

# minutes

## Special Meeting of Council

MEETING HELD ON

TUESDAY 21 DECEMBER 2021

### **Acknowledgement of Traditional Custodians**

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

*This document is available in alternate formats upon request*

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# CITY OF JOONDALUP

**SPECIAL COUNCIL MEETING HELD IN THE COUNCIL CHAMBER, JOONDALUP CIVIC CENTRE, BOAS AVENUE, JOONDALUP ON 21 DECEMBER 2021**

## DECLARATION OF OPENING

The Mayor declared the meeting open at 6.01pm.

## ANNOUNCEMENT OF VISITORS

### Mayor:

HON. ALBERT JACOB, JP

### Councillors:

CR TOM MCLEAN, JP	North Ward	
CR ADRIAN HILL	North Ward	
CR DANIEL KINGSTON	North Central Ward	
CR RUSSELL POLIWKA	Central Ward	
CR CHRISTOPHER MAY	Central Ward	
CR SUZANNE THOMPSON	South Ward	
CR RUSS FISHWICK, JP	South Ward	
CR JOHN RAFTIS	South-West Ward	
CR CHRISTINE HAMILTON-PRIME, JP	South-West Ward	<i>via electronic means</i>
CR JOHN LOGAN	South-East Ward	
CR JOHN CHESTER	South-East Ward	

### Officers:

MR JAMES PEARSON	Chief Executive Officer
MR JAMIE PARRY	Director Governance and Strategy
MR CHRIS LEIGH	Director Planning and Community Development
MR NICO CLAASSEN	Director Infrastructure Services
MR MAT HUMFREY	Director Corporate Services
MRS KYLIE BERGMANN	Manager Governance
MRS VIVIENNE STAMPALIJA	Governance Coordinator
MRS WENDY COWLEY	Governance Officer

There were 2 members of the public and no members of the press in attendance.

Pursuant to clause 14C of the *Local Government (Administration) Regulations 1996*, Mayor Jacob gave written authorisation on 21 December 2021 for Cr Christine Hamilton Prime to attend this Special Meeting of Council on 21 December 2021, via electronic means. Authorisation was given on the basis that the State of Western Australia is in a declared State of Emergency, current to 31 December 2021.

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

Nil.

## **PUBLIC QUESTION TIME**

Nil.

## **PUBLIC STATEMENT TIME**

Nil.

## **APOLOGIES AND LEAVE OF ABSENCE**

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

Cr Jones

21 December 2021.

## **IDENTIFICATION OF MATTERS FOR WHICH THE MEETING MAY BE CLOSED TO THE PUBLIC**

Nil.

## REPORTS

### JSC04-12/21 CITY OF JOONDALUP ANNUAL REPORT 2020-21

<b>WARD</b>	All
<b>RESPONSIBLE DIRECTOR</b>	Jamie Parry Governance and Strategy
<b>FILE NUMBERS</b>	38745, 101515
<b>ATTACHMENT</b>	Attachment 1 City of Joondalup <i>Annual Report 2020-21</i>
<b>AUTHORITY / DISCRETION</b>	Executive - The substantial direction setting and oversight role of Council, such as adopting plans and reports, accepting tenders, directing operations, setting and amending budgets.

#### PURPOSE

For Council to adopt the City's *2020-21 Annual Report*.

#### EXECUTIVE SUMMARY

In accordance with Section 5.53 of *the Local Government Act 1995*, the *2020-21 Annual Report* has been prepared, summarising the previous year's achievements and challenges and the outlook for the year ahead, as well as including specific statutory requirements. The Annual Report also demonstrates performance against the City's *Strategic Community Plan: Joondalup 2022* (Joondalup 2022).

The Annual Report includes the City's Financial Statements for the 2020-21 financial year, which have been audited by the Office of the Auditor General. The City's Financial Statements for the 2020-21 financial year are the subject of a separate report to Council.

It is a statutory requirement that Council accepts an Annual Report and for the report to be presented to the Annual General Meeting of Electors, to be held on a day selected by the local government, but not more than 56 days after the Annual Report is accepted.

*It is therefore recommended that Council BY AN ABSOLUTE MAJORITY ACCEPTS the Annual Report of the City of Joondalup for the financial year 2020-21, forming Attachment 1 to this Report.*

#### BACKGROUND

*The Local Government Act 1995* requires every local government to prepare an Annual Report. The Annual Report informs the community and key stakeholders about the achievements and challenges from the previous financial year and provides information on the future outlook.

The audited accounts for the financial year are incorporated into the Annual Report following the annual external audit by the Office of the Auditor General.

The *2020-21 Annual Report* forms the main item of business discussed at the Annual General Meeting of Electors. Section 5.27 of the *Local Government Act 1995* requires that the Annual General Meeting of Electors to be held on a day selected by the local government, but not more than 56 days after the Annual Report is accepted. At its meeting of 16 November 2021 (CJ161-11/21 refers), Council resolved to hold the Annual General Meeting of Electors on 8 February 2022.

## DETAILS

The *2020-21 Annual Report* has been prepared addressing the performance against the following six key themes of the City's *Strategic Community Plan: Joondalup 2022*.

- Governance and Leadership.
- Financial Sustainability.
- Quality Urban Environment.
- Economic Prosperity, Vibrancy and Growth.
- The Natural Environment.
- Community Wellbeing.

As in previous years, the *2020-21 Annual Report* includes a range of Global Reporting Initiative (GRI) Standard Disclosures to report against the City's environmental, economic, social and governance performance. The Standard Disclosures are in line with the GRI Sustainability Standard 2016.

The Annual Report also includes measurements against the Strategic Performance Indicators developed within each key theme of Joondalup 2022. Measurements are provided against those targets which can be reported.

Reports against statutory requirements are also included in the *2020-21 Annual Report* as in previous years.

Recent changes have been made to the *Local Government (Administration) Regulations 1996*, (Regulation 19B, Section 5.53) which relate to the requirement for information on Elected Member diversity to be published within the Annual Report, if the information is available. This includes gender, linguistic background, country of birth, age and whether Elected Members identify as Aboriginal or Torres Strait Islander.

## Legislation / Strategic Community Plan / Policy Implications

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

## Strategic Community Plan

**Key theme**                        Governance and Leadership.

**Objective**                         Corporate Capacity.

**Strategic initiative** Demonstrate accountability through robust reporting that is relevant and easily accessible to the community.

**Policy** Not applicable.

Section 5.53 of the *Local Government Act 1995* states the following in relation to the contents of the annual report:

### **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:*
  - a. *a report from the mayor or president;*
  - b. *a report from the Chief Executive Officer;*
  - c. *deleted;*
  - d. *deleted;*
  - e. *an overview of the plan for the future of the district made in accordance with Section 5.56 including major initiatives that are proposed to commence or to continue in the next financial year;*
  - f. *the financial report for the financial year;*
  - g. *such information as may be prescribed in relation to the payments made to employees;*
  - h. *the auditor's report for the financial year;*
  - ha. *a matter on which a report must be made under section 29(2) of the Disability Services Act 1993;*
  - hb. *details of entries made under section 5.121 during the financial year in the register of complaints, including –*
    - (i) *the number of complaints recorded in the register of complaints;*
    - (ii) *how the recorded complaints were dealt with; and*
    - (iii) *any other details that the regulations may require; and*
  - i. *such other information as may be prescribed.*

Section 5.54 of the *Local Government Act 1995* states the following in relation to the acceptance of the Annual Report:

### **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 two months after the auditor's report becomes available.*

Section 5.55 of the *Local Government Act 1995* states the following in regard to the notice regarding the availability of the Annual Report:

#### **5.55 Notice of annual reports**

*The Chief Executive Officer is to give local public notice of the availability of the annual report as soon as practicable after the report has been accepted by the local government.*

Regulation 15 of the *Local Government (Administration) Regulations 1996* details the matters for discussion at the Annual General Meeting of Electors. They include the contents of the annual report for the previous financial year and then any other general business.

Regulation 19B of the *Local Government (Administration) Regulations 1996* (*Local Government Act* s5.532)(g) and (i)) requires information to be published on Elected Member diversity, including gender, linguistic background and country of birth, age and whether Elected Members identify as Aboriginal or Torres Strait Islander, if the information is available.

#### **Risk Management Considerations**

Not adopting the *2020-21 Annual Report* will result in non-compliance with the requirements of the *Local Government Act 1995*.

#### **Financial / Budget Implications**

Not applicable.

#### **Regional significance**

The *2020-21 Annual Report* sets out the performance of the City which has significance for the development and growth of the region.

#### **Sustainability Implications**

The programs and projects in the *2020-21 Annual Report* are aligned to the key themes in Joondalup 2022 which have been developed to ensure the sustainability of the City.

The City has included Global Reporting Initiative (GRI) Standard Disclosures in the Annual Report in line with the GRI Sustainability Standard 2016. This is a best practice sustainability reporting framework for organisations to report on their economic, environmental and social performance.

#### **Consultation**

There is no legislative requirement to consult with the community on the preparation of the Annual Report. The *Local Government Act 1995* requires an Annual General Meeting of Electors to be held once every year and the Annual Report to be made publicly available.

## COMMENT

In addition to the requirements of the *Local Government Act 1995*, the Annual Report is seen as a key reporting mechanism of the Integrated Planning and Reporting Framework (IPRF) as set out by the Department of Local Government, Sport and Cultural Industries. In accordance with the IPRF, local governments are expected to outline progress towards achieving the objectives of the *Strategic Community Plan* (10-year plan) and the major projects and priorities of the *Corporate Business Plan* over the medium term (five-year period).

The Annual Report is also seen as an essential tool to inform the community and key stakeholders about the City's achievements, challenges and future plans, promote greater community awareness of the City's programs and services, and illustrate the City's commitment to accountable and transparent government.

The City received a gold award in the Australasian Reporting Awards (ARA) for its *2019-20 Annual Report*. To achieve a gold award, the Annual Report was considered to have the following:

- Achieved overall excellence in annual reporting.
- Provided high quality coverage in most aspects of the ARA criteria.
- Provided full disclosure of key aspects of its core business.
- Addressed current legislative regulatory requirements.
- Been judged as a model for other peer reports and reports in that industry sector.

The City will be entering the *2020-21 Annual Report* into the ARA Awards once endorsed by Council.

## VOTING REQUIREMENTS

Absolute Majority.

**MOVED Mayor Jacob, SECONDED Cr May that Council BY AN ABSOLUTE MAJORITY ACCEPTS the Annual Report of the City of Joondalup for the 2020-21 financial year forming Attachment 1 to Report JSC04-12/21.**

**The Motion was Put and**

**CARRIED (12/0)**

**In favour of the Motion:** Mayor Jacob, Crs Chester, Fishwick, Hamilton-Prime, Hill, Kingston, Logan, May, McLean, Poliwka, Raftis and Thompson.

*Appendix 1 refers*

To access this attachment on electronic document, click here: [Attach1agn211221.pdf](#)

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## REPORT – AUDIT AND RISK COMMITTEE – 15 DECEMBER 2021

### JSC05-12/21

### 2020-21 ANNUAL FINANCIAL REPORT

<b>WARD</b>	All
<b>RESPONSIBLE DIRECTOR</b>	Mr Mat Humfrey Corporate Services
<b>FILE NUMBERS</b>	109174, 101515
<b>ATTACHMENTS</b>	Attachment 1 <i>2020-21 Annual Financial Report</i> Attachment 2 <i>Independent Auditor's Report</i> Attachment 3 <i>Interim Management Letter 2020-21</i>
<b>AUTHORITY / DISCRETION</b>	Executive - The substantial direction setting and oversight role of Council, such as adopting plans and reports, accepting tenders, directing operations, setting and amending budgets.

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### PURPOSE

For Council to consider and accept the *2020-21 Annual Financial Report* and Independent Auditor's Report.

### EXECUTIVE SUMMARY

In accordance with Section 6.4 of the *Local Government Act 1995*, the *2020-21 Annual Financial Report* has been prepared and, together with the City's accounts, has been submitted to the Office of the Auditor General of Western Australia (OAG) to conduct the annual audit.

The OAG has completed its audit, in accordance with the terms of their engagement and the requirements of Part 7, Division 3 of the *Local Government Act 1995* and the Independent Auditor's Report has been issued. The *Annual Financial Report* will form part of the City's *2020-21 Annual Report*.

*It is therefore recommended that Council:*

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

## BACKGROUND

Section 6.4 of the *Local Government Act 1995* requires local governments to prepare an annual financial report and to submit both the report and its accounts to its auditor by 30 September each year. The City of Joondalup has met those requirements and the City's auditor, the OAG, has completed its audit of the accounts and the *2020-21 Annual Financial Report*.

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

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

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

## DETAILS

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

The Annual Financial Report is required to be accepted by Council prior to the holding of the Annual General Meeting of Electors, at which the City's Annual Report containing the Annual Financial Report will be considered. The Annual Financial Report is also required to be submitted to the Department of Local Government, Sport and Cultural Industries (DLGSC).

### Issues and Options Considered

#### Outcome of the Financial Audit

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

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

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

The Asset Sustainability ratio is calculated as follows:

#### Capital Renewal and Replacement Expenditure

##### *Depreciation expenditure*

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

### End of Financial Year Position

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

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

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

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

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

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

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

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

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

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

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

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

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

#### Interim Management Letter – Financial Audit

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

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

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

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

### Operating Surplus Ratio

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

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

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

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

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

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

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

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

- The OAG holds that advice from Main Roads WA taking over responsibility for the road assets indicates that control over the asset has passed to Main Roads WA at 30 June 2021, regardless of their actual proclamation as State Roads or the legal position regarding liability until that time;
- The OAG advised that Main Roads WA had recognised the roads and associated assets in their financial records at 30 June 2021;
- The OAG holds that the transfer of these assets is a donation by the City to Main Roads WA, not a disposal or sale;
- Therefore, the OAG holds that the assets be disposed (derecognised) as at 30 June 2021 at their carrying value for no consideration, resulting in the loss on disposal in the income statement.

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

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

#### **Legislation**

*Local Government (Financial Management) Regulation 51(2)* states:

*"A copy of the annual financial report of a local government is to be submitted to the Departmental CEO within 30 days of the receipt by the local government's CEO of the auditor's report on that financial report."*

Section 5.53 of the *Local Government Act 1995* states:

#### **5.53 Annual Reports**

- (1) *The local government is to prepare an annual report for each financial year.*
- (2) *The annual report is to contain:*
  - (f) *the financial report for the financial year;*

Section 5.54 of the *Local Government Act 1995* states:

#### **5.54 Acceptance of annual reports**

- (1) *Subject to subsection (2), the annual report for a financial year is to be accepted by the local government no later than 31 December after that financial year.*

*\* Absolute majority required.*

- (2) *If the auditor's report is not available in time for the annual report for a financial year to be accepted by 31 December after that financial year, the annual report is to be accepted by the local government no later than 2 months after the auditor's report becomes available.*

Section 6.4 of the *Local Government Act 1995* states:

#### **6.4 Financial Report**

- (1) *A local government is to prepare an annual financial report for the preceding financial year and such other financial reports as are prescribed.*
- (2) *The financial report is to –*
- (a) *be prepared and presented in the manner and form prescribed; and*
  - (b) *contain the prescribed information.*
- (3) *By 30 September following each financial year or such extended time as the Minister allows, a local government is to submit to its auditor –*
- (a) *the accounts of the local government, balanced up to the last day of the preceding financial year; and*
  - (b) *the annual financial report of the local government for the preceding financial year.*

#### **Strategic Community Plan**

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

#### **Risk Management Considerations**

Not applicable.

#### **Financial / Budget Implications**

##### Current financial year impact

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

All amounts quoted in this Report are exclusive of GST.

### **Regional Significance**

Not applicable.

### **Sustainability Implications**

Not applicable.

### **Consultation**

There is no legislative requirement to consult on the preparation of the Annual Financial Report, although the *Local Government Act 1995* requires the local government to hold an Annual General Meeting of Electors and the City's Annual Report, incorporating the Annual Financial Report is to be made available publicly.

### **COMMENT**

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

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

In order for the City to meet its legislative requirements, it is recommended that the Council accepts the Annual Financial Report for the financial year 2020-21.

### **VOTING REQUIREMENTS**

Absolute Majority.

### **COMMITTEE RECOMMENDATION**

The Committee recommendation to Council for this Report (as detailed below) was resolved by the Audit and Risk Committee at its meeting held on 15 December 2021.

The Committee recommendation is the same as recommended by City officers.

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

- 1 BY AN ABSOLUTE MAJORITY, ACCEPTS the Annual Financial Report of the City of Joondalup for the financial year 2020-21, forming Attachment 1 to Report JSC05-12/21;**
- 2 BY AN ABSOLUTE MAJORITY, ACCEPTS the Independent Auditor's Report for the financial year 2020-21, forming Attachment 2 to Report JSC05-12/21;**
- 3 NOTES the Auditor's interim Management Letter in respect of the financial audit for the year ended 30 June 2021, forming Attachment 3 to Report JSC05-12/21.**
- 4 NOTES that no final Management Letter has been issued in respect of the financial audit for the Year Ended 30 June 2021.**

**The Motion was Put and**

**CARRIED (12/0)**

**In favour of the Motion:** Mayor Jacob, Crs Chester, Fishwick, Hamilton-Prime, Hill, Kingston, Logan, May, McLean, Poliwka, Raftis and Thompson.

*Appendix 2 refers*

*To access this attachment on electronic document, click here: [Attach2agn211221.pdf](#)*

## **CLOSURE**

There being no further business, the Mayor declared the Meeting closed at 6.27pm the following Elected Members being present at that time:

MAYOR HON. ALBERT JACOB, JP  
CR JOHN CHESTER  
CR RUSS FISHWICK, JP  
CR CHRISTINE HAMILTON-PRIME, JP  
CR ADRIAN HILL  
CR DANIEL KINGSTON  
CR JOHN LOGAN  
CR CHRISTOPHER MAY  
CR TOM MCLEAN, JP  
CR RUSSELL POLIWKA  
CR JOHN RAFTIS  
CR SUZANNE THOMPSON