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City of Rockingham
Audit Committee Meeting Minutes
Tuesday 16 November 2015 - Committee Room

Note: In accordance with Clause 3 of Schedule 2.3 of the Local Government Act 1995, the Chief Executive Officer is to preside at the meeting until the office of Presiding Member is filled.

1. Declaration of Opening

The Chief Executive Officer declared the Audit Committee Meeting open at 3:29pm and welcomed all present, and recited the Acknowledgement of Country.

2. Election of Presiding Member/Chairperson

The Chief Executive Officer, Mr Andrew Hammond, invited nominations for the position of Chairperson of the Audit Committee for the ensuing 2 years.

The following nomination was received -
Cr Sammels

As there was no more than one nomination for the position, Cr Sammels was declared elected to the position of Chair of the Audit Committee for the ensuing 2 years.

The Chief Executive Officer congratulated Cr Sammels and wished the Audit Committee well with its deliberations and vacated the Chair.

Cr Sammels assumed the Chair and thanked the Committee for their confidence in him as Chair and was looking forward to working with Councillors and Officers over the next two years.

3. Record of Attendance/Apologies/Approved Leave of Absence

3.1 Councillors
Cr Barry Sammels (Mayor) Chairperson
Cr Chris Elliott
Cr Justin Smith
Cr Deb Hamblin (Deputy Mayor)

3.2 Executive
Mr Andrew Hammond Chief Executive Officer
Mr John Pearson Director Corporate Services
Mr Peter Varris Manager Governance and Councillor Support
Mr Rafal Kolodynski Internal Auditor
Mr James Serrano Internal Audit Assistant

3.3 In Attendance:
Mr Michael Hillgrove Partner, Grant Thornton Audit Pty Ltd

3.4 Apologies:
Nil

3.5 Approved Leave of Absence:
Nil

4. Terms of Reference

To oversee the risk management, internal control, legislative compliance and external audit processes of the City, including receipt of the Auditor’s Statements and Management Reports.
5. **Confirmation of Minutes of the Previous Meeting**

   *Moved Cr Elliott, seconded Cr Hamblin:*

   That Committee *CONFIRM* the Minutes of the Audit Committee Meeting held on 6 October 2015, as a true and accurate record.

   
   Committee Voting – 4/0

6. **Matters Arising from the Previous Minutes**

   Nil

7. **Declarations of Members and Officers Interests**

   3:31pm The Chairperson asked if there were any interests to declare.
   There were none.

8. **Petitions/Deputations/Presentations/Submissions**

   Nil
9. **Agenda Items**

### Audit Committee

**Reference No & Subject:**


**File No:**

FLM/16-02

**Risk Register No:**

**Proponent/s:**

Ms Vanisha Govender, Manager Financial Services

**Author:**

**Other Contributors:**

**Date of Committee Meeting:**

Tuesday 27 October 2015

**Previously before Council:**

**Disclosure of Interest:**

Executive

**Nature of Council’s Role in this Matter:**

**Site:**

**Lot Area:**

**Attachments:**

2. Management Report

**Maps/Diagrams:**

### Purpose of Report


### Background

Council is required to accept the Audited Financial Report which will be included as part of the Annual Report.

Council’s Auditors have now completed the audit and have provided their Independent Auditor’s Report and Management Report.

### Details

The Annual Financial Report indicated the City has net assets to a value of $1.478 billion, an increase of $816.5 million compared to the prior year. The bulk of the increase is a result of the revaluation of infrastructure assets of $777.1 million. Some of the key indicators for the 2014/2015 financial year are:
• Total rate revenue for the year was $64.73 million
• Total operating revenue for the year was $130.5 million
• The closing surplus for the year was $28.2 million
• Outstanding borrowings as at 30 June 2015 was $18.7 million

**Implications to Consider**

a. **Consultation with the Community**
   Nil

b. **Consultation with Government Agencies**
   Nil

c. **Strategic**
   
   **Community Plan**
   This item addresses the Community’s Vision for the future and specifically the following Aspiration and Strategic Objective contained in the Community Plan 2015-2025:

   **Aspiration C:** Quality Leadership

   **Strategic Objective:** Governance – Governance systems that enable Council to make informed and considered decisions, effectively supported by an executive informing and implementing those decisions; all within an accountable, legally compliant, transparent and ethical environment.

d. **Policy**
   The Annual Financial Statements is prepared in accordance with the Australian Accounting Standards and complies with Council’s Significant Accounting Policy which provides requirements on how transactions are performed or treated in an accounting context.

e. **Financial**
   The closing position reported in the Rate Setting Statement for the year ended 30 June 2015 is a surplus of $28.2 million which is $9.8 million more than the estimated surplus included in the Adopted Budget for 2015/2016. The bulk of the increase is due to:

   a) Increase in restricted grants by $2.2 million, which includes the Federal Assistance Grant for 2015/2016 advance payment

   b) The balance of the $7.6 million contributes to the general surplus of $28.2 million as a result of additional income, expenditure savings and final balance day adjustments.

   The major financial change in the Annual Financial Report is related to the mandatory requirement to revalue non-current assets. Effective from 1 July 2012, the Local Government (Financial Management) Regulations 1996 were amended and the measurement of non-current assets at fair value became mandatory.

   The amendments allow for a phasing in of fair value in relation to fixed assets over three years as follows:

   (a) for the financial year ending on 30 June 2013, the fair value of plant, furniture and equipment of the local government; and

   (b) for the financial year ending on 30 June 2014, the fair value of land and building of the local government; and

   (c) for a financial year ending on or after 30 June 2015, the fair value of infrastructure assets and all other assets of the local government.

   Thereafter, in accordance with the regulations, each asset class must be revalued at least every three years.
As per statutory timeframes, the revaluation of infrastructure assets was conducted for the 2014/2015 financial year. As infrastructure asset makes up the bulk of the City’s assets this revaluation exercise resulted in an increase of $777.1 million to the revaluation reserve account (non-cash) and a retrospective increase to the relevant infrastructure asset accounts.

The provision for the rehabilitation of the landfill facility has been increased by $15.7 million (discounted to $2.8 million) as a result of the formal valuation being received from the valuator. The valuator’s estimated cost for the rehabilitation of the landfill in 30 years’ time is estimated to be $22.2 million in year 2 and thereafter $42.3 million over the next 28 years. A provision was raised for the estimated cost and was further discounted to the present value at the reporting date to $9.2 million.

f. Legal and Statutory

Section 6.4(1) of the Local Government Act 1995 (LGA) requires a Local Government to prepare an annual financial report for the preceding financial year which is to be presented in the manner and form prescribed.

Section 6.4(3) of the LGA requires the Local Government to submit to its auditor the accounts balanced up to the last day of the preceding financial year and the annual financial report by 30 September.

Section 5.53(2)(f) of the LGA requires the Local Government to prepare an annual report that includes the financial report for the financial year and the auditor’s report for the financial year.

Section 5.54 of the LGA requires the local government to accept the annual report for a financial year by no later than 31 December after that financial year, unless the auditor’s report is not available in time, then it is to be accepted no later than two months after the auditor’s report becomes available.

Section 7.9 of the LGA requires an audit to be conducted to examine the accounts and annual financial report submitted for audit and to prepare a report thereon which is required to be forwarded to the Mayor, Chief Executive Officer and the Minister for Local Government.

Regulation 10 of the Local Government (Audit) Regulations 1996 provides full details about what the auditor’s report is required to report on. Specifically, within 30 days of completing the audit, the report is to be forwarded to persons specified in Section 7.9 of the LGA which gives the auditor’s opinion on the financial position of the local government and the results of the operations of the local government.

The report is to include any material matters that in the opinion of the auditor indicate significant adverse trends in the financial position or the financial management practices. It must also report on any matters indicating non-compliance with Part 6 of the LGA and Local Government (Financial Management) Regulations 1996 or applicable financial controls in any other written law.

Where it is considered by the auditor to be appropriate, the auditor is to prepare a management report to accompany the auditor’s report and to forward a copy of the management report to the persons specified in section 7.9 of the LGA with the auditor’s report.

All statutory requirements related to the Annual Financial Report 2014/2015 have been met.

g. Risk

Nil

Comments

The Auditor’s Management Report as provided includes the response from management to any issues raised.

The Audited Financial Report includes financial information relating to Bert England Lodge, which is operated on behalf of the City of Rockingham, under a Management Agreement, by Southern Cross Care (WA) Inc. These figures have been incorporated into the Financial Report and are disclosed in Note 34.
Staff are satisfied with the financial year outcome and believe the report demonstrates the City is in a sound financial position.

### Voting Requirements

Simple Majority

### Officer Recommendation

That Council:


### Committee Recommendation

**Moved Cr Hamblin, seconded Cr Smith:**

That Council:


Committee Voting – 4/0

### The Committee’s Reason for Varying the Officer’s Recommendation

Not Applicable

### Implications of the Changes to the Officer’s Recommendation

Not Applicable

*Note: The Chief Executive Officer thanked the Director Corporate Services, Mr John Pearson and the Finance Team for their excellent efforts.*
## 10. Other Business

Nil

## 11. Date and Time of Next Meeting

The next Audit Committee Meeting will be held on a **date to be advised.**

## 12. Closure

There being no further business, the Chairperson thanked those persons present for attending the Audit Committee meeting, and declared the meeting closed at **3:45pm.**