

minutes

Audit Committee

MEETING HELD ON **WEDNESDAY 6 NOVEMBER 2013**

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CITY OF JOONDALUP

MINUTES OF THE SPECIAL MEETING OF THE AUDIT COMMITTEE HELD IN CONFERENCE ROOM 2, JOONDALUP CIVIC CENTRE, BOAS AVENUE, JOONDALUP ON WEDNESDAY 6 NOVEMBER 2013.

ATTENDANCE

Committee Members:

Mayor Troy Pickard
Cr Geoff Amphlett, JP
Cr Brian Corr
Cr Tom McLean, JP
Cr Mike Norman *from 6.14pm*
Cr Teresa Ritchie, JP
Cr Philippa Taylor

Officers:

Mr Garry Hunt Chief Executive Officer
Mr Mike Smith Acting Director Corporate Services
Mr Said Hafez Manager Financial Services *from 6.14pm*
Mr Brad Sillence Manager Governance
Mrs Deborah Gouges Governance Officer

Guest:

Mr Michael Hillgrove Grant Thornton *from 6.14pm*

DECLARATION OF OPENING

The Chief Executive Officer declared the meeting open at 6.07pm.

ELECTION OF PRESIDING MEMBER

Section 5.12 of the *Local Government Act 1995* requires a Committee appointed by a local government, to appoint a Presiding Member as the first item of business at its first meeting. Schedule 2.3 of the Act requires the Chief Executive Officer to preside.

Mayor Pickard nominated Cr McLean for the position of Presiding Member. Cr McLean accepted the nomination.

There being no further nominations at the close of the Election for Presiding Member, Cr McLean was declared elected unopposed to the position of Presiding Member and assumed the Chair at 6.10pm.

ELECTION OF DEPUTY PRESIDING MEMBER

It is advisable that the Committee appoints a Deputy Presiding Member, who would chair the meeting in the absence of the Presiding Member.

Mayor Pickard nominated Cr Ritchie for the position of Deputy Presiding Member. Cr Ritchie accepted the nomination.

There being no further nominations at the close of the Election for Deputy Presiding Member, Cr Ritchie was declared elected unopposed to the position of Deputy Presiding Member.

DECLARATIONS OF INTEREST

Disclosures of interest that may affect 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	Mayor Troy Pickard.
Item No/Subject	Item 1 - 2012-13 Annual Financial Report including Financial Activity Statement for the period ended 30 June 2013.
Nature of interest	Interest that may affect impartiality.
Extent of Interest	Grant Thornton is the Auditor for WALGA, of which Mayor Pickard is the President.

APOLOGIES/LEAVE OF ABSENCE

Nil.

Cr Mike Norman entered the Room, the time being 6.14pm.

The Manager Financial Services entered the Room, the time being 6.14pm.

Mr Michael Hillgrove of Grant Thornton entered the Room, the time being 6.14pm.

REPORTS

ITEM 1 2012-13 ANNUAL FINANCIAL REPORT INCLUDING FINANCIAL ACTIVITY STATEMENT FOR THE PERIOD ENDED 30 JUNE 2013

WARD	All
RESPONSIBLE ACTING DIRECTOR	Mr Mike Smith Corporate Services
FILE NUMBER	103279, 101515
ATTACHMENTS:	Attachment 1 Annual Financial and Auditor Report
AUTHORITY / DISCRETION	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 consider the Annual Financial Report, Auditor's Report and Activity Statements for the year ended 30 June 2013.

EXECUTIVE SUMMARY

In accordance with Section 6.4 of the *Local Government Act 1995*, the 2012-13 Annual Financial Report has been prepared and, together with the City's accounts, has been submitted to the City's auditors to conduct their annual audit.

The City's auditors have completed their audit, in accordance with the terms of their engagement and the requirements of Part 7 Division 3 of the *Local Government Act 1995*, and have submitted their audit report. A Concise Financial Report (Financial Statements without supporting notes) will form part of the 2012-13 Annual Report.

The auditors' report and the Annual Financial Report for the 2012-13 financial year are presented to the Committee for its consideration.

It is therefore recommended 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 2012-13, forming Attachment 1 to this Report.

BACKGROUND

Section 6.4 of the *Local Government Act 1995* requires local governments to prepare an annual financial report and to submit both the report and its accounts to its auditor by 30 September each year. The City of Joondalup has met those requirements and the City's auditors have completed their audit of the accounts and the Annual Financial Report for the financial year 2012-13.

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 2012-13 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 the 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 Chief Executive Officer of the Department of Local Government and Communities.

Outcome of the Audit

The audit has been completed with no issues of significance raised and the audit report is unqualified (Attachment 1 refers). The auditor will provide a Management Letter in regards to other matters that the Auditor wishes to bring to the attention of the Audit Committee but at the time of the preparation of this report it had not been received.

In terms of form and presentation, there are no significant changes to the Annual Financial Report from the previous year. The only notable change to the requirements under the Accounting Standards in terms of disclosure is the application of the Fair Value concept adopted during the financial year for land, buildings, plants and equipment.

End of Financial Year Position

The City has finished the financial year with a Rate Setting Statement surplus less than estimated. An estimated 30 June 2013 end of year surplus of \$1,735,646 was used as the opening balance in the 2013-14 Budget. The final end of year Rate Setting Statement surplus for 2012-13 is \$986,719, being \$748,927 less than estimated.

In summary the \$748,927 shortfall is made up of:

Description	Sub Total	Total
Increased Cash Operating Surplus	\$1,072,445	
Increased Capital Revenue	\$1,717,314	
Reduced Capital Expenditure	\$6,033,688	\$8,823,447
Less Reduced Net Funding Requirements		(\$9,572,374)
Net Variance		(\$ 748,927)

There are a number of offsets between revenue, expenditure and funding requirements the major ones being:

- The City received \$1,819,230 of the 2013-14 Financial Assistance Grant and \$1,146,862 of 2013-14 Road Grants in advance in 2012-13 and these were offset by transfers to the Capital Works Carried Forward Reserve.
- Decreased capital expenditure for works and plant the bulk of which represents carry forwards including a minor amount of operating carried forward totalling \$7,706,325 is offset by a transfer to the Capital Works Carried Forward Reserve.
- Profit and loss on asset sales have been significantly impacted by property disposal transactions of both the City's own land and Tamala Park land sales. These are offset by transfers to reserve of \$5,181,496 as well as an equity transaction of \$2,284,315 in regard to Tamala Park land sales.

After allowing for these and other minor offsets the adjusted variance in surplus is made up of:

Description	Sub Total	Total
Reduced Operating Cash Surplus	(\$842,498)	
Reduced Capital Revenue	(\$1,266,885)	
Reduced Capital Expenditure	\$707,391	(\$1,401,992)
Plus Reduced Funding Requirements		\$ 653,065
Net Variance		(\$ 748,927)

The reduced Capital Revenue, Capital Expenditure and Funding Requirements are generally related and offset each other in total. The main underlying reason for the net reduced surplus of (\$748,927) is largely operating revenue and expenditure. The principal net contributor to the reduced operating cash surplus of (\$842,498) is increased Materials and Contracts expenditure of (\$969,692). Other operating variations are made up of additional revenues from Fees and Charges, Investment Earnings and Other Revenue offset by increases in Utilities.

Legislation / Strategic Community Plan / policy implications

Legislation Regulation 51(2) of the *Local Government (Financial Management) Regulations 1996* 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:

Annual Reports

The local government is to prepare an annual report for each financial year.

The annual report is to contain:

the financial report for the financial year;

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

. Acceptance of annual reports

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.*

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:

Financial report

A local government is to prepare an annual financial report for the preceding financial year and such other financial reports as are prescribed.

The financial report is to —

*be prepared and presented in the manner and form prescribed; and
contain the prescribed information.*

By 30 September following each financial year or such extended time as the Minister allows, a local government is to submit to its auditor —

the accounts of the local government, balanced up to the last day of the preceding financial year; and

the annual financial report of the local government for the preceding financial year.

Strategic Community Plan

Key theme Financial Sustainability.

Objective Effective management.

Strategic initiative Not applicable.

Policy Not applicable.

Risk management considerations

Not applicable.

Financial/budget implications

Budget item	Closing Surplus
Budget estimate	\$ 1,735,647
Actual amount	\$ 986,719
Shortage	\$ 748,927

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 Concise 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 Service 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 2012-13.

VOTING REQUIREMENTS

Absolute Majority.

MOVED Mayor Pickard SECONDED Cr Amphlett 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 2012-13, forming Attachment 1 to this Report.

The Motion was Put and

CARRIED (7/0)

In favour of the Motion: Cr McLean, Mayor Pickard, Crs Amphlett, Corr, Norman, Ritchie and Taylor.

Appendix 1 refers

To access this attachment on electronic document, click here: [Attach1agnAudit051113.pdf](#)

CLOSURE

There being no further business, the Presiding Member declared the Meeting closed at 6.40pm the following Committee Members being present at that time:

Cr Tom McLean, JP
Mayor Troy Pickard
Cr Geoff Amphlett, JP
Cr Brian Corr
Cr Mike Norman
Cr Teresa Ritchie, JP
Cr Philippa Taylor