City of Rockingham

MINUTES

Audit Committee Meeting

Held on

Tuesday 6 December 2011

3:00pm

Council Boardroom
Council Administration Building
Civic Boulevard, Rockingham
City of Rockingham  
Audit Committee Meeting  
3:00pm Tuesday 6 December 2011

MINUTES

1. Declaration of Opening

The A/Chief Executive Officer declared the Audit Committee Meeting open at 3:12pm and welcomed all present.

2. Election of Presiding Member/ Chairperson

The A/Chief Executive Officer, Mr B Jeans, 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 A/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

Membership:

3.1 Members

Mayor Barry Sammels
Cr Deb Hamblin
Cr Allan Hill

3.2 Executive Support

Mr Bob Jeans
Mr Michael Yakas
Mr Allan Moles
Ms Jelette Edwards

3.3 In Attendance

Mr Greg Godwin

Deputies

Deputising for Cr A Prince
A/Chief Executive Officer
A/ Director Corporate Services
Manager Financial Services
A/Manager Executive Services
Partner, UHY Haines Norton
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<thead>
<tr>
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<tbody>
<tr>
<td><strong>3.4</strong></td>
<td>Apologies</td>
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<td>Cr Ann Prince</td>
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<td><strong>3.5</strong></td>
<td>Approved Leave of Absence</td>
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<td><strong>4.</strong></td>
<td>Terms of Reference</td>
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<td>To oversee the external audit processes of the City, including receipt of the auditors statements and management reports.</td>
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<td><strong>5.</strong></td>
<td>Confirmation of Minutes of the Previous Meeting</td>
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<td><strong>Recommendation:</strong></td>
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<td>That the Minutes of the Audit Committee meeting held on 15 February 2011, be confirmed as a true and accurate record.</td>
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<td><strong>6.</strong></td>
<td>Matters Arising from the Previous Meeting</td>
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<td><strong>7.</strong></td>
<td>Declarations of Members and Officers Interests</td>
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<td><strong>8.</strong></td>
<td>Petitions/ Deputations/ Presentations/ Submissions</td>
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<td><strong>9.</strong></td>
<td>Agenda Items</td>
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<td><strong>AC-002/11</strong> Audited Financial Report 2010/11</td>
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1. **Purpose of Report**


2. **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.

3. **Details**

   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 24.
4. 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/s contained in the Community Plan 2011:-
   
   **Aspiration 15:** Governance systems that ensure decision making and resource allocation is accountable, participative and legally and ethically compliant.

d. Policy
   Nil

e. Financial
   The closing position reported in the Rate Setting Statement for the year ended 30 June 2011 is a surplus of $11,071,118 which is $1,602,782 more than the estimated surplus included in the Adopted Budget for 2011/2012. This is due in part to $517,000 of rates paid in advance being recognised as income, $105,870 in additional unspent grants and approximately $700,000 in additional funds carried forward for works in progress.

f. Legal and Statutory
   Section 6.4 of the Local Government 1995 requires Council 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) requires Council 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) requires Council 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 requires Council 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 2 months after the auditor's report becomes available.

5. Comments

The Independent Auditor's Report does not identify any issues with the Financial Report however three matters have been raised in the Management Report including,

1. Comment on Ratios - Outstanding Rates Ratio
   The Outstanding Rates Ratio is 0.07 which is the same as last financial year. The industry benchmark is 0.05.
   Although above the industry benchmark, the City's rates collection practices are considered consistent with industry practice. The outstanding rates balance is partly due to the decision to allow some properties rated on the unimproved value in Baldivis, to pay off the outstanding balance over three years following significant rate increases due to rising property values. These are due to be paid by the end of 2011/2012.
   The level of outstanding rates will continue to be monitored and the collection practices reviewed to bring the ratio closer to the benchmark.
2. Long Service Leave
Under the Local Government (Long Service Leave) Regulations, long service leave entitlements are portable for employees working in local government in Western Australia. That means employees moving from one local government to another accumulate their entitlement and as such, the City can either have a future liability for a past employee still working in local government, or be entitled to a reimbursement for an existing employee who has previously worked at another local government. When an employee leaves the City it is hard to monitor their future employment within local government to accurately calculate the value of the long service leave provision.

When calculating the provision for long service leave for the annual financial report only the provision for existing staff was used, however Financial Services will work with the Human Resources department to estimate the provision for these former employees.

3. Allocations - Public Works Overheads and Plant Operating Costs
The budgeted reallocation of costs associated with overheads and plant operating costs is based on the anticipated maintenance and project expenditure for the year. The City allocates overheads on employees working directly on jobs and on contractor payments.

At the end of the financial year the City had incomplete projects of approximately $9.5 million which affected the allocation of overheads and plant operating costs.

The method of calculating the overhead and plant operating cost rates is being reviewed and will be monitored to more accurately reallocate these costs in the future.

6. Voting Requirements
Simple majority

7. Officer Recommendation
That Council:

8. Committee Recommendation
That Council:
3. **COMMEND** Corporate Services staff for their contribution in preparation of the Audit for the year ended 30 June 2011.

Committee Voting - 3/0

9. The Committee’s Reason for Varying the Officer’s Recommendation
The Committee changed the Officer’s recommendation to recognise staff’s achievement in preparing the Audit for the year ended 30 June 2011.

10. Implications of the Changes to the Officer’s Recommendation
Not applicable
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<tr>
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<th>Date and Time of Next Meeting</th>
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<td>The next Audit Committee meeting will be held on a <strong>date to be advised</strong> in the Committee Room, Council Administration Building, Civic Boulevard, Rockingham.</td>
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<td>There being no further business declared the meeting closed at 3:26pm.</td>
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