report detailing the Audit of Annual Statements will be considered at the Audit Committee to be held in Conference Room 2 at 5.30 pm on Tuesday, 12 October 2010.

CLOSURE

There being no further business, the Presiding Person declared the Meeting closed at 1905 hrs; the following Members being present at that time:

Cr Tom McLean
Cr Geoff Amphlett
Cr Christine Hamilton-Prime
Cr John Chester
Mr Robert (Andy) Cowin

minutes

Audit Committee

MEETING HELD ON **12 OCTOBER 2010**

TABLE OF CONTENTS

Item No	Title	Page No
	Declaration of Opening	3
	Apologies/Leave of absence	3
	Confirmation of Minutes	3
	Announcements by the Presiding Person without discussion	4
	Declarations of Interest	4
	Identification of matters for which the meeting may sit behind closed doors	4
	Petitions and deputations	4
	Reports	
1	2009/10 Annual Financial Report	4
	Motions of which previous notice has been given	10
	Requests for Reports for future consideration	10
	Closure	10

CITY OF JOONDALUP

MINUTES OF THE AUDIT COMMITTEE MEETING HELD IN CONFERENCE ROOM 2, JOONDALUP CIVIC CENTRE, BOAS AVENUE, JOONDALUP ON TUESDAY, 12 OCTOBER 2010

ATTENDANCE

Committee Members:

Cr Tom McLean	<i>Presiding Person</i>
Cr Trona Young	<i>from 1736 hrs</i>
Cr Geoff Amphlett, JP	
Cr Christine Hamilton-Prime	<i>from 1736 hrs</i>
Cr John Chester	
Cr Fiona Diaz	

Officers:

Mr Garry Hunt	Chief Executive Officer
Mr Mike Tidy	Director Corporate Services
Mr Bill Mulcahy	Acting Manager Financial Services
Mr Peter McGuckin	Internal Auditor
Mrs Lesley Taylor	Governance Officer
Mrs Brenda Lohead	Governance Officer

In Attendance:

Mr Michael Hillgrove,	Director – Audit and Assurance, Grant Thornton Audit Pty Ltd
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DECLARATION OF OPENING

The Presiding Person declared the meeting open at 1730 hrs.

APOLOGIES/LEAVE OF ABSENCE

Apologies:	Mayor Troy Pickard
	Mr R (Andy) Cowin

CONFIRMATION OF MINUTES**MINUTES OF THE AUDIT COMMITTEE HELD 28 SEPTEMBER 2010**

MOVED Cr Amphlett, SECONDED Cr Chester that the minutes of the meeting of the Audit Committee held on 28 September 2010 be confirmed as a true and correct record.

The Motion was Put and

CARRIED (4/0)

In favour of the motion: Crs McLean, Amphlett, Chester and Diaz

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

Nil.

REPORTS**ITEM 1 2009/10 ANNUAL FINANCIAL REPORT**

WARD: All

RESPONSIBLE: Mr Mike Tidy, Director Corporate services

FILE NUMBER: 101030

ATTACHMENTS: Attachment 1 Annual Financial Report for the Financial Year 2009/10
Attachment 2 Audit Report on Annual Financial Accounts for the Financial Year 2009/10

PURPOSE

To consider the 2009/10 Annual Financial Statements and the Auditor's Report.

EXECUTIVE SUMMARY

In accordance with Section 6.4 of the Local Government Act 1995, the 2009/10 Annual Financial Report has been prepared and, together with the City's accounts, have been submitted to the City's auditors to conduct their annual audit.

The City's auditors have completed their audit, in accordance with the terms of their engagement and the requirements of Part 7 Division 3 of the Local Government Act 1995, and have submitted their audit report. A Concise Financial Report (Financial Statements without supporting notes) will form part of the 2009/10 Annual Report.

The auditors' report and the Annual Financial Report for the 2009/10 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 2009/10 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 the 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 2009/10.

As has been past practice, a Concise Financial Report has also been prepared for inclusion in the City's Annual Report. The Annual Financial Report for the financial year 2009/10 is included as Attachment 1 to this report

DETAILS

Issues and options considered:

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

The Annual Financial Report needs to be accepted by Council in order to enable the holding of an Annual General Meeting of Electors at which the City's Annual Report containing the Concise Financial Report will be considered. The Annual Financial Report is also required to be submitted to the CEO of the Department of Local Government.

End of Financial Year Position

The City has finished the Financial Year with a Rate Setting Statement surplus more than estimated. At the time of the Mid Year Budget Review it was estimated that the end of year surplus would be \$256k. During the process of developing the 2010/11 Budget this was reviewed and an estimated end of year surplus of \$1.2m was used

as the opening balance in the 2010/11 Budget. The final end of year Rate Setting Statement surplus for 2009/10 is \$4.6m.

There are a number of reasons for this variation of \$3.4m. Allowing for the compensating variations to net parking revenues which are transferred to reserve and net variations to waste costs which are subsidised from reserve the primary drivers of the surplus are \$936k in additional operating revenue, \$1.793m in reduced operational expenditure and various net capital and funding variations of \$667k.

The following table summarises the major variations.

Item	Description		Amount
Revenue			
Rates			84,628
Grants	Kingsley Club Rooms		200,000
Contributions		(508,178)	
Reimbursements	Legal Expenses not Recovered		
Donations	Advertising not Recovered	(29,978)	
	Recovery of Utility Charges, Main Roads Marmion Ave Mtce, Fuel Tax Credits & Various other	324,501	(213,655)
Fees & Charges	Planning and Building	303,663	
	Leisure and Culture	206,413	
	Property Rentals & Other Fees & Charges	128,249	638,325
Other Revenue	Storm Damage Disaster Relief	182,614	
	Creditor Early Payment Discounts	38,174	220,788
	Additional Revenue		\$930,086

Item	Description		Amount
Expenditure			
Employee Costs			(252,914)
Materials & Contracts	Legal Fees	(127,630)	
	Consultancy	(203,846)	
	Grants and Contributions made	(259,701)	
	Public relations and advertising	(169,917)	
	Furniture and Equipment	(171,353)	
	External Materials purchases	(143,554)	
	Materials Building Minor Works	(121,180)	
	Transport	(195,948)	
	External Service Expenses	218,870	
	Accommodation and Property	181,959	
	Member Costs	(66,242)	
	Finance Costs	(52,720)	
	Computing	(78,881)	(1,190,143)
Utilities			(164,107)
Interest Expense			(196,023)
	Reduced Expenditure		(\$1,803,187)

Capital			
Net Capital	Reduced Capital Revenue	(1,705,173)	
	Increased Capital Expenditure	(470,941)	
	Reduced Transfer to Carry Forward Reserve	2,095,192	
	Other	(342,877)	(423,799)
Loan Repayment Principal			(239,111)
	Reduced Net Capital & Funding Variations		(\$662,910)
			(\$3,396,183)

The increased surplus is a positive financial outcome particularly as the largest portion of it is attributable to reduced expenditures. It presents some opportunities for how this may be applied which will be considered at the mid year budget review in February 2011.

A number of the variations that have driven the surplus were not within the City's ability to manage or control such as planning and building revenues towards the end of the financial year, storm disaster relief and the timing of recoveries from utilities and Main Roads. However, while acknowledging that prudent financial management dictates a conservative approach to estimates, a number of other variations particularly on the expenditure need to be predicted more accurately.

In regards to the matter of end of year estimates this is being addressed through a new regime of rolling monthly estimates which will be incorporated into internal financial reporting. This will apply throughout the year but will in particular provide more timely information on changes in estimates in the period between mid year budget review and the adoption of the budget for the follow year.

Legislation/Strategic 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 Plan

Key Focus Area: Leadership and Governance

Objective: 1.1 To ensure that the processes of local governance are carried out in a manner that is ethical, transparent and accountable

Policy Not applicable.

Risk Management considerations:

Not Applicable.

Financial/Budget 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

The Annual Financial Report will be made available on the City's public website. A minimal number of printed, bound colour copies will be available for viewing at libraries, leisure centres and customer 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 2009/10.

VOTING REQUIREMENTS

Absolute Majority.

Director Corporate Services tabled a Management Letter received from Grant Thornton on 12 October 2010 and provided an overview of the information it contained – Appendix 1 refers.

MOVED Cr Diaz, SECONDED Cr Chester that the Audit Committee RECOMMENDS that Council BY AN ABSOLUTE MAJORITY ACCEPTS the:

- 1 Annual Financial Report of the City of Joondalup forming Attachment 1 to this Report;**
- 2 accompanying audit report for the financial year 2009/10 forming Attachment 2 to this Report.**

The Motion was Put and

CARRIED (6/0)

In favour of the Motion: Crs McLean, Amphlett, Chester, Diaz, Hamilton-Prime and Young,

Appendix 1 refers

To access this attachment on electronic document, click here:

[Attach1aqn Audit121010.pdf](#)

VOTE OF THANKS

The Presiding Person thanked Mr Hillgrove of Grant Thornton and Director Corporate Services for the manner in which the 2009/10 audit had been undertaken.

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 1738 hrs; the following Members being present at that time:

Cr Tom McLean
Cr Trona Young
Cr Geoff Amphlett
Cr Christine Hamilton-Prime
Cr John Chester
Cr Fiona Diaz

City of Joondalup

2010 Financial Management Systems and Procedures Review

September 2010

Limitations of use

This report is made solely to the management of City of Joondalup and council for the purpose of its reporting requirements under Regulation 5(2)(c) of the Local Government (Financial Management) Regulations 1996. We disclaim any assumption of responsibility for any reliance on this report to any person other than the management of City of Joondalup, or for any purpose other than that for which it was prepared. We disclaim all liability to any other party for all costs, loss, damages, and liability that the other party might suffer or incur arising from or relating to or in any way connected with the contents of our report, the provision of our report to the other party, or the reliance on our report by the other party.



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Mr Peter McGuckin
Internal Auditor
City of Joondalup
PO Box 21
Joondalup WA 6919

16 September 2010

Dear Peter

2010 Financial Management Systems and Procedures Review

We have completed the review of the City of Joondalup's financial management systems and procedures in accordance with the requirement of Regulation 5(2)(c) of the Local Government (Financial Management) Regulations 1996 and are pleased to submit our report to you.

If you have any questions or wish to discuss anything raised in the report, please do not hesitate to call me on 9365 7024 or Andrew Baldwin on 9365 7236.

Yours sincerely
DELOITTE TOUCHE TOHMATSU

Richard Thomas
Partner

Contents

1. Executive Summary	5
1.1 Introduction	5
1.2 Conclusion	5
1.3 Terms of Reference	5
1.4 Report Clearance	6
1.5 Acknowledgement	6
2. Work performed	7
3. Results	8
4. Statement of Responsibility	9
Appendix 1 – Improvement opportunities	10
Appendix 2 – key references	22
Internal audit reports considered	22
Key staff involved	22

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1. Executive Summary

1.1 Introduction

Regulation 5(2)(c) of the Local Government (Financial Management) Regulations 1996 requires the City of Joondalup (**the City**) to undertake reviews of the appropriateness and effectiveness of its financial management systems and procedures not less than once in every four financial years.

In accordance with the letter of acceptance from the City dated 20 May 2010, Deloitte Touche Tohmatsu (**Deloitte**) has undertaken a review of the City's financial management systems and procedures.

The review was performed in accordance with the Standard on Assurance Engagements ASAE 3100 *Compliance Engagements* to provide limited assurance as defined by ASAE 3100.

The review was conducted in June 2010.

1.2 Conclusion

Based on our work as described in this report, except for the improvement opportunities set out in Appendix 1, nothing has come to our attention that causes us to believe that appropriate and effective financial management systems and procedures have not been established by the City.

1.3 Terms of Reference

Scope and objectives

We performed a high level, risk based review to consider the appropriateness and effectiveness of the City's financial management systems.

As the financial management systems referred to in Regulation 5(2)(c) are not specifically defined, we have nominated and agreed with the City the following processes and functions operating within the City to be the subject of this review:

- Revenue (rates, service charges and fees and charges only)
- Cash handling process (cash custody and security) at the main administration office and Craigie Leisure Centre
- Expenditure (payments and purchasing only)
- Information maintenance and security for financial records in the Finance One, Proclaim and Aurion systems
- Payroll preparation and file maintenance
- Fixed assets
- Stock control (Inventory)
- Annual budgeting process for FY09/10
- Annual financial reporting process for FY08/09.

We:

- Focussed on processes and controls current at the time of our review and primarily selected sample transactions from the 2009/10 financial year
- Also developed recommendations to address situations where existing controls are either ineffective or absent
- Did not consider whether the City's delegation of financial authority has been appropriately determined when performing transactional testing surrounding approvals and payments.

1.4 Report Clearance

We have discussed this report with Peter McGuckin (Internal Auditor). Responses and comments from relevant management have been coordinated through Peter and have been incorporated into the report.

1.5 Acknowledgement

We place on record our appreciation of the assistance and cooperation received from the City's management and staff throughout our work.

2. Work performed

We performed the following work:

- Held high level discussions with key staff to determine the controls in place for each process covered in the scope of this review. A complete list of staff who participated in this review is provided at Appendix 2
- Performed high level walk through testing of processes to determine adherence to existing protocols, observed controls identified through discussions with staff and obtained evidence where applicable
- Considered the access security arrangements for the City's computer network and financial management systems
- Documented and considered the adequacy of controls and processes established by the City for the financial management systems and obtained evidence where applicable
- Performed limited testing for the following areas to determine the effectiveness of controls in place:
 - Purchasing (including credit cards)
 - Asset addition and disposal
 - Payroll
 - Cash handling.
- Obtained and analysed payroll data at a high level to consider the data quality
- Considered the scope and outcome of the City's internal audit and other assurance activities to determine whether:
 - The work performed constituted a review of the relevant financial management systems and procedures subject to the requirements of Regulation 5(2)(c)
 - We were able to place reliance on the results of those internal audits for the purpose of reaching a conclusion on the effectiveness of those systems and procedures. Refer to Appendix 2 for internal audit reports we considered.
- Established the status of previous relevant audit recommendations and followed up any post audit implementation plans.

3. Results

We observed that:

- The City has protocols, policies, procedures and systems in place in relation to its financial management systems
- Staff members have been assigned roles and responsibilities to facilitate the effective operation of those financial management systems
- The City has an Internal Audit function that conducts reviews in accordance with its audit plan. The purpose of the review is to “identify any weaknesses and risks and to make recommendations for improvements¹”.

Based on the results of our review and limited testing of the City’s financial management systems and procedures, we have not identified any significant control weaknesses in those systems and procedures included in the scope of this review. However, we have identified opportunities for the City to further strengthen the related control environment.

The opportunities to improve relate to:

1. Payroll process – exception reporting, master file and payroll payment
2. Payroll process – filing of documents into employee personnel file
3. Safe opening protocol
4. Purchase order raised after invoice date
5. Purchasing process – authorisations
6. Works Operation Centre store – inventory handling
7. Contract with Armaguard for cash collection
8. Cash handling and reconciliation – Craigie Leisure Centre
9. Computer server room access
10. Business continuity planning – information systems
11. Finance 1 systems control over purchase requisitions.

Detailed description of each improvement suggestion is provided at Appendix 1.

Note that we have not assigned a risk rating or level of priority to these suggestions.

¹ For example, as referenced in City of Joondalup Rates Collection Internal Audit report

4. Statement of Responsibility

This report has been prepared in accordance with the terms and conditions of our quote, under CUA 23706, which was accepted by the City on 20 May 2010. Deloitte conducted this work in accordance with the Australian Standard on Assurance Engagements (ASAE) 3100 “*Compliance Engagements*” and on the basis of the following limitations:

- Our procedures were designed to provide limited assurance as defined by ASAE 3100, which recognises the fact that absolute assurance is rarely attainable due to such factors as the use of judgment in gathering and evaluating evidence and forming conclusions, the use of selective testing, the inherent limitations of internal control and because much of the evidence available to the auditor is persuasive rather than conclusive in nature
- Because of the inherent limitations of any internal control structure, it is possible that fraud, errors or irregularities may occur and not be detected. Our procedures were not designed to detect all weaknesses in control procedures as they were not performed continuously throughout the period and the tests performed are on a sample basis
- Any projection of the evaluation of the control procedures to future periods is subject to the risk that the systems may become inadequate because of changes in conditions, or that the degree of compliance with them may deteriorate
- The matters raised in this report are only those which came to our attention during the course of performing our procedures and are not necessarily a comprehensive statement of all the weaknesses that exist or improvements that might be made. We cannot, in practice, examine every activity and procedure, nor can we be a substitute for management’s responsibility to maintain adequate controls over all levels of operations and their responsibility to prevent and detect irregularities, including fraud. Accordingly, management should not rely on our report to identify all weaknesses that may exist in the systems and procedures reviewed, or potential instances of non-compliance that may exist.

Suggestions for improvement should be assessed by management for their full commercial impact before they are implemented.

This report has been prepared for distribution to the City’s management and Council. We disclaim any assumption of responsibility for any reliance on this report to any other persons or users, or for any purpose other than that for which it was prepared.

All professional personnel involved in this engagement have met the relevant independence and ethical requirements of the Australian Professional accounting bodies.

Appendix 1 – Improvement opportunities

1. Payroll process – exception reporting, master file, payroll payment

Observation	Risk/Implication	Recommendations	Management Comment/Action Plan
<p>Through discussion and walk through of the payroll process with the Payroll System Administrator, we identified a number of opportunities to strengthen the control procedures:</p> <ul style="list-style-type: none"> • Full suite of exception reports from Aurion are not used to identify anomalies (e.g. master file changes) • Payroll report is not reviewed with sufficient scrutiny or depth (by officers independent to the Payroll function) • Changes made to the employee master file (e.g. pay rates and deductions) are not subjected to review by senior personnel • Historical EFT bank files generated for payroll purposes are not deleted. <p>A high level analysis of the employee data from the Aurion payroll system highlighted the following data quality issues:</p> <ul style="list-style-type: none"> • Two different employees have the same tax file number • One employee has an invalid tax file number (111-111-111). 	<ul style="list-style-type: none"> • Risk of unauthorised changes to the employee master file resulting in errors to pay • Changes made to employee master file are incorrect • Incorrect pay is made to employees • The storing of EFT files, which contain confidential information such as an employee's pay and bank account details may be accessed by unauthorised personnel. 	<ul style="list-style-type: none"> • Consider undertaking a comprehensive review of the Payroll functions: <ul style="list-style-type: none"> – Exception reporting processes – Review and monitoring controls – Maintenance of employee master files – Data quality. • The old EFT bank files be deleted as soon as possible. All future EFT bank files created for payroll should be deleted after they have been uploaded to the Westpac banking application. 	<p>DP 1 – The exception reports are used to identify anomalies and they are notated with comments in relation to unusual changes identified in the fortnightly payroll process. It is acknowledged that there is an opportunity to include in the exception report some changes that are currently not included.</p> <p>DP 2/3 – The fortnightly pay is authorised by the HR Manager or the Director who review the payroll calculation documentation and the exception reports before signing off. In regards to pay rate changes there is a checking process where the input of the change is done by one officer and checked by another. It is acknowledged that both these officers are within the payroll area. A new exception report identifying pay rate changes will be put in place which can then form part of the fortnightly payroll review and sign off process. Significant tax deduction changes are reported on the exception report. Other deductions are considered very low risk and we have a self service system that allows employees to make some changes themselves online.</p> <p>DP 4 – Agree to delete with only 6 months record kept, but wish to keep 6 months because:</p> <ol style="list-style-type: none"> 1. Back up should data transfer go wrong. 2. Bank queries about transfer. 3. Easiest method to restore data should it be

lost (at bank side)

Will restrict folder for access purposes and tamper proof it (IT to do)

No single individual can reuse the EFT file due to requirement for at least 3 signatures/operatives to be involved in the transaction. Would require high level of collusion for any unauthorised changes to be made.

DP 5 – The two employees did have the same tax file number recorded in the payroll system. One of them is correct. The other employee did not provide a tax file number and the temporary tax file number should have been used. The employees were set up at the same time. We have requested the software vendor to implement a warning message/report when a tax file number that already exists is entered.

DP 6 –Complies with ATO instructions – do this until tax file number is provided by employee – temporary in nature.

Responsibility

HR Payroll & Systems Administrators

Accountability

Manager Human Resources

Target Date

December 2010

2. Payroll process - filing of documents into employee personnel file

Observation	Risk/Implication	Recommendations	Management Comment/Action Plan
<p>During a walkthrough of the payroll process, we observed that many confidential employee documents such as their tax file number, nomination of superannuation funds and letters from Human Resources were not filed.</p> <p>We understand Payroll has been short of staff which is causing a backlog of documents to be filed. A specific resource has recently been allocated to dedicate part of her time to filing.</p>	<ul style="list-style-type: none"> Confidential employee information may be seen by non Payroll or HR staff Employee documents could be lost. 	<p>Employee documents be filed in a timely manner.</p>	<p>The backlog of filing is being addressed with additional resources allocated to the task. In the meantime unfiled documents will be secured until such time as filing is complete. It should be noted that access to the HR office is security controlled and not open to general staff.</p>
		Responsibility	HR Admin Team
		Accountability	Manager Human Resources
		Target Date	March 2011

3. Safe opening protocol

Observation	Risk/Implication	Recommendations	Management Comment/Action Plan
<p>During the walk through of the cash handling process at the Customer Service Centre, we observed that the cash collected by the Customer Service Operators is stored in the safe at the end of the shift or at the end of each day.</p> <p>The safe requires two keys to open and both keys are kept in a small black cylindrical container. The container is located in an unlocked cupboard behind the customer service counters.</p> <p>Although there is a requirement for two customer service operators to be present when storing the money bags in the safe, there is no explicit requirement for more than one person to be present when opening the safe for other reasons.</p> <p>Any one of the Customer Service Operators is able to take the keys and open the case at any time without the need for supervision by a senior Customer Service Operator or accompanied by one of their peers.</p>	<ul style="list-style-type: none"> • Risk of fraudulently changing the contents of the money bags kept in the safe • Risk of fraudulently removing any money bags that are kept in the safe • Potential risk of collusion between staff to remove contents from the safe and update the necessary collection sheet and register. 	<ul style="list-style-type: none"> • Both keys to the safe should not be located together. • One of the keys be in the possession of the Senior Customer Service Operator or another Customer Service Operator at all times • A minimum of two people be present when the safe is open. 	<p>The procedure which details how the safe is to be opened and how cash is collected, recorded and placed in the safe has been amended. The procedure includes the risks to the City and the employee obligations to minimise the risks.</p> <p>The procedure includes access to and possession of keys which are now located in separate secure locations.</p> <p>The combination for the safe has been changed and will continue to be changed at least annually. This will be continually reviewed and when considered necessary the combination will be changed on a more frequent basis.</p> <p>A Daily Safe Register has been developed and the Beginning/Ending of Shift procedures have been updated. This strengthens the requirement for 2 staff members being present during safe opening/closing, dual sign off for all cash collections and supervisory review.</p> <p>In addition the locations and viewing angles of CCTV cameras in the Administration Building's reception and safe area are being reviewed. The installation of new cameras in the safe rooms at the Administration Building and Whitford's Customer Service Centre is being considered.</p> <p>The procedures have been signed off by both the Director Governance & Strategy and the Internal Auditor.</p>
		Responsibility	Senior Customer Service Officer
		Accountability	Customer Service Coordinator
		Target Date	Completed

Deloitte: City of Joondalup 2010 Financial Management Systems and Procedures Review

This report is made solely to the management of City of Joondalup and council for the purpose of its reporting requirements under Regulation 5(2)(c) of the Local Government (Financial Management) Regulations 1996. 13
We do not accept or assume responsibility to anyone other than City of Joondalup for our work, for this report, or for any reliance which may be placed on this report by any third party for any other purpose.

4. Purchase order raised after invoice date

Observation	Risk/Implication	Recommendations	Management Comment/Action Plan
<p>Of our testing of five purchases, there were two instances where the purchase orders were raised after the work had been performed and invoices received. Both instances related to electrical work.</p> <p>We obtained the following responses from the Coordinators who approved the invoices:</p> <ul style="list-style-type: none"> PO32428 - A weekly standing purchase order has been put in place for the vendor to carry out urgent works. However, for this instance, the standing order was not used and a subsequent purchase order had to be raised For PO023295 - The Coordinator was unable to recall this particular incident or the reason the purchase order was raised after the invoice date. The Coordinator also advised that a monthly standing purchase order has been created for this particular vendor to ensure purchasing protocol is followed. 	<ul style="list-style-type: none"> Purchasing protocol is not followed resulting in unauthorised spending Inappropriate and unauthorised personnel making supplier decisions Misstatement of month end accruals. 	<p>Purchasing protocol training events or a refresher programs be periodically organised for employees to remind them of the requirements.</p>	<p>Arrangement made for induction training and periodic refresher sessions on the requirements under the Purchasing Protocols to avoid such instances.</p>
		Responsibility	Financial Services
		Accountability	Coordinator Purchasing and Contracts
		Target Date	N/A

5. Purchasing process - authorisations

Observation	Risk/Implication	Recommendations	Management Comment/Action Plan
<p>Our testing of the City's purchasing process included two instances where the invoice was approved for payment by the same employee who authorised the purchase requisitions.</p> <p>The City's purchasing protocol requires an invoice to be approved by an employee one level up from the person who approved the purchase request. As the invoice approval control is not built into Finance 1, it is possible for the control to be circumvented.</p> <p>The Senior Financial Accountant has introduced a new process where a monthly report is generated showing a list of all purchases, the purchase request approver and the invoice approver. We understand the report is to be reviewed by the Senior Financial Accountant as well as all business unit managers with purchases for the month. The review process is designed to identify instances where invoices and the purchase request were approved by the same person.</p>	<p>Purchasing protocol is not followed resulting in unauthorised spending.</p>	<ul style="list-style-type: none"> • The purchasing report review process be implemented and activated as soon as possible • Reiterate the purchasing process and protocol to staff. 	<p>Currently the approver of the requisition is recorded electronically in the system but the approver of the invoice is recorded on the paper based invoice making cross checking that they are different difficult. System is being modified so that the detail of the invoice approver is entered into the system at invoice entry enabling electronic reporting of unauthorised invoice approvals.</p> <p>In addition refresher training on the purchasing protocols has been implemented for all affected staff.</p>
		<p>Responsibility</p>	<p>Financial Services</p>
		<p>Accountability</p>	<p>Senior Financial Accountant</p>
		<p>Target Date</p>	<p>30 November 2010</p>

6. Works Operation Centre store – inventory handling

Observation	Risk/Implication	Recommendations	Management Comment/Action Plan
<p>The Works Operation Centre store does not have all stock procedures documented. Procedures that are not documented include:</p> <ul style="list-style-type: none"> • Stock return • Obsolete stock • Stock adjustments. <p>The Stores & Contract Controller advised that stock return is not common due to the nature of the type of the Work Operation Centre's inventory, which is mainly consumable.</p> <p>For return of stock such as sand, the return is not recorded and updated on the inventory system.</p>	<ul style="list-style-type: none"> • Inventory records may not be accurate • Inventory may be re-ordered unnecessarily. 	<ul style="list-style-type: none"> • Formal procedures for stock return, obsolete stock and stock adjustments be documented. 	<p>The Purchasing Protocol for the WOC store will be updated to include procedures for stock returns, obsolete stock and stock adjustments.</p>
		Responsibility	Stores and Contracts Controller
		Accountability	Manager Operation Services
		Target Date	31 October 2010

7. Contract with Armaguard for cash collection

Observation	Risk/Implication	Recommendations	Management Comment/Action Plan
<p>A recent incident involving missing cash has prompted the review of the cash collection contract between the City and Armaguard. The contract is required to determine Armaguard's terms and conditions and obligations to the City. However, staff members involved in investigating the incident were not able to locate the contract with Armaguard.</p>	<p>Without the contract, the City is unable to determine if Armaguard has been operating within the contract requirements.</p>	<p>The contract with Armaguard be obtained as soon as possible and confirmed. If the contract cannot be located or obtained from Armaguard, a new contract negotiation may be required.</p> <p>Responsibility NA</p> <p>Accountability NA</p> <p>Target Date NA</p>	<p>This incident related to a missing cash bag to the value of \$38 which has been investigated by the City. System improvements have been made to prevent a reoccurrence but the City is still in the process of reviewing its cash collection arrangements.</p> <p>Management considers this issue as closed. No further action required.</p>

8. Cash handling and reconciliation - Craigie Leisure Centre

Observation	Risk/Implication	Recommendations	Management Comment/Action Plan
<p>During the walkthrough of the cash handling process at the Craigie Leisure Centre, we observed the following improvement opportunities:</p> <ul style="list-style-type: none"> Counting of the float or till at the end of shift or at the end of day is not done in a private or confined area. The float is counted in an open staff area, which may cause distraction and errors The lock combination for the safe that stores the float and daily cash takings is not changed periodically or when an employee with the knowledge of the combination departs One of the Daily Bank Reconciliation sheets we sighted did not have a second sign off The daily reconciliation process is lengthy and consists of completing many different spreadsheets There is no dedicated desktop for the Customer Service Officer to complete the daily reconciliation process, requiring them to wait until a desktop becomes available. 	<ul style="list-style-type: none"> Risk of missing cash or miscalculation when counting cash in an open area Risk of unauthorised staff learning the combination through observation or social engineering techniques Inefficiency of reconciliation process resulting in time wastage Risk of errors in the reconciliation process. 	<ul style="list-style-type: none"> Cash counting be performed in an area that provides privacy The combination for the safe be changed periodically and whenever a staff with the knowledge of the combination is terminated A dedicated desktop be provided for Customer Service Officers to perform the daily reconciliation process electronically, enabling automatic calculation, thus reducing the likelihood of errors. 	<p>The daily banking is counted in the office area on a specific banking desk, away from the public, however it is an open plan office. The only separate office is the Coordinator's, and this would only be available on an intermittent basis. The office area is considered suitable to do the cash count and partitions are being arranged to go round the banking desk to further improve privacy and security.</p> <p>Leisure Centres will investigate what is required to have the safe combination changed periodically.</p> <p>Compliance with double sign off procedures is generally very good.</p> <p>Breaches are dealt with on an individual level.</p> <p>The daily reconciliation process will be significantly easier when the Leisure Centres upgrade to a newer point of sale software, currently proposed for 2011/2012.</p> <p>There is dedicated desk space for banking tasks however there is currently no dedicated computer to allow the daily reconciliation process to be done in electronic spreadsheets. This can be addressed in the 2010/2011 budget, subject to approval.</p>
		Responsibility	Administration Officer
		Accountability	Coordinator Leisure Centres
		Target Date	June 2011

9. Computer server room access

Observation	Risk/Implication	Recommendations	Management Comment/Action Plan
<p>The computer server room is secured using a swipe card system. Currently, IT and building management personnel have access to the server room.</p> <p>Due to the legacy swipe card system, it is not possible to isolate the server room and limit its access to only authorised IT personnel.</p> <p>To mitigate this control deficiency, a camera has been installed in the server room to record all visitors to the server room.</p>	<ul style="list-style-type: none"> • Unauthorised personnel may enter the computer server room resulting in unauthorised access to systems and data • Unauthorised access to the server room may cause unintentional equipment damage causing loss of data. 	<ul style="list-style-type: none"> • Access to the computer server room be limited to authorised IT personnel only • Access log to the computer server room be audited periodically by IT. 	<p>The access control system has been re-configured that now separates access to the computer server room from access controls for the rest of the building. The access controls have been defined which now limits access to the I.T. Manager and Network Services staff.</p>
		Responsibility	Information Technology
		Accountability	Manager Information Technology
		Target Date	Completed

10. Business continuity planning – Information systems

Observation	Risk/Implication	Recommendations	Management Comment/Action Plan
<p>The City has a disaster recovery plan in place. However, the maximum tolerable outage or priority of each business system has not been determined in consultation with the relevant business units.</p> <p>We understand that the City has not established a formal business continuity plan.</p>	<ul style="list-style-type: none"> • Insufficient planning for expected events, crises and disasters • Restoration of mission critical systems and business processes in the event of unforeseen system failure or catastrophe may be jeopardised • Unnecessarily long business disruption and increased likelihood of errors in the restoration process. 	<ul style="list-style-type: none"> • The City review its business continuity requirements and determine the maximum acceptable outage for each function with consultation from each business unit • The plan, once formalised, be communicated to users through training and tested annually, which will ensure the plan remains pertinent and users are aware of their roles and responsibilities. 	<p>IT has been working on disaster recovery capacity and planning and a unilateral maximum permissible outage for each system has been defined. A draft report for EMT is being developed about IT Incident Response and Disaster Recovery Plans and capabilities for the City. This report will be the way all these issues will be addressed.</p>
		Responsibility	Information Technology
		Accountability	Manager Information Technology
		Target Date	June 2011

11. Finance 1 system control over purchase requisition

Observation	Risk/Implication	Recommendations	Management Comment/Action Plan
<p>Finance 1 generates a purchase requisition number when a purchase request is raised. Upon the Purchasing department's approval, the purchase requisition is converted to a purchase order using the same numbers from the purchase requisition.</p> <p>As the numbers are the same, an employee could provide a purchase requisition number to a vendor claiming it to be a purchase order number, before the purchase requisition has gone through the approval process. If the purchase requisition is not approved, the City may be committed to an expense that may be inappropriate and unnecessary.</p> <p>The Coordinator Contracts and Purchasing Services is not aware of this practice occurring however it is a risk that he raised during the implementation of Finance 1. We understand the implementation project team did not consider the risk to be sufficiently high to effect a system change.</p>	<p>The City could be committed to an expense before the purchase has been appropriately approved.</p>	<ul style="list-style-type: none"> Investigate whether there have been instances where the purchase requisition number has been provided to a vendor on the false pretence of it being a purchase order number Reconsider the need to generate a purchase order number that is different to its purchase requisition number. 	<p>The City is not aware of any such instances and the risk exposure to unauthorised commitment is very low.</p> <p>However, the City will reconsider different numbers for requisitions and purchase orders.</p>
		Responsibility	Financial Services
		Accountability	Manager Financial Services
		Target Date	December 2010

Appendix 2 – key references

Internal audit reports considered

- Expired tenders report (February 2009)
- RFT internal audit report (January 2009)
- Assets internal audit report (January 2009)
- Tenders and contracts audit report (December 2008)
- Rates collection final report (March 2008)
- Craigie LC reconciliation report (February 2008).

Key staff involved

- Senior Financial Accountant
- Senior Management Accountant
- Manager Information Technology
- Finance Officer Administration and Control
- Stores and Contracts Controller
- Coordinator Leisure Centres
- Coordinator Contracts and Purchasing Services
- Team Leader Rating Services
- Payroll System Administrator
- Coordinator Parking Services
- Coordinator Capital Works Program Services
- Senior Infrastructure Systems Officer
- Fleet Coordinator
- Contracts Officer.

CITY OF JOONDALUP
FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2010

TABLE OF CONTENTS

Independent Auditor Report	1
Statement by Chief Executive Officer	2
Statement of Comprehensive Income by Nature or Type	3
Statement of Comprehensive Income by Program	4
Statement of Financial Position	5
Statement of Changes in Equity	6
Statement of Cash Flows	7
Rate Setting Statement	8
Statement of Rating Information	9
Notes to and Forming Part of the Financial Statements	10

CITY OF JOONDALUP
STATEMENT OF COMPREHENSIVE INCOME
BY NATURE OR TYPE
FOR THE PERIOD ENDED 30 JUNE 2010

	NOTE	2010 Actual \$	2010 Budget \$	2009 Actual \$
REVENUE				
Rates	2	64,159,659	63,695,321	61,374,779
Grants and Subsidies	5	3,856,379	3,485,875	4,422,910
Contributions, Reimbursements and Donations		2,577,486	2,093,364	1,840,699
Fees and Charges	4	28,154,034	27,767,095	24,446,297
Profit on disposal of Assets	20	76,457	98,335	137,960
Interest Earnings		3,851,271	2,193,760	4,597,969
Other Revenue		407,078	100,000	242,662
		103,082,364	99,433,750	97,063,276
EXPENSE				
Employee Costs		(41,992,471)	(41,641,592)	(41,260,809)
Materials and Contracts		(39,598,726)	(39,052,324)	(34,924,570)
Utilities		(3,805,794)	(4,052,858)	(3,487,162)
Depreciation & Amortisation	3(a)	(20,753,236)	(17,042,401)	(23,632,664)
Loss on disposal of assets	20	(117,262)	(107,515)	(156,948)
Interest Expenses	3(a)	(243,124)	(448,077)	(183,056)
Insurance		(1,212,548)	(1,147,444)	(1,078,220)
		(107,723,161)	(103,492,211)	(104,723,429)
Net Result from Operating Activities		(4,640,797)	(4,058,461)	(7,660,153)
Non-Operating Activities				
Grants and Subsidies	5	8,671,386	12,888,838	11,017,767
Acquired Infrastructure Assets & Capital Contributions	3(b)	586,357	5,305,000	2,184,685
Profit/(Loss)		4,616,946	14,135,377	5,542,299
Other Income				
Changes on revaluation of non-current assets	15,33	20,885,626	-	211,170,790
Total Comprehensive Income		25,502,572	14,135,377	216,713,089

This statement is to be read in conjunction with the accompanying notes.

CITY OF JOONDALUP
STATEMENT OF COMPREHENSIVE INCOME
BY PROGRAM
FOR THE PERIOD ENDED 30 JUNE 2010

	NOTE	2010 Actual \$	2010 Budget \$	2009 Actual \$
REVENUE				
General Purpose Funding		71,684,185	69,015,963	68,574,376
Law, Order, Public Safety		286,548	681,650	410,607
Health		202,661	201,200	340,626
Education and Welfare		354,274	295,651	243,355
Community Amenities		18,915,853	18,383,893	15,388,277
Recreation and Culture		7,065,398	6,428,728	5,919,988
Transport		3,341,989	2,809,600	2,451,219
Economic Services, Other Property & Services		1,231,456	1,617,065	3,734,828
		<u>103,082,364</u>	<u>99,433,750</u>	<u>97,063,276</u>
EXPENSE EXCLUDING FINANCE COSTS				
General Purpose Funding		(2,253,938)	(1,725,259)	(6,141,226)
Governance		(4,356,566)	(6,933,978)	(1,061,380)
Law, Order, Public Safety		(3,600,749)	(4,864,134)	(2,501,686)
Health		(1,297,520)	(1,759,368)	(1,367,585)
Education and Welfare		(1,820,396)	(4,243,181)	(1,924,052)
Community Amenities		(22,233,669)	(19,249,551)	(16,265,806)
Recreation & Culture		(26,202,753)	(38,809,579)	(31,166,409)
Transport		(24,029,038)	(20,698,442)	(18,612,967)
Economic Services		(21,685,408)	(4,760,642)	(25,499,262)
		<u>(107,480,037)</u>	<u>(103,044,134)</u>	<u>(104,540,373)</u>
Net Operating Surplus		(4,397,673)	(3,610,384)	(7,477,097)
Finance Costs				
General Purpose Funding		(243,124)	(448,077)	(183,056)
		<u>(243,124)</u>	<u>(448,077)</u>	<u>(183,056)</u>
Capital Grants and Contributions				
Grants for the development of assets		8,671,386	12,888,838	11,017,767
Acquired Infrastructure Assets	3(b)	586,357	4,880,000	2,071,451
Other capital contributions		-	425,000	113,234
		<u>4,616,946</u>	<u>14,135,377</u>	<u>5,542,299</u>
Profit/(Loss)		4,616,946	14,135,377	5,542,299
Other Comprehensive Income				
Changes on revaluation of non-current assets		20,885,626	-	211,170,790
Total Comprehensive Income		25,502,572	14,135,377	216,713,089

This statement is to be read in conjunction with the accompanying notes.

**CITY OF JOONDALUP
STATEMENT OF FINANCIAL POSITION
AS AT 30TH JUNE 2010**

	NOTE	2010 \$	2009 \$
CURRENT ASSETS			
Cash and Cash Equivalents	16(a)	59,257,668	55,684,331
Trade and Other Receivables	7	5,260,674	3,505,140
Inventories		51,382	
TOTAL CURRENT ASSETS		64,569,724	59,189,471
NON-CURRENT ASSETS			
Other Receivables	7	2,251,039	2,094,261
Equity Investments	8	3,121,901	3,090,674
Property, Plant and Equipment	9	294,411,656	294,461,988
Infrastructure Assets	10	499,897,627	472,218,663
TOTAL NON-CURRENT ASSETS		799,682,223	771,865,586
TOTAL ASSETS		864,251,947	831,055,057
CURRENT LIABILITIES			
Trade and Other Payables	11	10,492,064	10,253,748
Borrowings	12	1,189,974	647,464
Provisions	13	7,523,159	6,655,033
TOTAL CURRENT LIABILITIES		19,205,197	17,556,245
NON-CURRENT LIABILITIES			
Borrowings	12	9,066,521	3,571,495
Provisions	13	1,367,933	817,593
TOTAL NON-CURRENT LIABILITIES		10,434,454	4,389,088
TOTAL LIABILITIES		29,639,651	21,945,333
NET ASSETS		834,612,296	809,109,724
EQUITY			
Retained Surplus		535,954,074	531,928,797
Reserves - Cash Backed	14	40,849,347	40,257,678
Reserves - Asset Revaluation	15	257,808,875	236,923,249
TOTAL EQUITY		834,612,296	809,109,724

This statement is to be read in conjunction with the accompanying notes.

**CITY OF JOONDALUP
STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 30 JUNE 2010**

	NOTE	2010 Actual \$	2009 Actual \$
RETAINED SURPLUS			
Balance as at 1 July 2009		531,928,797	530,594,389
Net result		4,616,946	5,542,299
Transfer from/(to) Reserves		(591,669)	(4,246,929)
Prior Period Adjustment	34	-	39,038
Balance as at 30 June 2010		<u>535,954,074</u>	<u>531,928,797</u>
RESERVES - CASH BACKED			
Balance as at 1 July 2009		40,257,678	36,010,749
Transfer from/(to) Retained Surplus		591,669	4,246,929
Balance as at 30 June 2010	14	<u>40,849,347</u>	<u>40,257,678</u>
RESERVES - ASSET REVALUATION			
Balance as at 1 July 2009		236,923,249	25,752,459
Change in Revaluation	33,34	20,885,626	211,170,790
Balance as at 30 June 2010	15	<u>257,808,875</u>	<u>236,923,249</u>
TOTAL EQUITY		<u>834,612,296</u>	<u>809,109,724</u>

This statement is to be read in conjunction with the accompanying notes.

CITY OF JOONDALUP
STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 30 JUNE 2010

	NOTE	2010 Actual \$	2010 Budget \$	2009 Actual \$
Cash Flows From Operating Activities				
Receipts				
Rates		64,147,130	63,644,593	61,165,404
Grants and Subsidies - operating		3,856,379	3,485,875	4,422,910
Contributions, Reimbursements & Donations		2,577,486	2,057,582	1,840,698
Fees and Charges		26,960,878	27,711,729	24,196,267
Interest Earnings		3,218,487	1,839,499	4,597,969
Good and Services Tax		7,029,610	-	7,890,757
Other		407,079	69,749	3,300
		<u>108,197,049</u>	<u>98,809,027</u>	<u>104,117,305</u>
Payments				
Employee Costs		(40,501,465)	(41,017,952)	(41,479,683)
Materials and Contracts		(38,286,436)	(31,504,315)	(33,043,217)
Utilities (gas, electricity, water, etc)		(3,805,794)	(3,712,557)	(3,465,783)
Insurance		(1,212,548)	(1,147,444)	(1,078,220)
Interest		(219,651)	(448,077)	(175,965)
Goods and Services Tax		(7,024,924)	-	(7,908,386)
		<u>(91,050,818)</u>	<u>(77,830,345)</u>	<u>(87,151,254)</u>
Net Cash Provided By (Used In)				
Operating Activities	16(b)	17,146,231	20,978,682	16,966,051
Cash Flows from Investing Activities				
Payments for Purchase of Property, Plant & Equipment		(7,718,497)	(12,845,108)	(9,549,062)
Payments for Construction of Infrastructure		(20,856,210)	(22,724,802)	(19,458,468)
Capital Investment MRF		(43,541)	-	310,350
Capital Investment Mindarie RC		(31,225)	-	(29,522)
Grants/Contributions for the Development of Assets		8,671,386	13,554,333	11,131,001
Proceeds from Sale of Assets		367,657	423,500	521,093
		<u>367,657</u>	<u>423,500</u>	<u>521,093</u>
Net Cash Provided By (Used In)				
Investing Activities		(19,610,430)	(21,592,077)	(17,074,608)
Cash Flows from Financing Activities				
Repayment of Borrowings	21(a)	(647,464)	(1,152,466)	(348,039)
Proceeds from borrowing	21(a)	6,685,000	5,685,000	1,534,000
Net Cash Provided By (Used In)				
Financing Activities		6,037,536	4,532,534	1,185,961
Net Increase (Decrease) in Cash Held		3,573,337	3,919,139	1,077,404
Cash at Beginning of Year		55,684,331	55,171,492	54,606,927
Cash and Cash Equivalents				
at the End of the Year	16(a)	<u>59,257,668</u>	<u>59,090,631</u>	<u>55,684,331</u>

This statement is to be read in conjunction with the accompanying notes.

**CITY OF JOONDALUP
RATE SETTING STATEMENT
FOR THE PERIOD ENDED 30 JUNE 2010**

	2010 Actual \$	2010 Budget \$	2009 Actual \$
OPERATING REVENUES			
Rates	64,159,659	63,695,321	61,374,779
Government Grants & Subsidies - Operating	3,856,379	3,485,875	4,422,910
Contributions, Reimbursements and Donations - Operating	2,577,486	2,093,364	1,840,699
Profit on Disposal	76,457	98,335	137,960
Fees & Charges	28,154,034	27,767,095	24,446,297
Interest Earnings	3,851,271	2,193,760	4,597,969
Other Revenue	407,078	100,000	242,662
	<u>103,082,364</u>	<u>99,433,750</u>	<u>97,063,276</u>
EXPENSES			
Employee Costs	(41,992,471)	(41,641,592)	(41,260,809)
Materials & Contracts	(39,598,726)	(39,052,324)	(34,924,570)
Utilities	(3,805,794)	(4,052,858)	(3,487,162)
Depreciation & Amortisation on Assets	(20,753,236)	(17,042,401)	(23,632,664)
Loss on Disposal and Revaluation	(117,262)	(107,515)	(156,948)
Insurance Expenses	(243,124)	(1,147,444)	(1,078,220)
Interest Expense	(1,212,548)	(448,077)	(183,056)
	<u>(107,723,161)</u>	<u>(103,492,211)</u>	<u>(104,723,429)</u>
(DEFICIT)/SURPLUS FROM OPERATIONS	<u>(4,640,797)</u>	<u>(4,058,461)</u>	<u>(7,660,153)</u>
OPERATING NON-CASH ADJUSTMENTS			
Depreciation on Assets	20,753,236	17,042,401	23,632,664
Loss on Disposal	117,262	107,515	156,948
Profit on Disposal	(76,457)	(98,335)	(137,960)
OPERATING CASH SURPLUS	<u>16,153,244</u>	<u>12,993,120</u>	<u>15,991,499</u>
CAPITAL REVENUE			
Capital Grants	8,671,386	12,888,838	11,017,767
Contributions & Reimbursements - Non Operating	-	425,000	113,234
Acquired Infrastructure Assets	586,357	4,880,000	2,071,451
	<u>9,257,743</u>	<u>18,193,838</u>	<u>13,202,452</u>
CAPITAL EXPENDITURE			
Capital Projects	(6,975,089)	(2,794,980)	(6,315,854)
Capital Works	(19,593,854)	(36,004,002)	(17,355,379)
Motor Vehicle Replacement	(968,349)	(1,326,000)	(3,282,490)
Loan Repayments (Principal)	(647,464)	(1,152,466)	(347,753)
Equity Investment	(31,227)	-	(29,523)
	<u>(28,215,983)</u>	<u>(41,277,448)</u>	<u>(27,330,999)</u>
CAPITAL DEFICIT	<u>(18,958,240)</u>	<u>(23,083,610)</u>	<u>(14,128,547)</u>
BUDGET SURPLUS DEFICIT	<u>(2,804,996)</u>	<u>(10,090,490)</u>	<u>1,862,952</u>
FUNDING			
Proceeds from Disposal	367,657	423,500	521,093
Surplus Carried Forward	1,538,743	550,328	3,939,078
Loans	6,685,000	5,685,000	1,534,000
Transfers from Reserves	12,183,950	10,460,013	10,181,967
Transfer to Reserves	(12,775,619)	(2,055,415)	(14,428,896)
Transfer to Accumulated Surplus	(586,357)	(4,880,000)	(2,071,451)
NET BUDGET SURPLUS/(DEFICIT)	<u>4,608,378</u>	<u>92,936</u>	<u>1,538,743</u>

This statement is to be read in conjunction with the accompanying notes.

**CITY OF JOONDALUP
STATEMENT OF RATING INFORMATION
FOR THE PERIOD ENDED 30 JUNE 2010**

	GENERAL RATES				MINIMUM PAYMENTS				TOTAL
	Rateable Value	No of Properties	Rate in \$	Rate Yield	Rateable Value	No of Properties	Minimum Payment	Rate Yield	
	\$			\$	\$		\$	\$	\$
General Rate - Gross Rental Value (GRV)									
Residential Improved	717,745,478	43,776	5.6234	40,361,699	120,746,045	12,501	611	7,632,646	47,994,345
Residential Not Improved	44,946,825	1,587	5.6234	2,527,540	597,650	78	611	47,624	2,575,164
Commercial Improved	165,800,990	1,004	6.6273	10,988,129	983,993	115	623	71,645	11,059,774
Commercial Not Improved	772,200	17	11.2468	86,848	-	-	623	-	86,848
Industrial Improved	15,124,432	371	6.2330	942,706	50,663	6	623	3,738	946,444
Industrial Not Improved	373,645	12	11.2468	42,023	-	-	623	-	42,023
Sub-Total GRV	944,763,570	46,767		54,948,945	122,378,351	12,700		7,755,653	62,704,598
General Rate - Unimproved Value (UV)									
Residential	11,626,252	4	0.65900	76,617					76,617
Rural	1,294,970	2	0.65600	8,495					8,495
Total UV	12,921,222	6		85,112					85,112
Interim Rates									173,970
Total Rate Levy									62,963,680
Early Payment Prizes (Note 2a)									(68,565)
Net General Rates									62,895,115
Specified Area Rate									
Iluka	39,663,090	1,532	0.160280	63,572					63,572
Woodvale Waters	2,456,905	137	1.272780	31,271					31,271
Harbour Rise	16,499,091	489	0.478790	78,996					78,996
Total Specified Area Rate									173,839
Interest on Outstanding Rates									528,722
Instalment Administration Charge									561,983
TOTAL RATES REVENUE									64,159,659

CITY OF JOONDALUP
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2010

These Financial Statements are a general purpose financial report that consists of a statement of comprehensive income, statement of financial position, statement of cash flows, statement of changes in equity and notes accompanying these financial statements.

1. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies which have been adopted in the preparation of the financial statements are:

(a) Basis of Accounting

The financial statements are a general purpose financial report which have been prepared in accordance with Australian Accounting Standards (as they apply to local governments and not-for-profit entities), other mandatory professional reporting requirements and the Local Government Act 1995 (as amended) and accompanying regulations (as amended).

The report has also been prepared on the accrual basis under the convention of historical cost accounting as modified by the accounting treatment relating to the revaluation of financial assets and liabilities at fair value through profit and loss and certain classes of non-current assets.

(b) The Local Government Reporting Entity

The financial statements forming part of this report have been prepared on the basis of a single consolidated fund (Municipal Fund). Monies held in Trust, of which the City has legal custody but is unable to deploy for its purposes, have been excluded from the consolidated financial statements and the cash position at the reporting date.

(c) Goods and Services Tax

In accordance with recommended practice, revenues, expenses and assets capitalised are stated net of any GST recoverable. Receivables and payables in the Balance Sheet are stated inclusive of applicable GST.

The net amount of GST recoverable from, or payable to, the Australian Taxation Office is included as part of current assets and current liabilities.

Cash flows are included in the statement of cash flows on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flow.

(d) Cash and Cash Equivalents

Cash and cash equivalents in the balance sheet comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

CITY OF JOONDALUP
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2010

For the purposes of the Cash Flow Statement, cash and cash equivalents consist of cash and cash equivalents as defined above, including bank overdrafts which form an integral part of the City's cash management, and are repayable on demand.

(e) Trade and Other Receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost for uncollectible amounts using the effective interest rate method, less any allowance.

Collectibility of trade receivables is reviewed on an ongoing basis. Debts that are known to be uncollectible are written off when identified. An allowance for doubtful debts is raised when there is objective evidence that they may not be collectible.

(f) Inventories

Inventories are valued at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business.

Inventories comprise consumables held for the City's operations.

(g) Acquisition of Assets

Assets acquired during the year are recorded at the cost of acquisition, being the purchase consideration determined as at the date of acquisition plus costs incidental to the acquisition, subject to a capitalisation threshold applied to specific classes of assets as follows:

Furniture	\$2,000
Office Equipment	\$2,000
Motor vehicles	\$2,000
Plant and Equipment	\$2,000
Computer Equipment	\$2,000
Computer Software	\$20,000

All other classes of assets are capitalised, regardless of the initial cost of acquisition.

In the event that settlement of all or part of the cash consideration given in the acquisition of an asset is deferred, the fair value of the purchase consideration is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

(h) Property, Plant and Equipment

Recognition

Property, plant and equipment are carried at cost less accumulated depreciation. Items of property, plant and equipment, including buildings but excluding freehold land and artworks, are depreciated over their estimated useful lives on a straight-line basis. Depreciation has been charged to the Income Statement. The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period.

CITY OF JOONDALUP
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2010

Revaluation

Certain asset classes may be revalued on a regular basis such that the carrying values are not materially different from fair value. Those assets carried at a revalued amount, being their fair value at the date of revaluation less any subsequent accumulated depreciation and accumulated impairment losses, are to be revalued with sufficient regularity to ensure that the carrying amount does not differ significantly from that determined using fair value at the reporting date.

(i) Infrastructure Assets

Recognition

Reserves and Engineering infrastructure assets acquired prior to 30 June 1997 were brought to account as non-current assets at their estimated depreciated replacement cost at that time (deemed cost). Additions subsequent to 30 June 1997 are recorded at cost. Infrastructure assets acquired by the City from contributions by developers are recorded as additions to assets and the income recorded in the Income Statement.

Infrastructure assets acquired and constructed during the year are depreciated over their estimated useful lives on a straight-line basis from the commencement of the following financial year. Depreciation has been charged to the Income Statement

Revaluation

Certain infrastructure asset classes may be revalued on a regular basis such that the carrying values are not materially different from fair value. For infrastructure and other asset classes where no active market exists, fair value is determined to be the current replacement cost of an asset less, where applicable, accumulated depreciation calculated on a basis to reflect the already consumed or expired future economic benefits.

Those assets carried at a revalued amount, being their fair value at the date of revaluation less any subsequent accumulated depreciation and accumulated impairment losses, are to be revalued with sufficient regularity to ensure the carrying amount does not differ significantly from that determined using fair value at reporting date.

Land under Roads

Council has elected not to recognise the value of land under roads acquired before 1 July 2008 in accordance with AASB 1051. In addition, the City of Joondalup is required by Regulation 16 of the Local Government (Financial Management) Regulations 1996 not to recognise a value for land under roads.

(j) Depreciation of Non-Current Assets

All non-current assets having a limited useful life are separately and systematically depreciated over their useful lives in a manner which reflects the consumption of the future economic benefits embodied in those assets. Depreciation is recognised on a straight-line basis, using rates which are reviewed each reporting period. Depreciation rates are:

CITY OF JOONDALUP
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2010

Property, Plant and Equipment

Freehold Land	Nil	Artworks	Nil
Light Vehicles	7.50%	Buildings	2.50%
Heavy Vehicles	10.50%	Mobile Plant	12.50%
Computer Equipment	33.33%	Furniture & Office Equipment	10.00%
Other Equipment	10.00%	Computer Software (>\$20,000)	33.33%

Property, plant and equipment are depreciated from the date of acquisition or, in respect of internally constructed assets, from the time an asset is completed and ready for use.

Infrastructure Assets

Parks and Reserves -

Playground Equipment	10.00%
Sports Facilities	10.0% - 20.0%
Picnic Facilities	10.00%
Park Benches	8.00%
Fencing	5.0% - 10.0%
Reticulation	13.0% - 20.0%
Park Structures	5.0% - 10.0%
Pathways	5.0% - 10.0%
Lighting	13.00%
Oval Development	Nil

Engineering

Roads/Traffic Management	2.0% - 5.0%
Drainage	1.25%
Car Parking	2.50%
Public Access Ways	2.5% - 4.0%
Footpaths/Bicycle Facilities	2.0% - 4.0%
Robertson Road Cycleway	2.5% - 16.0%
Beach Access Ways	2.5% - 10.0%
Hardcourt Surfaces	2.5% - 20.0%
Bus Shelters	2.0%
Underpasses/Bridges	1.0% - 10.0%
Joondalup City Lighting	2.0% - 16.0%
Ocean Reef Boat Harbour	2.0% - 4.0%

Certain infrastructure assets listed above include various components with each component depreciated separately.

CITY OF JOONDALUP
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2010

(k) Financial Assets

Classification

The City classifies its financial assets in the category 'Loans and receivables', as defined in AASB 139 'Financial Instruments Recognition and Measurement' and 'Cash and Cash Equivalents'. The classification reflects the purpose for which the assets were acquired. Management determines the classification of its financial assets at initial recognition and, in the case of any assets classified as held-to-maturity, re-evaluates this designation at each reporting date.

(i) Receivables

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date which are classified as non-current assets. Receivables are included in trade and other receivables in the balance sheet.

(ii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the City's management has the positive intention and ability to hold to maturity. If the City was to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available-for sale. Held-to-maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the reporting date, which are classified as current assets.

Recognition and derecognition

The City recognises its financial assets on the date that the City's right to receive cash flows from these assets has been established. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and City has transferred substantially all the risks and rewards of ownership

(l) Estimation of Fair Value

The fair value of financial assets and financial liabilities is estimated for recognition and measurement. The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values.

The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the City for similar financial instruments.

(m) Impairment

In accordance with Australian Accounting Standards the City's assets, other than inventories, are assessed at each reporting date to determine whether there is any indication

CITY OF JOONDALUP
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2010

they may be impaired. Where such an indication exists, an estimate of the recoverable amount of the asset is made in accordance with AASB 136 'Impairment of Assets' and appropriate adjustments made.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the Income Statement.

For non-cash generating assets such as roads, drains, public buildings and the like, value in use is represented by the depreciated replacement cost of the asset.

(n) Trade and Other Payables

Trade and other payables are recognised when the City becomes obliged to make future payments resulting from the purchase of goods and services. The amounts are unsecured and are generally settled within 30 days of recognition.

(o) Employee Benefits

The provisions for employee benefits relates to amounts expected to be paid for long service leave, annual leave, wages and salaries and are calculated as follows:

(i) Wages, Salaries, Annual Leave and Long Service Leave (Short-term Benefits)

The provision for employees' benefits to wages, salaries, annual leave and long service leave expected to be settled within 12 months represents the amount the municipality has a present obligation to pay resulting from employees services provided to balance date. The provision has been calculated at nominal amounts based on remuneration rates expected to apply at the time of settlement and includes related on-costs.

(ii) Long Service Leave (Long-term Benefits)

Provisions made in respect of long service leave which is not expected to be settled within 12 months is measured at the present value of the estimated future cash outflows to be made by the City in respect of services provided by employees up to the reporting date.

(p) Interest-bearing Loans and Borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. The City currently has fixed-interest borrowings that are settled over by fixed payments over the term of the loans. The actual outstanding balances on these loans approximates to the amortised cost of the unpaid loan liabilities.

Borrowings are classified as current liabilities unless the City has an unconditional right to defer settlement of the liability for at least 12 months after the balance date.

CITY OF JOONDALUP
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2010

Borrowing costs are recognised as an expense when incurred except where they are directly attributable to the acquisition, construction or production of a qualifying asset. Where this is the case, they are capitalised as part of the cost of the particular asset.

(q) Provisions

Provisions are recognised when: The City has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

(r) Rates

The rating and reporting periods coincide. All rates levied for the year are recognised as revenues. All outstanding rates are fully collectable and therefore no allowance has been made for doubtful debts. In accordance with the Rates and Charges (Rebates and Deferments) Act 1992, the City offers eligible pensioners the option to defer the payment of rates or to obtain a rebate from the Western Australian State Government. All eligible pensioners registered under the Rates & Charges (Rebates and Deferments) Act 1992 may obtain a rebate or defer their rates for full payment upon sale of their property. Pensioners who hold a Commonwealth Concession Card and a Pensioner Health Benefit Card, a State Concession Card, Seniors Card or a Commonwealth Seniors Health Card can apply to be eligible for this State scheme. There is no cost to the City under this scheme as interest is received from the State Government for pensioner deferred rates.

(s) Grants, Donations and Other Contributions

All grants, donations and other contributions are recognised as revenues when the local government obtains control over the assets comprising the contributions. Control over assets acquired from rates is obtained at the commencement of the rating period or, where earlier, upon receipt of the rates.

Where contributions recognised as revenues during the reporting period were obtained on the condition that they be expended in a particular manner or used over a particular period, and those conditions were un-discharged as at the reporting date, the nature of and amounts pertaining to those un-discharged conditions are disclosed in Note 3(b). That note also discloses the amount of contributions recognised as revenues in a previous reporting period which were obtained in respect of the local government's operation for the current reporting period.

CITY OF JOONDALUP
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2010

(t) Superannuation

The City of Joondalup makes statutory contributions to the Local Government Superannuation Plan on behalf of its employees. The Plan is a defined contribution scheme. The expense related to these contributions is recognised in the Income Statement.

(u) Works in Progress

Major buildings, reserves and infrastructure or other assets which have not been completed at the reporting date have been recorded as works in progress.

(v) Rounding Off Figures

All figures shown in these annual financial statements, other than a rate in the dollar, are rounded to the nearest dollar.

(w) Comparative Figures

Where required, comparative figures have been adjusted to conform with changes in presentation for the current financial year.

(x) Current and Non-Current Classification

In the determination of whether an asset or liability is current or non-current, consideration is given to the time when each asset or liability is expected to be settled. The asset or liability is classified as current if it is expected to be settled within the next 12 months, being the City's operational cycle. In the case of liabilities where City does not have the unconditional right to defer settlement beyond 12 months, such as vested long service leave, the liability is classified as current even if not expected to be settled within the next 12 months. Inventories held for trading are classified as current even if not expected to be realised in the next 12 months except for land held for resale where it is held as non-current based on City's intentions to release for sale.

(y) Crown Land

In accordance with Regulation 16 of the Local Government (Financial Management) Regulations 1996 and current accounting standards Crown land set aside as a public road reserve or other public thoroughfare or under the control of a local government under Section 3.53 of the Local Government Act 1995 or vested Crown land under the control of a local government by virtue of the operation of the Land Act or the Town Planning and Development Act has not been brought to account as an asset of the City. Improvements or structures placed upon such land have been accounted for as assets of the City.

(z) New Accounting Standards and Interpretations

At the date of authorisation of these financial statements, there were a number of Standards and Interpretations that were issued but not yet effective. These have not been adopted for the reporting period ended 30 June 2010, and the City's assessment of these new standards

CITY OF JOONDALUP
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2010

and interpretations has been provided in the Addendum to the financial statements, if applicable.

(za) Critical Accounting Estimates

The preparation of financial statements in conformity with Australian Accounting Standards requires management to make judgements, estimates and assumptions that effect the application of policies and reported amounts of assets and liabilities, income and expenses.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. The results of this experience and other factors combine to form the basis of making judgements about carrying values of assets and liabilities not readily apparent from other sources. Actual results may differ from these estimates.

**CITY OF JOONDALUP
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2010**

2. RATES AND SERVICE CHARGES - PAYMENT OPTIONS

(a) Rates Discount and Incentive Scheme

Council, in accordance with the provisions of Section 6.46 of the Local Government Act 1995, offered the following early payment incentives for the payment of rates and charges:-

- full payment of all current and arrears of rates (including specified area rates), Emergency Services Levy, domestic refuse charge and private swimming pool inspection fees (inclusive of GST) within 28 days of the issue date on the annual rate notice:
- eligibility to enter the early payment incentive draw which included a range of prizes sponsored by a number of organisations and thus at no cost to the City, as well as 2 environmentally-friendly vehicles purchased by the City.
- a pool of prize winners was chosen by a computerised random selection process, the integrity of which was authenticated by the City's auditor. The winners were invited to attend a prize draw function during which the prizes were allocated in a secondary draw process.

The total of early payment incentives against rates was as follows:

	2010 Actual \$	2010 Budget \$	2009 Actual \$
Rates - Early Payment Incentives & Prizes	68,565	75,000	74,525
	68,565	75,000	74,525

(b) Rates Payment Options

The City, in accordance with the provisions of Section 6.45 of the Local Government Act 1995, offered the following payment options for the payment of rates (including specified area rates), Emergency Services Levy, domestic refuse charges, private swimming pool inspection fees and property surveillance & security charge inclusive of GST:

• **One Instalment**

Payment in full within 28 days of the issue date of the annual rate notice and eligibility to enter the rates incentive scheme for prizes.

Payment in full within 35 days of the issue date of the annual rate notice.

• **Two Instalments**

The first instalment of 50% of the total current rates (including specified area rates), domestic refuse charge, private swimming pool inspection fee inclusive of GST,

CITY OF JOONDALUP
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2010

instalment charge, plus the total outstanding arrears payable within 35 days of date of issue of the annual rate notice.

The second instalment of 50% of the total current rates (including specified area rates), Emergency Services Levy, domestic refuse charge, private swimming pool inspection fee inclusive of GST, instalment charge, payable 63 days after due date of first rate instalment.

- **Four Instalments**

The first instalment of 25% of the total current rates (including specified area rates), Emergency Services Levy, domestic refuse charge, private swimming pool inspection fee inclusive of GST, instalment charge plus the outstanding arrears payable within 35 days of the issue of the annual rate notice.

The second, third and fourth instalment, each of 25% of the total current rates (including specified area rates), Emergency Services Levy, domestic refuse charge, private swimming pool inspection fee inclusive of GST, instalment charge payable as follows:

- 2nd instalment – 63 days after due date of 1st instalment
- 3rd instalment – 63 days after due date of 2nd instalment
- 4th instalment – 63 days after due date of 3rd instalment

Instalment Charges and Calculation of Interest

The instalment options were subject to an administration fee of \$11.00 for each of instalments two, three and four, together with an interest charge at 5.5% per annum, calculated on a simple interest basis on the unpaid balance as follows:

- **Two Instalments:**

50% of the total current general rate (including specified area rates), Emergency Services Levy, domestic refuse charge and private swimming pool inspection fees inclusive of GST calculated 35 days from the issue date of the annual rate notice to 63 days after the due date of the first instalment;

- **Four Instalments:**

75% of the total current general rate (including specified area rates), Emergency Services Levy, domestic refuse charge, and private swimming pool inspection fees inclusive of GST calculated 35 days from issue date of the annual rate notice to 63 days after the due date of the first instalment;

50% of the total current general rate (including specified area rate), Emergency Services Levy, domestic refuse charge and private swimming pool inspection fees inclusive of GST calculated from the due date of second instalment to the due date of the third instalment; and

CITY OF JOONDALUP
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2010

25% of the total current general rate (including specified area rate), Emergency Services Levy, domestic refuse charge and private swimming pool inspection fees inclusive of GST calculated from the due date of third instalment to the due date of the fourth instalment.

Special Payment Arrangements

Special monthly or fortnightly payment arrangements were made with the City for those ratepayers who were unable to pay in full or according to the instalment plans offered. An administration fee of \$33.00 per assessment was charged on all payment arrangements and penalty interest of 11.00% pa was applied to the outstanding balance until the account was paid in full.

Details of interest and administrative charges on rates were as follows:-

	2010	2010	2009
	Actual	Budget	Actual
	\$	\$	\$
Interest on Outstanding Rates	528,722	350,621	462,171
Installment Administration Chgs	561,983	305,758	547,314
	<u>1,090,705</u>	<u>656,379</u>	<u>1,009,485</u>

Ratepayers had the option of paying rates in four equal instalments, due on 28th August 2009, 30th October 2009, 1st January 2010 and 5th March 2010. An administration fee of \$11 and interest of 5.5% per annum applied for the final three instalments. Rates not paid by due date or by instalment incurred a penalty interest of 11% on outstanding amounts.

(c) Late Payment Interest

The Council, in accordance with the provisions of Section 6.13 and Section 6.51 of the Local Government Act 1995, imposed interest on all current and arrears general rates (including specified area rate), current and arrears domestic refuse charges, current and arrears private swimming pool inspection fees (inclusive of GST) and arrears property surveillance & security charge at a rate of 11.00% per annum, calculated on a simple interest basis on arrears amounts that remain unpaid and current amounts that remain unpaid 35 days from the issue date of the original rate notice, or the due date of the instalment and continues until the instalment is paid. Excluded are deferred rates, instalment amounts not due under the four-payment option, registered pensioner portions and current government pensioner rebate amounts. Such interest was charged once per month on the outstanding balance on the day of calculation for the number of days as previously detailed. These statements reflect an amount of \$528,722 generated from interest charged on outstanding rates.

(d) Emergency Services Levy Interest Charged

In accordance with the provisions of section 36S of the Fire and Emergency Services Authority of Western Australia Act 1998, the City imposed interest on all current and arrears amounts of emergency services levy at a rate of 11.00% per annum, calculated on a simple

CITY OF JOONDALUP
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2010

interest basis on amounts of which remain unpaid after 35 days from the issue date of the original rate notice, or the due date of the instalment and continues until the instalment is paid. Excluded are instalment current amounts not yet due under the two or four-payment option, registered pensioner and current government pensioner rebate amounts. Such interest to be charged once per month on the outstanding balance on the day of calculation for the number of days.

(e) Emergency Services Remittance Option B

The City elected to remit the current year Emergency Services Levy to Fire and Emergency Services Authority under Option B. Under Option B the City acquired the current year ESL when the annual rates were levied. The City remitted the ESL to FESA in quarterly payments – September 2009 (30%), December 2009 (30%), March 2010 (30%) and June 2010 (10%). The City invests the Emergency Services Levy receipts as part of its municipal funds investments. The ESL levies received and the ESL liability to FESA are reflected in the City's Balance Sheet and the cash flow impacts are included in the Cash Flow Statement.

(f) Domestic Refuse Charges

The Council, BY AN ABSOLUTE MAJORITY in accordance with Part IV of the Health Act 1911 (as amended) imposed the following domestic refuse charges for the 2009/10 financial year, including a charge for a recycling service to be provided to all ratepayers:

- \$264.80 per existing unit serviced, and
- Collection from within the property boundary:
Additional cost \$52 (inclusive of GST).
- New service \$264.80 plus cost of bin and bin delivery \$60.00(inclusive of GST).

(g) Private Swimming Pool Inspection Fees

The Council, in accordance with the provisions of Section 245A (8) of the Local Government (Miscellaneous Provisions) Act 1960 imposed for the 2009/10 financial year, a Private Swimming Pool Inspection Fee of \$13.75 (inclusive of GST) on those properties owning a private swimming pool.

(h) Specified Area Rating Iluka

The Council, BY AN ABSOLUTE MAJORITY in accordance with the provisions of Section 6.32 and 6.37 of the Local Government Act 1995 imposed for the current reporting period, a specified area rate for the area of Iluka for maintaining enhanced landscaping services.

A rate in the dollar of 0.16028¢ was charged on the Gross Rental Value on each property with a total rateable value which levied income of \$63,572.05.

CITY OF JOONDALUP
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2010

(i) Specified Area Rating Woodvale Waters

The Council, BY AN ABSOLUTE MAJORITY in accordance with the provisions of Section 6.32 and 6.37 of the Local Government Act 1995 imposed for the reporting period, a specified area rate for the area of Woodvale Waters for maintaining enhanced landscaping services.

A rate in the dollar of 1.27278¢ was charged on the Gross Rental Value on each property with a total rateable value which levied income of \$31,270.58.

(j) Specified Area Rating Harbour Rise

The Council, BY AN ABSOLUTE MAJORITY in accordance with the provisions of Section 6.32 and 6.37 of the Local Government Act 1995 imposed for the reporting period, a specified area rate for the area of Harbour Rise for maintaining enhanced landscaping services.

A rate in the dollar of 0.47879¢ was charged on the Gross Rental Value on each property with a total rateable value which levied income of \$78,996.05.

(k) Write Off Rates and Charges

The total value of rates and charges from previous years written off during the year was \$12,212.57

(l) Schedule of Valuations and Rate Revenue

The schedule of valuations and rate revenue is shown on the Statement of Rating Information included in this report.

CITY OF JOONDALUP
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2010

3. REVENUES AND EXPENSES	Note	2010	2009
		\$	\$
(a) Result from Ordinary Activities			
Auditors Remuneration			
- Statutory		27,500	27,000
- Other Services		2,580	3,000
		<u>30,080</u>	<u>30,000</u>
Depreciation			
Buildings		5,475,346	5,380,763
Furniture and Equipment		397,032	611,738
Plant and Equipment		1,487,989	1,291,076
Parks and Reserves		2,883,370	2,755,555
Roads		6,676,783	6,235,737
Footpaths		517,936	1,644,320
Drainage		2,280,453	3,566,901
Other Infrastructure		1,034,327	2,146,574
		<u>20,753,236</u>	<u>23,632,664</u>
Interest Expenses			
Interest on Loans	21(a)	242,608	178,591
Other		516	4,465
		<u>243,124</u>	<u>183,056</u>

- **Acquired Infrastructure Assets**

Contributions to Infrastructure Assets from developers recognised as revenue and included in the Income Statement under Contributions, Reimbursements and Donations are as follows:

Roads	435,595	550,791
Footpaths	97,422	97,006
Drainage	53,340	1,365,654
Other	-	58,000
	<u>586,357</u>	<u>2,071,451</u>

CITY OF JOONDALUP
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2010

4. FEES & CHARGES

	2010	2010	2009
	Actual	Budget	Actual
	\$	\$	\$
By Nature			
Rubbish Collection Fees	14,959,114	15,410,784	13,485,529
Membership Fees	1,978,182	2,019,353	1,823,269
Admission Fees	1,369,496	1,285,114	1,259,189
Building Licence Fees	1,196,114	990,000	1,046,881
Learn to Swim Program Fees	1,020,294	865,784	893,893
Court Sport Revenue	494,617	513,231	495,541
Facilities Hire	530,037	456,305	481,614
Development Application Fees	589,607	495,000	530,860
Property Rental	567,952	424,000	372,986
Inspection Fees	319,830	290,000	288,303
Land Purchase Enquiries Fees	277,254	213,000	208,880
Parking Infringements	1,229,639	936,000	697,788
Other infringements and fines	252,768	-	230,358
Commission	201,432	247,300	259,912
On-Street Parking Fee	577,578	800,000	364,613
Off Street Parking Fees	741,557	831,600	497,528
Cash in Lieu of Parking Spaces	81,000	100,000	23,650
Term Programme Activities Fees	259,416	236,552	207,392
Dog Registration Fees	227,222	230,000	206,229
Cat Registration Fees	-	219,450	-
Eating House Licences & Registrations	101,535	118,000	119,284
Environmental Health Services - Immunisation	50,708	-	84,978
Merchandise Sales & Other Sales	197,917	180,708	-
Other Miscellaneous Charges	930,765	904,914	867,620
	<u>28,154,034</u>	<u>27,767,095</u>	<u>24,446,297</u>

By Program

General Purpose Funding	262,985	200,242	-
Law, Order & Public Safety	355,372	621,650	555,142
Health	187,875	188,000	183,368
Education & Welfare	134,105	52,732	127,063
Community Amenities	17,320,142	17,418,292	13,313,139
Recreation & Culture	6,383,141	5,922,579	4,993,228
Transport	2,972,001	2,659,600	2,311,667
Economic Services	3,291	-	2,560,085
Other Property and Services	535,122	704,000	402,605
	<u>28,154,034</u>	<u>27,767,095</u>	<u>24,446,297</u>

CITY OF JOONDALUP
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2010

5. GRANT REVENUE	2010	2009
	\$	\$
By Nature and Type:		
Grants and Subsidies - operating		
Dept. for Child Protection	99,146	-
Dept. for Community Development	2,000	118,900
Dept. of Family and Community Services	60,621	94,665
Dept. of Sport and Recreation	85,000	-
Dept. of Education, Employment & WR	37,933	-
Grants Commission	3,043,781	3,711,142
Dept. of Infrast & Transport	200,000	-
Healthways	30,000	30,000
Lotteries Commission	60,000	62,000
Other Grants	237,898	406,203
	3,856,379	4,422,910
Grants and Subsidies - non-operating		
Black Spot Funding	1,221,854	588,413
Dept. Planning & Infrastructure	360,000	1,265,635
Formula Local Roads Grant	-	2,401,687
Regional & Local Community Infrastructure Programme	-	2,137,550
Main Roads Direct Grant	3,061,149	1,796,472
Main Roads-Federal Assistance	1,867,478	-
Metro Regional Road Programme	859,962	2,435,184
National Community Crime Prevention Programme	-	190,000
Roads to Recovery Programme	1,197,775	87,623
Other Government Grants	103,168	115,203
	8,671,386	11,017,767
	12,527,765	15,440,677

6. CASH INVESTMENTS	Note	2010	2009
		\$	\$
Unrestricted		18,528,201	15,913,862
Restricted	14	40,849,347	40,257,678
	16(a)	<u>59,377,548</u>	<u>56,171,540</u>
Cash investments comprise the following:			
Term Deposits		56,000,000	43,000,000
11AM Deposits		2,765,000	2,141,000
ANZ Cash Plus		612,548	3,293,217
LGFS Fixed Cash Outperformance Fund		-	7,737,323
	16(a)	<u>59,377,548</u>	<u>56,171,540</u>

Cash investments comprise short term money market deposits and units in managed funds.

CITY OF JOONDALUP
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2010

7. TRADE AND OTHER RECEIVABLES	Note	2010 \$	2009 \$
Current			
Rates Outstanding		603,017	602,398
Sundry Debtors		1,479,878	616,724
Prepayments		491,910	695,193
Accrued Income		1,792,778	658,349
GST Receivable		905,287	934,976
Less Provision for Doubtful Debts		(12,196)	(2,500)
		<u>5,260,674</u>	<u>3,505,140</u>
Non-Current			
Rates/ESL Receivable - Pensioners Deferred		1,177,171	1,165,261
Contributions to Upgrade Material Recovery Facility	34(b)	972,539	929,000
Long Service Leave Due From - Other Councils		101,329	-
		<u>2,251,039</u>	<u>2,094,261</u>
8. EQUITY INVESTMENTS			
Non-Current			
Capital Investment - Mindarie Regional Council		388,712	357,485
Capital Investment - Tamala Park Regional Council		2,703,573	2,703,573
Local Government House		29,616	29,616
		<u>3,121,901</u>	<u>3,090,674</u>

The Mindarie Regional Council (MRC), of which the City is an equity holder, has developed a Resource Recovery Facility (RRF). In this process, the MRC borrowed \$3.5m to acquire the land on which the RRF will be developed.

Due to the time lag between the loan repayment and the RRF operation and charges, the MRC Council approved that its equity holders be charged for the repayment obligations under the land purchase loan.

The methodology adopted for this charge was to treat the interest component of the repayment amount as an additional expense in substitution of an increase in the gate fee chargeable and to treat the principal repayment component as an additional equity contribution to the capital of the MRC.

The Tamala Park Regional Council (TPRC) was established in January 2006 for the purpose of the development of the Tamala Park land jointly owned by seven local governments, including the City of Joondalup, which has a one-sixth equity in the land.

The West Australia Planning Commission (WAPC) requested that a portion of this land be retained as "Bush Forever", which the Commission was prepared to acquire and pay for. The "Bush Forever" land was disposed of by the joint owners to the WAPC in November 2006. The City of Joondalup's share of the proceeds of disposal was \$2,703,573 which was subsequently contributed to the TPRC as equity investment to be used for TPRC purposes.

CITY OF JOONDALUP
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2010

9 PROPERTY, PLANT AND EQUIPMENT

Movements in Carrying Amounts

The following represents the movement in the carrying amounts of each class of property, plant and equipment between the beginning and the end of the current financial year.

At Cost/Valuation

	Balance at 30/06/2009	Additions	Disposals	Transfers, Adjustments & Revaluation	Balance at 30/06/2010
	\$	\$	\$	\$	\$
Freehold Land	131,917,461				131,917,461
Buildings	150,452,477	7,783,562			158,236,039
Artworks	487,813	28,150			515,963
Furniture, Computer Equipment & Computer Software	6,275,260	1,778,551	(32,924)		8,020,887
Fleet, Plant & Equipment	14,600,820	1,747,048	(1,084,948)	95,972	15,358,892
	<u>303,733,831</u>	<u>11,337,311</u>	<u>(1,117,872)</u>	<u>95,972</u>	<u>314,049,242</u>

Accumulated Depreciation

	Balance at 30/06/2009	Disposals	Depreciation	Transfers, Adjustments & Revaluation	Balance at 30/06/2010
	\$	\$	\$	\$	\$
Freehold Land	-				-
Buildings	(5,625,414)		(5,475,347)		(11,100,761)
Artworks	-		-		-
Furniture, Computer Equipment & Computer Software	(5,169,419)	32,924	(397,033)		(5,533,528)
Fleet, Plant & Equipment	(4,123,069)	676,486	(1,487,990)		(4,934,573)
	<u>(14,917,902)</u>	<u>709,410</u>	<u>(7,360,370)</u>	<u>-</u>	<u>(21,568,862)</u>

Written-Down Value

	Balance at 30/06/2009	Additions	Disposals	Depreciation, Adjustments & Revaluation	Balance at 30/06/2010
	\$	\$	\$	\$	\$
Freehold Land	131,917,461	-	-		131,917,461
Buildings	144,827,063	7,783,562	-	(5,475,347)	147,135,278
Artworks	487,813	28,150	-	-	515,963
Furniture, Computer Equipment & Computer Software	1,105,841	1,778,551	-	(397,033)	2,487,359
Plant & Equipment	10,477,751	1,747,048	(408,462)	(1,392,018)	10,424,319
	<u>288,815,929</u>	<u>11,337,311</u>	<u>(408,462)</u>	<u>(7,264,398)</u>	<u>292,480,380</u>

Capital Acquisitions in Progress

	Balance at 30/06/2009	Additions	Capitalised	Adjustments	Balance at 30/06/2010
	\$	\$	\$	\$	\$
Freehold Land	-			-	-
Buildings	3,896,391	5,270,458	(7,783,562)	-	1,383,287
Artworks	10,000	18,749	(28,149)	-	600
Furniture, Computer Equipme & Computer Software	-			-	-
	870,146	1,050,250	(1,778,551)	-	141,845
Plant & Equipment	869,522	1,507,662	(1,971,640)	-	405,544
	<u>5,646,059</u>	<u>7,847,119</u>	<u>(11,561,902)</u>	<u>-</u>	<u>1,931,276</u>
Total	<u>294,461,988</u>	<u>19,184,430</u>	<u>(11,970,364)</u>	<u>(7,264,398)</u>	<u>294,411,656</u>

CITY OF JOONDALUP
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2010

10 INFRASTRUCTURE ASSETS

Movements in Carrying Amounts

The following represents the movement in the carrying amounts of each class of infrastructure between the beginning and the end of the current financial year.

At Cost/Valuation

	Balance at 30/06/2009	Additions	Disposals	Transfers and Adjustments	Balance at 30/06/2010
	\$	\$	\$	\$	\$
Roads	468,361,360	7,139,555	-	-	475,500,915
Footpaths	20,690,067	2,575,675	-	2,867,009	26,132,751
Drainage	182,436,226	1,103,880	-	-	183,540,106
Reserves	51,846,251	3,165,539	-	-	55,011,790
Other Infrastructure	36,720,561	1,183,587	-	15,578,126	53,482,274
	<u>760,054,465</u>	<u>15,168,236</u>	<u>-</u>	<u>18,445,135</u>	<u>793,667,836</u>

Accumulated Depreciation

	Balance at 30/06/2009	Disposals	Depreciation	Transfers and Adjustments	Balance at 30/06/2010
	\$	\$	\$	\$	\$
Roads	(198,010,649)	-	(6,676,783)	-	(204,687,432)
Footpaths	(9,201,597)	-	(527,398)	(2,258,540)	(11,987,535)
Drainage	(56,494,481)	-	(2,280,453)	-	(58,774,934)
Reserves	(29,240,316)	-	(2,883,366)	(4)	(32,123,686)
Other Infrastructure	(16,290,195)	-	(1,075,939)	4,750,105	(12,616,029)
	<u>(309,237,238)</u>	<u>-</u>	<u>(13,443,939)</u>	<u>2,491,561</u>	<u>(320,189,616)</u>

Written-Down Value

	Balance at 30/06/2009	Additions	Depreciation	Revaluations and Adjustments	Balance at 30/06/2010
	\$	\$	\$	\$	\$
Roads	270,350,711	7,139,555	(6,676,783)	-	270,813,483
Footpaths	11,488,470	2,575,675	(527,398)	608,469	14,145,216
Drainage	125,941,745	1,103,880	(2,280,453)	-	124,765,172
Reserves	22,605,935	3,165,539	(2,883,366)	(4)	22,888,104
Other Infrastructure	20,430,366	1,183,587	(1,075,939)	20,328,231	40,866,245
	<u>450,817,227</u>	<u>15,168,236</u>	<u>(13,443,939)</u>	<u>20,936,696</u>	<u>473,478,220</u>

Capital Work in Progress

	Balance at 30/06/2009	New Work Added	Completed and Capitalised	Adjustments	Balance at 30/06/2010
	\$	\$	\$	\$	\$
Buildings	2,831,962	2,234,952	-	-	5,066,914
Reserves	4,734,435	2,269,284	(3,165,539)	-	3,838,180
Roads	11,125,668	10,051,702	(6,703,960)	6,000	14,479,410
Footpaths	639,645	3,388,882	(2,478,253)	-	1,550,274
Drainage	803,390	820,425	(1,050,540)	-	573,275
Other Infrastructure	1,266,336	828,605	(1,183,587)	-	911,354
	<u>21,401,436</u>	<u>19,593,850</u>	<u>(14,581,879)</u>	<u>6,000</u>	<u>26,419,407</u>

Total	<u>472,218,663</u>	<u>34,762,086</u>	<u>(28,025,818)</u>	<u>20,936,696</u>	<u>499,897,627</u>
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CITY OF JOONDALUP
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2010

	Note	2010 \$	2009 \$
11. TRADE AND OTHER PAYABLES			
Current			
Trade Payables		5,901,281	6,311,533
Sundry Payables		258,539	233,149
Accrued Expenses		3,337,288	2,876,395
Income in Advance		860,821	693,526
Goods & Service Tax (GST) Payable		134,135	139,145
		10,492,064	10,253,748
12. BORROWINGS			
Current - Loan Borrowings	28(d)	1,189,974	647,464
Non-Current Loan Borrowings		9,066,521	3,571,495
Total Borrowings	21(a)	10,256,495	4,218,959
Current loan borrowings represents the current portion of existing long-term liabilities as detailed in note 21. The City does not include outstanding bank overdraft balances as current borrowings, as overdrafts represent a normal banking arrangement and are included as part of cash and cash equivalents.			
13. PROVISIONS			
Current			
Provision for Annual Leave		2,927,283	2,787,168
Provision for Long Service Leave		2,691,074	2,365,044
Provision for Sick leave		125,968	115,108
Provision for Workers Compensation		1,728,002	1,340,252
Provision for Write-off of Assets		30,805	30,804
Provisions-Other		20,027	16,657
		7,523,159	6,655,033
Non-Current			
Provision for Long Service Leave		1,020,670	817,593
Provision for Long Service Leave due to Other Councils		347,263	-
		1,367,933	817,593

CITY OF JOONDALUP
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2010

	2010 Actual \$	2010 Budget \$	2009 Actual \$
14. RESERVES-CASH BACKED			
(a) Cash in Lieu of Parking			
Opening Balance	881,404	887,931	829,479
Amount Set Aside / Transfer to Reserve	44,181	31,075	51,925
Amount Used / Transfer from Reserve	-	-	-
	925,585	919,006	881,404

Created in 1993/94 with funds previously held in Trust Fund. Represents funds received from developers in lieu of providing car parking. Funds transferred to the reserve from accumulated surplus represent interest.

(b) Cash in Lieu of Public Open Space			
Opening Balance	1,395,468	1,405,801	1,313,258
Amount Set Aside / Transfer to Reserve	69,949	49,200	82,210
Amount Used / Transfer from Reserve	-	-	-
	1,465,417	1,455,001	1,395,468

Created in 1993/94 with money previously held in Trust Fund representing funds received from developers in lieu of providing public open space. Transfer to reserve from accumulated surplus represents interest.

(c) Waste Management			
Opening Balance	3,979,213	3,382,609	1,679,375
Amount Set Aside / Transfer to Reserve	166,457	97,517	2,299,838
Amount Used / Transfer from Reserve	(1,316,822)	(1,124,628)	-
	2,828,848	2,355,498	3,979,213

The Domestic Cart-Refuse Collection Reserve was renamed to the Waste Management Reserve and its purpose changed in 2009/10. The intended purpose of the reserve is to fund and support waste management including but not limited to refuse collection, waste management initiatives and programs, infrastructure and buildings and legal expenses associated with waste management but excluding vehicles, plant and equipment.

(d) Vehicle, Plant and Equipment			
Opening Balance	1,764,931	1,495,721	2,314,537
Amount Set Aside / Transfer to Reserve	88,468	50,269	123,812
Amount Used / Transfer from Reserve	-	(100,000)	(673,418)
	1,853,399	1,445,990	1,764,931

Created in 2008/09 to provide for the replacement of City's fleet of vehicles, plant and equipment by consolidating several previous separate reserves.

CITY OF JOONDALUP
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2010

	2010 Actual \$	2010 Budget \$	2009 Actual \$
14. RESERVES-CASH BACKED			
(e) Cash in Lieu of City Centre Parking			
Opening Balance	426,106	429,261	401,003
Amount Set Aside / Transfer to Reserve	21,359	15,023	25,103
Amount Used / Transfer from Reserve	-	-	-
	447,465	444,284	426,106

Created in 1995/96 by the former City of Wanneroo to accumulate funds received from developers within the Joondalup central business district in lieu of providing car parking and will be utilised to fund future car park requirements. Transfers from reserves fund car park works. The transfer to the reserve represents interest.

(f) Leisure Centres Capital Replacement			
Opening Balance	-	57,794	1,640,285
Amount Set Aside / Transfer to Reserve	-	-	-
Amount Used / Transfer from Reserve	-	-	(1,640,285)
	-	57,794	-

Created in 2001/02 with the outsourcing of the Craigie leisure centre, Ocean Ridge recreation centre and Sorrento/Dun Craig recreation centre to the RANS Management Group to undertake future refurbishment works. Transfer from reserve funds the initial work for the development of a 50 metre Pool at Craigie Leisure Centre. The transfer to the reserve represents interest.

(g) Library Literacy Program			
Opening Balance	16,083	16,202	15,136
Amount Set Aside / Transfer to Reserve	-	567	947
Amount Used / Transfer from Reserve	(16,083)	-	-
	-	16,769	16,083

Created in 2003/04 with proceeds from the sale of donated and surplus library books with such funds to be used for the development of literacy programs to be held at the city's libraries in future years. The council resolved to discontinue the Library Literacy Reserve during 2009/10.

(h) Capital Expenditure Carried Forward			
Opening Balance	11,354,607	-	7,276,902
Amount Set Aside / Transfer to Reserve	10,032,103	-	10,556,672
Amount Used / Transfer from Reserve	(10,556,672)	-	(6,478,967)
	10,830,038	-	11,354,607

Created in 2006/07 to hold unspent capital works funds carried forward to subsequent financial year(s). Transfer from accumulated surplus represents interest.

CITY OF JOONDALUP
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2010

	2010 Actual \$	2010 Budget \$	2009 Actual \$
14. RESERVES - CASH BACKED (continued)			
(i) Ocean Reef Marina Project			
Opening Balance	143,176	-	134,741
Amount Set Aside / Transfer to Reserve	7,177	-	8,435
Amount Used / Transfer from Reserve	-	-	-
	150,353	-	143,176

Created in 2008/09 for the purpose of planning, developing and managing the Ocean Reef Marina Project, comprising the launching facility and the adjacent foreshore lands from the previous Ocean Reef Boat Launching Facility Reserve. Transfer from reserve to accumulated surplus to fund the concept plan for the Ocean Reef Marina Project.

(j) Cultural Facility			
Opening Balance	894,177	900,798	841,499
Amount Set Aside / Transfer to Reserve	44,316	28,498	52,678
Amount Used / Transfer from Reserve	(20,159)	(170,000)	-
	918,334	759,296	894,177

Created in 2000/01 to assist with the design and development of a regional performing arts facility in the Joondalup city centre. The reserve was renamed in 2005/06 to more appropriately reflect the intent of this reject for a multi-purpose cultural facility.

(k) Rate Revaluation			
Opening Balance	-	-	417,751
Amount Set Aside / Transfer to Reserve	-	-	-
Amount Used / Transfer from Reserve	-	-	(417,751)
	-	-	-

Created in 2003/04 to assist with financing the costs associated with the triennial general property revaluation undertaken by the Valuer General.

(l) Section 20A Land			
Opening Balance	37,764	38,044	35,539
Amount Set Aside / Transfer to Reserve	1,893	1,331	2,225
Amount Used / Transfer from Reserve	-	-	-
	39,657	39,375	37,764

Created in 1993/94 by the former City of Wanneroo to comply with the Department of Land Administration guidelines on the sale of unwanted Section 20A "Public Recreation" reserve land that requires that the proceeds be applied to capital improvements on other recreation reserves in the general locality. The transfer from the reserve represents interest.

CITY OF JOONDALUP
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2010

	2010 Actual \$	2010 Budget \$	2009 Actual \$
14. RESERVES - CASH BACKED (continued)			
(m) Specified Area Rating – Harbour Rise			
Opening Balance	35,319	55,232	51,596
Amount Set Aside / Transfer to Reserve	2,160	1,933	2,638
Amount Used / Transfer from Reserve	-	-	(18,915)
	37,479	57,165	35,319

Created to hold unspent funds levied for the purpose of undertaking enhanced landscaping services in the Harbour Rise specified area.

(n) Specified Area Rating - Iluka			
Opening Balance	102,958	94,015	87,826
Amount Set Aside / Transfer to Reserve	17,472	3,290	15,132
Amount Used / Transfer from Reserve	-	-	-
	120,430	97,305	102,958

Created to hold unspent funds levied for the purpose of undertaking enhanced landscaping services in the Iluka specified area. Transfers are to fund works undertaken in the specified area Iluka.

(o) Strategic Asset Management			
Opening Balance	17,939,418	17,838,202	17,523,130
Amount Set Aside / Transfer to Reserve	899,224	685,890	1,076,288
Amount Used / Transfer from Reserve	-	-	(660,000)
	18,838,642	18,524,092	17,939,418

Created in 2004/05 for the purpose of funding the maintenance, refurbishment, replacement and disposal of assets in the most effective required manner, at the level of service for future and present requirements. During 2009/10 Asset Replacement Reserve was merged with the Strategic Asset Management Reserve with a purpose to fund the acquisition and development of new and renewal of existing City infrastructure and building assets.

(p) Town Planning Scheme No 10			
Opening Balance	274,214	280,000	283,284
Amount Set Aside / Transfer to Reserve	-	-	16,920
Amount Used / Transfer from Reserve	(274,214)	(280,000)	(25,990)
	-	-	274,214

Created in 1993/94 by the former City of Wanneroo with funds previously held in Trust Fund. Represents residual funds from Town Planning Scheme No 10 (Revoked) and will be utilised on the provision of facilities generally within or in close proximity of the scheme area. This money can only be spent in the Town Planning Scheme No 10 area or repaid by the payee. Transfer from accumulated surplus

CITY OF JOONDALUP
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2010

	2010 Actual \$	2010 Budget \$	2009 Actual \$
14. RESERVES - CASH BACKED (continued)			
(q) Community Facilities - Kingsley			
Opening Balance	63,680	9,084	257,814
Amount Set Aside / Transfer to Reserve	3,192	-	9,757
Amount Used / Transfer from Reserve	-	-	(203,891)
	66,872	9,084	63,680

Created in 2005/06 for the purpose of funding the construction, development and maintenance of community facilities in the suburb of Kingsley. The reserve was established with funds realised from the disposal of land known as Yagan pre-school, which was located in Poimena Mews, Kingsley.

(r) Community Facilities - Currambine/Kinross			
Opening Balance	899,695	865,853	907,594
Amount Set Aside / Transfer to Reserve	45,098	30,271	54,851
Amount Used / Transfer from Reserve	-	-	(62,750)
	944,793	896,124	899,695

Created in 2007/08 for the purpose of funding the construction, development and maintenance of community facilities. During 2009/10 the Community Facilities Reserve was merged with the Community Facilities-Reserve-Currambine/Kinross.

(s) Parking Facility			
Opening Balance	49,465	130,000	-
Amount Set Aside / Transfer to Reserve	1,332,570	1,060,551	49,465
Amount Used / Transfer from Reserve	-	(400,500)	-
	1,382,035	790,051	49,465

Created in 2008/09 to hold the operating surpluses arising from the paid parking in the Joondalup City Centre to be applied in the development and provision of facilities and services, both parking and non-parking, in the Joondalup City Centre. The transfer from accumulated surplus represents the parking operating surplus and interest.

Total Reserves - Cash Backed

Opening Balance	40,257,678	36,271,431	36,010,749
Transfer to Reserves	12,775,619	2,055,415	14,428,896
Transfer from Reserves	(12,183,950)	(10,460,013)	(10,181,967)
Closing Balance 30 June 2010.	40,849,347	27,866,833	40,257,678

CITY OF JOONDALUP
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2010

15. RESERVES - ASSET REVALUATION	Note	2010 Actual \$	2009 Actual \$
(a) Roads			
Opening Balance		25,615,714	25,615,714
Revaluation Increment		-	-
		<u>25,615,714</u>	<u>25,615,714</u>
(b) Artworks			
Opening Balance		136,745	136,745
Revaluation Increment		-	-
		<u>136,745</u>	<u>136,745</u>
(c) Land and Buildings			
Opening Balance		211,170,790	-
Revaluation Increment		-	211,170,790
		<u>211,170,790</u>	<u>211,170,790</u>
(d) Other Infrastructure Assets			
Opening Balance		-	-
Revaluation Increment	33	20,885,626	-
		<u>20,885,626</u>	<u>-</u>
TOTAL ASSET REVALUATION RESERVES		<u>257,808,875</u>	<u>236,923,249</u>

CITY OF JOONDALUP
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2010

16. NOTES TO THE CASH FLOW STATEMENT

(a) Reconciliation of Cash

For the purposes of the cash flow statement, cash includes cash on hand and cash equivalents, net of outstanding bank overdrafts. Cash at the end of the reporting period is reconciled to the related items in the balance sheet as follows:

	Note	2010 \$	2009 \$
Cash Assets			
Cash on Hand		9,905	9,755
Investments	6	59,377,548	56,171,540
		<u>59,387,453</u>	<u>56,181,295</u>
Interest-bearing liabilities			
Bank Account/(Bank Overdraft)	21(b)	(129,785)	(496,964)
Cash and Cash Equivalents		<u>59,257,668</u>	<u>55,684,331</u>

(b) Reconciliation of Net Cash Provided By Operating Activities to Net Result

	2010 Actual \$	2009 Actual \$
Net Result from Operating Activities	4,616,946	5,542,299
Depreciation & Amortisation	20,753,237	23,632,664
(Profit)/Loss on Sale of Assets	40,805	18,988
(Increase)/Decrease in Receivables	(927,931)	(291,336)
Increase/(Decrease) in Payables	(349,872)	1,403,650
Increase/(Decrease) in Employee Provisions	1,415,095	707,002
Increase/(Decrease) in Other Provisions	3,370	6,291
Increase/(Decrease) in Income in Advance	127,295	118,339
Increase/(Decrease) in Accrued Expenses	1,717,253	(401,228)
(Increase)/Decrease in Accrued Income	(1,134,429)	(76,450)
(Increase)/Decrease in Prepayments	203,283	(491,716)
(Increase)/Decrease in Doubtful Debts	(9,696)	-
(Increase)/Decrease in Inventory	(51,382)	-
Grants/Contributions for development of assets	(8,671,386)	(11,017,767)
Non-operating contributions & reimbursements	-	(113,234)
Contributions for Assets	(586,357)	(2,071,451)
Net Cash from Operating Activities	<u>17,146,231</u>	<u>16,966,051</u>

**CITY OF JOONDALUP
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2010**

17. CONTINGENT LIABILITIES

At its meeting held on September 2007 Council resolved to acknowledge and accept the contingent liability resulting from the provision of an irrevocable financial guarantee on behalf of Mindarie Regional Council (MRC) for its contractual liability to the Contractor undertaking the development of the Resource Recovery Facility. The extent of the City's contingent liability is proportional and several (not joint and several) and is limited to 1/6 of any subsequent payment to the Contractor. The maximum amount that may be payable by the City under the Guarantee is 1/6 of \$88.2m amounting to \$14.7m. The term of the guarantee is 20 years unless the MRC liability under the agreement with the contractor is fully extinguished earlier.

18. COMMITMENTS FOR MAJOR EXPENDITURE AND OPERATING LEASES

(a) Major Expenditure Commitments

2010

2009

\$

\$

At the reporting date, the City is committed to the following major expenditure commitments which are due for payment within one year:

Major Expenditure Commitments

2,279,098

8,931,659

(b) Projected Operating Lease Income

Future Minimum Lease Income Expected

Up to 1 yr

496,000

412,738

1 - 5 yrs

1,089,159

1,089,159

> 5 yrs

2,601,869

2,526,087

4,187,028

4,027,984

The City holds properties which are leased to Mindarie Regional Council, various corporations and community organisations.

(c) Projected Operating Lease Commitments

Future Minimum Lease Payments Expected

Up to 1 yr

303,849

288,221

1 - 5 yrs

1,378,898

1,342,956

> 5 yrs

3,856,283

3,996,008

5,539,030

5,627,185

The City leases various properties, including the Works Operation Centre.

CITY OF JOONDALUP
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2010

19. TRUST FUNDS

Funds held at balance date over which the Municipality has no control and which are not included in the financial statements are as follows:

	2010	2009
	\$	\$
Deposits and Bonds held in Trust	<u>1,351,234</u>	<u>1,520,824</u>

20. DISPOSALS OF ASSETS - 2009/10 FINANCIAL YEAR

The following assets were disposed of during the year.

Asset Class Disposed of	Net Book Value	Sale Price	Profit	Loss
	\$	\$	\$	\$
Furniture/Computer Equipment	-	200	200	-
Fleet, Plant & Equipment	408,462	367,457	76,257	(117,262)
	<u>408,462</u>	<u>367,657</u>	<u>76,457</u>	<u>(117,262)</u>

21. INFORMATION ON BORROWINGS

(a) Loan Repayments

Purpose of Loan	Balance 1-Jul-09	New Loans	Interest Expense	Principal Repayments	Balance 30-Jun-10
	\$	\$	\$	\$	\$
Craigie Leisure Centre	2,001,660	-	109,853	(287,564)	1,714,096
Sorrento Beach	683,299	-	37,294	(81,196)	602,103
Fee Pd Parking & Addition of Car Bays	1,534,000	-	67,283	(278,704)	1,255,296
Aquatic Facilities Upgrade	-	5,800,000	24,448	-	5,800,000
Streetscape Enhancement-West Coast Drive	-	885,000	3,730	-	885,000
	<u>4,218,959</u>	<u>6,685,000</u>	<u>242,608</u>	<u>(647,464)</u>	<u>10,256,495</u>

Additional borrowings were received during the year, \$885,000 to fund the Streetscape Enhancement project-West Coast Drive and \$5,800,000 for the Aquatic Facilities Upgrade project at the Craigie Leisure Centre.

CITY OF JOONDALUP
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2010

21. INFORMATION ON BORROWINGS (continued)

(b) Overdraft	2010	2009
	\$	\$
Bank Overdraft Facility Limit	500,000	500,000
Bank Overdraft at Reporting Date	<u>129,785</u>	<u>496,964</u>
Credit Amount Unused/(Exceeding limit)	<u>370,215</u>	<u>3,036</u>

The bank overdraft is disclosed as part of cash and cash equivalents as the overdraft facility forms part of the City's regular banking arrangements. The balances above represent the overdraft in the City's financial records and not the actual balance of funds held with the bank at the reporting date, due to timing differences in payments and receipts recorded.

22. SPECIFIED AREA RATE – ILUKA

The Council, BY AN ABSOLUTE MAJORITY in accordance with the provisions of Section 6.32 and 6.37 of the Local Government Act 1995 imposed for the reporting period, a specified area rate for the suburb of Iluka.

	2010	2009
	\$	\$
During the 2009/10 financial year the income and expenditure was as follows:		
Balance 1 July 2009	102,958	87,825
2009/10 Rate Income	63,572	60,983
Interest	5,462	5,790
Expenditure	(51,562)	(51,640)
Surplus in Reserve at 30 June 2010	<u>120,430</u>	<u>102,958</u>

23. SPECIFIED AREA RATE - WOODVALE WATERS

The Council, BY AN ABSOLUTE MAJORITY in accordance with the provisions of Section 6.32 and 6.37 of the Local Government Act 1995 imposed for the reporting period, a specified area rate for the area of Woodvale Waters.

During the 2009/10 financial year the income and expenditure was as follows:

Balance 1 July 2009	-	-
2009/10 Rate Income	31,271	27,324
Expenditure	(31,271)	(27,324)
Surplus in Reserve at 30 June 2010	<u>-</u>	<u>-</u>

CITY OF JOONDALUP
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2010

24. SPECIFIED AREA RATE - HARBOUR RISE

The Council, BY AN ABSOLUTE MAJORITY in accordance with the provisions of Section 6.32 and 6.37 of the Local Government Act 1995 imposed for the reporting period, a specified area rate for the area of Harbour Rise.

During the 2009/10 financial year the income and expenditure was as follows:

	2010	2009
	\$	\$
Balance 1 July 2009	35,319	51,596
2009/10 Rate Income	78,996	50,379
Interest	1,780	2,638
Expenditure	(78,616)	(69,294)
Surplus in Reserve at 30 June 2010	<u>37,479</u>	<u>35,319</u>

25. ELECTED MEMBERS' REMUNERATION

	2010	2010	2009
	Actual	Budget	Actual
	\$	\$	\$
The following fees, expenses and allowances were paid to council members and/or the mayor			
Elected Members Allowances	213,496	217,200	200,961
Elected Members Conferences/Training	56,332	126,000	58,960
Elected Members Presentation Items	9,603	12,000	4,574
Elected Members Travel & Child Care	27,776	17,000	14,975
Other Specified Expenses	3,750	5,000	1,499
	<u>310,957</u>	<u>377,200</u>	<u>280,969</u>

26. MAJOR LAND TRANSACTIONS

There were no major land transactions during the 2009/10 financial year, as defined in Regulation 7(b) of the Local Government (Functions and General) Regulations 1996.

27. TRADING UNDERTAKINGS AND MAJOR TRADING UNDERTAKINGS

The City did not participate in any trading undertakings during the 2009/10 financial year.

CITY OF JOONDALUP
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2010

28. FINANCIAL RISK MANAGEMENT

The City's activities expose it to a variety of financial risks including price risk, credit risk, liquidity risk and interest rate risk. The City's overall risk management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the City. The City does not engage in transactions expressed in foreign currencies and is therefore not subject to foreign currency risk.

Financial risk management is carried out by the finance area under policies approved by the Council.

The City held the following financial instruments at balance date:

	Note	Carrying Value		Fair Value	
		2010 \$	2009 \$	2010 \$	2009 \$
Financial Assets					
Cash and cash equivalents	a)	59,257,668	55,684,331	59,257,668	55,684,331
Receivables	b)	7,511,713	5,599,401	7,511,713	5,599,401
Equity Investments		3,121,901	3,090,674	3,121,901	3,090,674
		<u>69,891,282</u>	<u>64,374,406</u>	<u>69,891,282</u>	<u>64,374,406</u>
Financial Liabilities					
Payables	c)	10,492,064	10,253,748	10,492,064	10,253,748
Borrowings	d)	10,256,495	4,218,959	10,256,495	4,218,959
		<u>20,748,559</u>	<u>14,472,707</u>	<u>20,748,559</u>	<u>14,472,707</u>

Fair value is determined as follows:

Cash and Cash Equivalents, Receivables, Payables – estimated to the carrying value which approximates net market value.

Equity investments - estimated to the carrying value which approximates net realisable value.

Borrowings– estimated future cash flows discounted by the current market interest rates applicable to assets and liabilities with similar risk profiles.

CITY OF JOONDALUP
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2010

28. FINANCIAL RISK MANAGEMENT (Continued)

(a) Cash and Cash Equivalents

The City's objective is to maximise its return on cash and cash equivalents whilst maintaining an adequate level of liquidity and preserving capital. The finance area manages the cash and investments portfolio with the assistance of independent advisers (where applicable). The City has an investment policy and the policy is subject to review by Council. An Investment Report is provided to Council on a monthly basis setting out the make-up and performance of the portfolio.

Cash and investments are also subject to interest rate risk – the risk that movements in interest rates could affect returns.

Another risk associated with cash and cash equivalents is credit risk – the risk that a contracting entity will not complete its obligations under a financial instrument resulting in a financial loss to the City.

The City manages these risks by diversifying its portfolio and only places surplus cash with banking institutions with high credit ratings. The City also seeks advice from independent advisers (where applicable) before placing any cash and investments.

(b) Receivables

The City's major receivables comprise rates and annual charges and user charges and fees. The major risk associated with these receivables is credit risk – the risk that the debts may not be repaid. The City manages this risk by monitoring outstanding debt and employing debt recovery policies. It also encourages ratepayers to pay rates by the due date through various incentives.

Credit risk on rates and annual charges is minimised by the ability of the City to recover these debts as a secured charge over the land – that is, the land can be sold to recover the debt. The City is also able to charge interest on overdue rates and annual charges at higher than market rates, which further encourages payment.

The level of outstanding receivables is reported to Council monthly and benchmarks are set and monitored for acceptable collection performance.

The City makes suitable provision for doubtful receivables as required and carries out credit checks on most non-rate debtors.

There are no material receivables that have been subject to a re-negotiation of repayment terms.

CITY OF JOONDALUP
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2010

(c) Interest rate risk

The following table details the City's exposure to interest rate risks as at the reporting date.

	Interest Rate at Reporting Date %	At Variable Interest Rate \$	Fixed Interest Rate Maturity				Total \$
			< 1 year \$	1 - 5 Years \$	> 5 Years \$	Non-Interest Bearing \$	
2009/10							
Financial Assets							
Cash	-	-	-	-	-	9,905	9,905
Receivables	-	-	-	-	-	4,657,657	4,657,657
Rates & ESL Receivable	11.00	-	-	603,017	-	-	603,017
BOQ Term Deposit	5.95	5,500,000	-	-	-	-	5,500,000
Bankwest Term Deposit	5.90	13,000,000	-	-	-	-	13,000,000
ANZ Cash Plus Fund	8.61	612,548	-	-	-	-	612,548
St. George Bank Term Deposit	5.8	8,500,000	-	-	-	-	8,500,000
Macquarie Term Deposit	5.95	3,000,000	-	-	-	-	3,000,000
Westpac Term Deposit	5.91	8,000,000	-	-	-	-	8,000,000
NAB Term Deposit	6.00	11,000,000	-	-	-	-	11,000,000
Suncorp Term Deposit	6.33	7,000,000	-	-	-	-	7,000,000
WA Treasury Corporation 11AM	3.00	2,765,000	-	-	-	-	2,765,000
Total Assets		59,377,548	-	603,017	-	4,667,562	64,648,127
Financial Liabilities							
Trade payables	-	-	-	-	-	10,492,064	10,492,064
Borrowings	5.95	-	304,579	1,409,517	-	-	1,714,096
"	5.79	-	86,136	515,966	-	-	602,102
"	4.72	-	292,093	963,204	-	-	1,255,297
"	5.87	-	440,024	2,040,457	3,319,519	-	5,800,000
"	5.87	-	67,142	311,346	506,512	-	885,000
Bank overdraft	8.71	129,785	-	-	-	-	129,785
Employee entitlements	-	-	-	-	-	8,891,092	8,891,092
Total Liabilities		129,785	1,189,974	5,240,490	3,826,031	19,383,156	29,769,436
2008/09							
Financial Assets							
Cash	-	-	-	-	-	9,755	9,755
Receivables	-	-	-	-	-	2,902,742	2,902,742
Rates & ESL Receivable	11.00	-	-	602,398	-	-	602,398
BOQ Term Deposit	4.29	3,500,000	-	-	-	-	3,500,000
Bankwest Term Deposit	4.12	10,000,000	-	-	-	-	10,000,000
ANZ Cash Plus Fund	8.61	3,293,217	-	-	-	-	3,293,217
LGFS Fixed Cash	3.74	7,737,323	-	-	-	-	7,737,323
Outperformance Fund	-	-	-	-	-	-	-
St. George Bank Term Deposit	4.14	4,000,000	-	-	-	-	4,000,000
Macquarie Term Deposit	4.00	2,000,000	-	-	-	-	2,000,000
Westpac Term Deposit	3.75	9,500,000	-	-	-	-	9,500,000
NAB Term Deposit	4.10	8,500,000	-	-	-	-	8,500,000
Suncorp Term Deposit	4.34	5,500,000	-	-	-	-	5,500,000
WA Treasury Corporation 11AM	3.00	2,141,000	-	-	-	-	2,141,000
Total Assets		56,171,540	-	602,398	-	2,912,497	59,686,435
Financial Liabilities							
Trade payables	-	-	-	-	-	10,253,748	10,253,748
Borrowings	5.95	-	81,196	377,284	224,818	-	683,298
"	5.79	-	287,564	1,330,776	383,320	-	2,001,660
"	4.72	-	278,703	1,255,297	-	-	1,534,000
Bank overdraft	8.71	496,964	-	-	-	-	496,964
Employee entitlements	-	-	-	-	-	7,472,626	7,472,626
Total Liabilities		496,964	647,463	2,963,357	608,138	17,726,374	22,442,296

CITY OF JOONDALUP
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2010

Money market investments are held to maturity which negates any risk associated with movements in interest rates.

(d) Payables and Borrowings

Payables and borrowings are both subject to liquidity risk – that is the risk that insufficient funds may be on hand to meet payment obligations as and when they fall due. The City manages this risk by monitoring its cash flow requirements and liquidity levels and maintaining an adequate cash buffer. Payment terms can be extended and overdraft facilities drawn upon if required.

The contractual undiscounted cash flows of the City's Payables and Borrowings are set out in the Liquidity Sensitivity Table below:

	Due within 1 year \$	Due between 1 & 5 years \$	Due after 5 years \$	Total contractual cash flows \$	Carrying values \$
<u>2010</u>					
Payables	10,492,064	-	-	10,492,064	10,492,064
Borrowings	1,189,974	5,240,490	3,826,031	10,256,495	10,256,495
	<u>11,682,038</u>	<u>5,240,490</u>	<u>3,826,031</u>	<u>20,748,559</u>	<u>20,748,559</u>
<u>2009</u>					
Payables	10,253,748	-	-	10,253,748	10,253,748
Borrowings	647,464	2,963,357	608,138	4,218,959	4,218,959
	<u>10,901,212</u>	<u>2,963,357</u>	<u>608,138</u>	<u>14,472,707</u>	<u>14,472,707</u>

CITY OF JOONDALUP
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2010

29. EVENTS AFTER THE REPORTING DATE

There were no material events after 30 June 2010 that require inclusion in the notes to the financial statements.

30. TOWN PLANNING AND LAND DEVELOPMENT SCHEME – MINDARIE

In June 1978 Lot 17 Marmion Avenue, Mindarie, a 432 hectare property situated approximately 2 kilometres north of Burns Beach and 30 kilometres north of the Perth City Centre was purchased jointly by the former City of Wanneroo, the former City of Perth and the City of Stirling as tenants in common in equal shares to provide for a future sanitary disposal site.

Subsequently, the Mindarie Regional Council was established by the three Councils and in 1990 leased approximately 251 hectares for this purpose. The lease provides for an initial term of 21 years, with an option for renewal for a further 21 years.

On 1 July 1998 the former City of Wanneroo's one third share was split equally between the City of Joondalup and the City of Wanneroo, in accordance with the Joondalup and Wanneroo Order 1998, the assets and liabilities were allocated by determination of the Joint Commissioners.

It is envisaged that the southern portion of Lot 17 encompassing the leased area will eventually be used for regional open space/recreational purposes. The north and western portions have been identified as future urban development with the potential for subdivision and resale.

31. JOONDALUP NORMALISATION AGREEMENT

During 2004, the City of Joondalup and the Western Australia Land Authority (LandCorp) entered into a Memorandum of Agreement to complete the normalisation of the City of Joondalup. The Memorandum of Agreement (MOA) recognises the historical evolution and contemporary position of Joondalup in terms of the Western Australia Land Authority Act 1992 (as amended) and the "Joondalup Centre Plan – Completion 2001 Modification". The process of "normalisation" is a transitional process through which the strategic regional centre would become operationally and perceptually transformed from a development project to an established centre.

The Memorandum of Agreement (MOA) required LandCorp to make a contribution of \$5.24m to the City of Joondalup for works previously completed by the City and to be carried out by the City in the future. The terms of settlement are not specified in the agreement however the City received \$1.9m in June 2004 and brought this revenue to account in 2003/04. The City received \$2.8m during 2005/06 as further settlement and this was recognised as revenue during 2005/06. The final payment of \$540,000 was conditional on LandCorp receiving possession of Lot 701 at the corner of Collier Pass and Joondalup Drive, which was leased to the City until December 2007. The lease has now expired and the City is still in possession of the land on holdover provisions, subject to further negotiation and agreement with LandCorp.

CITY OF JOONDALUP
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2010

32. STATUTORY FINANCIAL RATIOS

	2010	2009	2008
Current Ratio	1.24	1.08	1.16
Untied Cash to Trade Creditors Ratio	3.12	2.44	3.69
Debt Ratio	3.4%	2.6%	3.5%
Debt Service Ratio	0.9%	0.5%	0.6%
Gross Debt to Revenue Ratio	9.9%	4.3%	3.5%
Gross Debt to Economically Realisable Assets Ratio	2.8%	1.2%	2.4%
Rate Coverage Ratio	62.2%	63.2%	65.2%
Outstanding Rates Ratio	0.9%	1.0%	0.2%

The above ratios are calculated as follows:

Current Ratio	$\frac{\text{Current assets minus restricted current assets}}{\text{Current liabilities minus liabilities associated with restricted assets}}$
Untied Cash to Trade Creditors Ratio	$\frac{\text{Untied cash}}{\text{Unpaid trade creditors}}$
Debt Ratio	$\frac{\text{Total liabilities}}{\text{Total assets}}$
Debt Service Ratio	$\frac{\text{Debt Service Cost (Principal \& Interest)}}{\text{Available operating revenue}}$
Gross Debt to Revenue Ratio	$\frac{\text{Gross debt}}{\text{Total revenue}}$
Gross Debt to Economically Realisable Assets Ratio	$\frac{\text{Gross debt}}{\text{Economically realisable assets}}$
Rate Coverage Ratio	$\frac{\text{Net rate revenue}}{\text{Operating revenue}}$
Outstanding Rates Ratio	$\frac{\text{Rates outstanding}}{\text{Rates collectable}}$

33. ASSET REVALUATION

During the reporting year the City undertook a revaluation of its bridges. The revaluation was carried out by Worley Parsons Services Pty Ld during June 2010 based on fair value as defined in AASB 116 using the Depreciated Replacement Cost Method. The revaluation resulted in a net revaluation surplus of \$20,885,626 credited directly to the asset revaluation reserve.

CITY OF JOONDALUP
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2010

34. PRIOR PERIOD ADJUSTMENTS

a) During 2008/2009 AVP Valuers undertook a revaluation of the City's land and building assets. During 2009-2010, in considering asset impairments in terms of AASB 136, the City reviewed the values assigned. In this process, the value of one land asset was queried with AVP Valuers, who then confirmed that their valuation report contained an error relating to this particular asset. The effect of this error was an overvaluation of the asset to the extent of \$25,155,000. As the valuers confirmed this to be an error, the City has treated this in terms of AASB 108, resulting in a revaluation deficit adjustment of \$25,155,000 debited directly to the assets revaluation reserve at 30 June 2009 and a consequent correction to the balance of Property, Plant and Equipment at 30 June 2009. There was no impact on the accumulated surplus as at 30 June 2009 and an opening statement of financial position for the comparative period has not been included due to the immaterial impact on this period.

	2009
(Decrease) in Property, Plant and Equipment	(25,155,000)
Decrease in Assets Revaluation Reserve	25,155,000
Increase in Net Assets (Equity)	NIL

b) The City also corrected two minor errors pertaining to the previous financial year. Neither of these are material and the net impact on the accumulated surplus as at 30 June 2009 is disclosed below.

Interest earned on recovery of contributions to upgrade the Materials Recovery Facility	70,350
Operating expenditure included in Capital Acquisitions in Progress at 30 June 2009	(31,312)
Total addition to Accumulated Surplus at 30 June 2009	<u>39,038</u>

	2009
The effect of these corrections is as follows:	
Increase in interest earned	70,350
(Increase) in materials and contracts expenditure	(31,312)
Increase in Net Surplus for the year	<u>39,038</u>

Increase in Non-Current Receivables	70,350
Decrease in Property, Plant & Equipment	(31,312)
Increase in Net Assets (Equity)	<u>39,038</u>



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INDEPENDENT AUDITOR'S REPORT TO THE RATEPAYERS OF THE CITY OF JOONDALUP

Report on the Financial Report

We have audited the accompanying financial report of the City of Joondalup, which comprises the balance sheet as at 30 June 2010, and the income statement, statements of changes in equity, and statements of cash flows for the year ended 30 June 2010, a summary of significant accounting policies and other explanatory notes, and the Chief Executive Officer's statement.

Councils' responsibility for the financial report

The Council of the City of Joondalup is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Local Government Act 1995 Part 6. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Council, as well as evaluating the overall presentation of the financial report.



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We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Local Government Act 1995 Part 6 and Australian Accounting Standards (including the Australian Accounting Interpretations), a view which is consistent with our understanding of the City of Joondalup's financial position and of their performance.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements.

Electronic presentation of audited financial report

This auditor's report relates to the financial report of City of Joondalup for the year ended 30 June 2010 included on the City of Joondalup's web site. The Council is responsible for the integrity of the City of Joondalup's web site. We have not been engaged to report on the integrity of the City of Joondalup's web site. The auditor's report refers only to the statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial report to confirm the information included in the audited financial report presented on this web site.

Auditor's opinion on the financial report

In our opinion, the financial report of the City of Joondalup:

- (i) gives a true and fair view of the City of Joondalup's financial position as at 30 June 2010 and of its performance for the financial year ended 30 June 2010, and
- (ii) complies with Australian Accounting Standards (including the Australian Accounting Interpretations),
- (iii) are prepared in accordance with the requirements of the Local Government Act 1995 Part 6 (as amended) and Regulations under that Act.

Statutory Compliance

I did not, during the course of my audit, become aware of any instance where the Council did not comply with the requirements of the Local Government Act 1995 and Local Government (Financial Management) Regulations 1996, as they relate to the financial statements.



Grant Thornton

GRANT THORNTON AUDIT PTY LTD
CHARTERED ACCOUNTANTS

M J Hillgrove
Director – Audit & Assurance

Perth, 6th October 2010

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