

CITY OF COCKBURN

SUMMARY OF MINUTES OF AUDIT & STRATEGIC FINANCE COMMITTEE MEETING HELD ON THURSDAY, 17 NOVEMBER 2011 AT 6:00 PM

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CITY OF COCKBURN

MINUTES OF AUDIT COMMITTEE MEETING HELD ON THURSDAY, 17 NOVEMBER 2011 AT 6:00 PM

PRESENT:

ELECTED MEMBERS

Mr T Romano	-	Councillor
Mr L Howlett	-	Mayor
Mr K Allen	-	Deputy Mayor
Mr Y Mubarakai	-	Councillor
Mrs C Reeve-Fowkes	-	Councillor
Mr B Houwen	-	Councillor

IN ATTENDANCE

Mr S. Cain	-	Chief Executive Officer
Mr D. Green	-	Director, Administration & Community Services
Mr M. Littleton	-	Director, Engineering & Works (Arr. 6.03 pm)
Mr N. Mauricio	-	Manager, Financial Services
Mrs B. Pinto	-	PA to Directors – Fin. & Corp. Services & Admin. & Comm. Services

1. DECLARATION OF MEETING

The Chief Executive Officer declared the meeting open at 6.01 pm and advised the meeting that he received one nomination for Presiding Member from Clr Romano. He invited those present if they wished to nominate. There being no further nominations, Clr Romano was elected Presiding Member.

2. APPOINTMENT OF PRESIDING MEMBER

Clr Romano assumed the role of Presiding Member at 6.02 pm.

3. ACKNOWLEDGEMENT OF RECEIPT OF WRITTEN DECLARATION

Nil



4. APOLOGIES & LEAVE OF ABSENCE

Nil

5. PUBLIC QUESTION TIME

Nil

6. DEPUTATIONS & PETITIONS

Nil

7. CONFIRMATION OF MINUTES

7.1 (MINUTE NO 95) (ASFC 17/11/2011) - MINUTES OF THE AUDIT AND STRATEGIC FINANCE COMMITTEE MEETING - 21/07/2011

RECOMMENDATION

That the Minutes of the Audit and Strategic Finance Committee Meeting held on 21 July 2011 be adopted, as a true and accurate record.

COMMITTEE RECOMMENDATION

MOVED Clr C Reeve-Fowkes SECONDED Mayor L Howlett that the recommendation be adopted.

CARRIED 6/0

7.2 (MINUTE NO 96) (ASFC 17/11/2011) - MINUTES OF THE SPECIAL AUDIT AND STRATEGIC FINANCE COMMITTEE MEETING - 01/09/2011

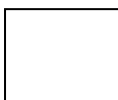
RECOMMENDATION

That the Minutes of the Special Audit and Strategic Finance Committee held on 1 September 2011 be adopted, as a true and accurate record.

COMMITTEE RECOMMENDATION

MOVED Mayor L Howlett SECONDED Clr C Reeve-Fowkes that the recommendation be adopted.

CARRIED 6/0



DIRECTOR, ENGINEERING & WORKS JOINED THE MEETING AT THIS POINT THE TIME BEING 6.03 PM.

8. BUSINESS LEFT OVER FROM THE PREVIOUS MEETING (IF ADJOURNED)

Nil

9 (ASFC 17/11/2011) - DECLARATION OF COUNCILLORS WHO HAVE NOT GIVEN DUE CONSIDERATION TO MATTERS IN THE BUSINESS PAPER

Clrs Houwen and Mubarakai had not received the documents and therefore had not read the Agenda. They withdrew from further participation in the meeting from this stage of the meeting.

10. COUNCIL MATTERS

Nil

11. PLANNING & DEVELOPMENT DIVISION ISSUES

Nil

12. FINANCE & CORPORATE SERVICES DIVISION ISSUES

12.1 (MINUTE NO 97) (ASFC 17/11/2011) - PROPOSED INTERNAL AUDIT SCHEDULE (FS/A/004) (S DOWNING)

RECOMMENDATION

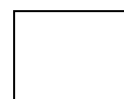
That Council endorse the following initial projects for 2011/12:

- (1) Project 2011/12 – 1: Risk Review; and
- (2) Project 2011/12 – 2: Review of Fraud Control

COMMITTEE RECOMMENDATION

MOVED Mayor L Howlett SECONDED Clr C Reeve-Fowkes that Council adopt the recommendation.

CARRIED 4/0



COUNCIL DECISION**Background**

At the commencement of each internal audit cycle, a series of projects are proposed by the Executive of Council in consultation with the internal auditor.

The Council has now appointed a new Internal Auditor, Deloitte Touche Tomatso (Deloitte) effective as from July 2011 for a period of four years.

Submission

N/A

Report

In conjunction with Deloitte, the following Internal Audit schedule of projects is proposed for the next four years:

Auditable Issues/areas (example only)	Risk Rating	Proposed Timetable			
		2011/12	2012/13	2013/14	2014/15
Fraud Control					
Procurement/Supply Chain Management Process					
IT Security					
Contract Management					
Revenue Recognition (rates and other sources)					
Employee Health and Safety					
Cash handling (all areas)					
Confidential Information (awareness and protection)					
Payroll Function					
Payment processing					
Long term financial planning					

Auditable Issues/areas (example only)	Risk Rating	Proposed Timetable			
		2011/12	2012/13	2013/14	2014/15
Major land transactions					

The first task to be undertaken by Deloitte is a general risk review of potential exposures the City may have. This will cover the following areas:

1. Internal Controls.
2. Risk Assessment of key business processes.

Once the risk review is completed and areas of concern examined the above table may change.

The first major project is to be Fraud Risk and Control.

The benefits of such a focus are two-fold:

1. The City will have a more informed understanding of its fraud risks and any steps necessary to manage such risks, potentially through a more focussed internal audit activity.
2. The City's staff and Council will better understand what constitutes fraud, corruption and misconduct and the City's approach to managing its exposure (if any).

This project was driven out of the recent review undertaken by the City of Stirling into their tendering and procurement practices. To date the City is currently unaware of any complaints about the tendering and/or procurement process other than from companies who have not been successful in winning or retaining work from the City.

A report will be submitted to this Committee when it is completed.

Strategic Plan/Policy Implications

Governance Excellence

- To conduct Council business in open public forums and to manage Council affairs by employing publicly accountable practices.
- To provide effective monitoring and regulatory services that administer relevant legislation and local laws in a fair and impartial way.
- To develop and maintain a financially sustainable City.



Budget/Financial Implications

The cost of the internal audit is funded through existing budget provisions.

Legal Implications

N/A

Community Consultation

N/A

Attachment(s)

N/A

Advice to Proponent(s)/Submissioners

N/A

Implications of Section 3.18(3) Local Government Act, 1995

Nil.

12.2 (MINUTE NO 98) (ASFC 17/11/2011) - ANNUAL FINANCIAL STATEMENTS AND EXTERNAL AUDIT REPORT (FS/A/002) (S DOWNING) (ATTACH)

RECOMMENDATION

That Council adopt the Annual Financial Statements and External Audit Report for the year ended 30 June 2011, as attached to the Agenda.

COMMITTEE RECOMMENDATION

MOVED Mayor L Howlett SECONDED Cllr C Reeve-Fowkes that Council adopt the recommendation.

CARRIED 4/0

COUNCIL DECISION



Background

At its meeting on 8 November 2006, the Audit Committee decided that the Annual Financial External Audit Report should first be presented to the Audit and Strategic Finance Committee to review and then forwarded to Council for its adoption, as set out in the Terms of Reference.

Under the Audit and Strategic Finance Committee's Terms of Reference, the Committee is to report to Council and provide appropriate advice and recommendations on matters relevant to its Terms of Reference in order to facilitate decision-making by Council in relation to the discharge of its responsibilities.

The principal objective of the audit is to carry out such work as is necessary to form an opinion as to whether:

- (a) the accounts are properly kept; and
- (b) the annual financial report:
 - (i) is prepared in accordance with financial records; and
 - (ii) represents fairly the results of the operations of the local government at 30 June in accordance with the Australian Accounting Standards and the Local Government Act 1995.

As part of the Audit Committee Calendar the following issues are to be considered by the Committee in regards to the Annual Financial Audit Report:

7. *Review Council's draft annual financial report, focussing on:*
 - *accounting policies and practices;*
 - *changes to accounting policies and practices;*
 - *the process used in making significant accounting estimates;*
 - *significant adjustments to the financial report (if any) arising from the audit process;*
 - *compliance with accounting standards and other reporting requirements;*
 - *significant variances from prior years. (External Audit)*
8. *Recommend adoption of the annual financial report to Council. Review any significant changes that may arise subsequent to any such recommendation but before the financial report is signed. (External Audit)*
9. *Discuss with the external auditor the scope of the audit and the planning of the audit. (External Audit)*



10. *Discuss with the external auditor issues arising from the audit, including any management letter issued by the auditor and the resolution of such matters. (External Audit)*
11. *Review the annual performance statement and recommend its adoption to Council. (External Audit).*

Submission

N/A

Report

2010/11 - Annual Financial Statements

Operating Statement

The City received \$98.6m in income for the financial year and \$90.8m in expenditure including \$18.9m in depreciation as a result of the increased value of assets totalling \$21.8m. This then provided an operating surplus on the operating account of \$8.1m compared with \$3.2m for 2009/10. Rating income increased by \$4.5m resulting from limited economic growth in the district especially in urban land development as well as industrial construction. There was also a rate increase of 5%. Interest income increased as a result of more slightly higher interest rates and higher cash balances. Most fees and charges increased in line with CPI but fell overall resulting from the drop in building activity in the City. Tonnages delivered to the Henderson Landfill and Recovery facility increased over the previous year causing the revenue yield to increase added to the higher landfill levy which is booked as income with the corresponding increase in expenditure. However, there was an increase in the waste management levy causing the overall increase in fees and charges of 15%. Operating grants from the State and Federal Governments increased slightly.

Expenditures also increased during the year by 9.9%. Payroll, the City's largest cost increased by \$2.4m or 7.8% as a result of the Enterprise Agreement signed with the City's employees and new staff employed to meet the increased level of services in waste management, parks and gardens. All new staff employed related to improving the service delivery aspects of the City to its ratepayers and residents. Utility and insurance costs increased 25% and 20% respectively, whilst spending on materials increased by \$2m or 8% primarily due to the lower activity.

Capital Statement

Capital grants for the year are \$7.5m compared with \$8.3m for last year. This year the City commenced receiving funds for the GP Super Clinic from the Federal Government. Monies are still being spent from the previous year on the Bibra Lake Management Plan and the Poore



Grove upgrade. The City is also the recipient of gifted assets totalling \$5.3m being predominantly roads and drains. This is where developers finish projects/subdivisions and “gift” the finished roads and drains, this in turn increases the depreciation charge required to be raised each year.

Balance Sheet

Net assets on the balance sheet decreased from \$721m to \$711m primarily due to the revaluation of fixed and gifted assets as noted above. This is the first year where land actually decreased which is reflected in the broader commercial market as noted by a number of ASX listed real estate investment trusts. Cash and investments totalled \$72.0m compared with \$59.1m for 2009/10 and at the date of the report cash investments sit at \$111m. A mark to market adjustment (impairment) was made to the Emerald investment in accordance with accounting standards. This will vary from time to time until the repayment of the full investment is made in 2014. The mark to market adjustment is based on the saleable value of the assets as at the 30 June 2011. As it was a long term investment, the other side of the entry was taken to reserves. This is a balance day adjustment only. This is no different to mark the market adjustments for companies holding stocks and shares. Other long term investments maturing in 2010/11 totalling \$1.5m were repaid during the year in full as previously advised. Debtors and creditors have not materially increased over the two years. The City has no outstanding loans to banks or the WA Treasury Corporation although there was budget provision for a loan. The City did not have to incur any loans to complete the capital works program. It is noted that staff related provisions have decreased slightly over the last twelve months as a number of staff have taken long service leave.

Cash Flow Statement

Cash flow from operating activities was \$24m for 2010/11 compared with \$21.6m for 2009/10 and up on last year. The primary cause was the increase in fees and charges income but offset by the cost of materials and contracts and labour. Net cash used in investing activities (capital spending) fell from \$11m to \$6m, primarily caused in lower spending on construction of new buildings.

Rate Setting Statement

The Rate Setting Statement is unique to local government and forms the fourth part of the official financial statements presented to the Council. The aim of the Rate Setting Statement is to indicate what funds are to be raised by the City from its ratepayers after taking into consideration all other income and expenditure including capital the City raises and subsequently expends. For 2010/11 the City raised \$46.8m from its ratepayers in rates, this was slightly higher than budgetary expectations.



Reserves

The City has two types of reserves, cash backed and non-cash reserves. The former increased as the City transferred funds to its reserve accounts so as to spend on specific projects such as the GP Super Clinic/Library and Integrated Health Facility in future years. Overall, the City's cash backed reserves total \$49.8m compared with \$37.3m last year. The non-cash reserves fell from \$342m to \$313m as a result of a reduction in the value of certain land assets. The diminution was taken to the reserve and not the operating statement due to the Council having sufficient revaluation reserves to effect the adjustment.

Audit Report

The 2010/11 Annual Financial Statements were audited for the fourth time by Grant Thornton WA Partnership and their assigned Audit Partner, Mr Michael Hillgrove.

The 2010/11 Financial Statements were signed off as true and fair without qualification.

Strategic Plan/Policy Implications

Infrastructure Development

- To construct and maintain community facilities that meet community needs.

Governance Excellence

- To conduct Council business in open public forums and to manage Council affairs by employing publicly accountable practices.
- To provide effective monitoring and regulatory services that administer relevant legislation and local laws in a fair and impartial way.

Budget/Financial Implications

N/A

Legal Implications

N/A

Community Consultation

N/A



Attachment(s)

1. Executive Summary of Significant Changes to Financial Statements in 2010/11 compared with 2009/10
2. The Annual Financial Statements for 2010/11
3. Independent Auditor's Report from Grant Thornton Audit Pty Ltd to the Ratepayers of the City of Cockburn

Advice to Proponent(s)/Submissioners

N/A

Implications of Section 3.18(3) Local Government Act, 1995

Nil.

13. ENGINEERING & WORKS DIVISION ISSUES

Nil

14. COMMUNITY SERVICES DIVISION ISSUES

Nil

15. EXECUTIVE SERVICES DIVISION ISSUES

Nil

16. MOTIONS OF WHICH PREVIOUS NOTICE HAS BEEN GIVEN

Nil

17. NOTICES OF MOTION GIVEN AT THE MEETING FOR CONSIDERATION AT NEXT MEETING

Nil

18. NEW BUSINESS OF AN URGENT NATURE INTRODUCED BY DECISION OF MEETING BY COUNCILLORS OR OFFICERS

Nil

19. MATTERS TO BE NOTED FOR INVESTIGATION, WITHOUT DEBATE

Nil



20. CONFIDENTIAL BUSINESS

Nil

21 (ASFC 17/11/2011) - CLOSURE OF MEETING

6.20 pm.

CONFIRMATION OF MINUTES

I, (Presiding Member) declare that these minutes have been confirmed as a true and accurate record of the meeting.

Signed: Date:/...../.....

