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## NOTICE PAPER

### MAYOR AND COUNCILLORS

An **Audit Committee Meeting** will be held in the Temporary Council Chambers, Former Maddington Sportsman's Club Canning Park Avenue, Maddington on **Monday 9 November 2009 commencing at 7pm.**

### PLEASE NOTE

The Audit Committee Meeting is not open to members of the public however should you have any enquiries kindly direct them to Ron Bouwer, Director Corporate Services.

Prior to the Audit Committee Meeting, commencing 6pm, Oakvale Capital Limited will present a review on the City's Investment Strategy.

IAN COWIE  
**CHIEF EXECUTIVE OFFICER**

3 November 2009

Disclaimer - Members of the public are cautioned against taking any action as a result of a Council decision until such time as they have seen a copy of the Minutes of the meeting or have been advised in writing by Council staff with regard to any particular decision.

Recording of Meetings – All Council Meetings are digitally recorded, with the exception of confidential matters (in accordance with Section 5.23(2) of the Local Government Act 1995) during which time recording ceases. Copies of recordings shall be available for purchase by members of the public following documentation of the Minutes and distribution to Elected Members.



**AUDIT COMMITTEE MEETING  
MONDAY 9 NOVEMBER 2009**

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# DISCLOSURE OF INTEREST DECLARATION

*Local Government Act 1995 (Sections 5.59 to 5.73 inclusive) and  
Local Government (Administration Regulations) 1996 (Regulation 34C)*

Disclosures of interest must be made in writing and given to the Presiding Member of the meeting prior to the matter being discussed to enable it to be brought to the notice of persons attending.

I \_\_\_\_\_, wish to declare an interest as follows:

**NAME** *(Please Print)*

**NAME OF MEETING:** \_\_\_\_\_ **DATE:** \_\_\_\_\_

|  |                          |   |                          |
|--|--------------------------|---|--------------------------|
| <b>AGENDA ITEM NO:</b>   |                          | <b>PAGE NO:</b>   |                          |
| <i>An 'Interest' exists if either the relevant person or a person with whom the relevant person is closely associated has; a direct or indirect financial interest, a proximity interest, or their impartiality may be affected.</i> |                          |   |                          |
| <b>TYPE OF INTEREST</b><br><small>Definitions overleaf</small>   | <input type="checkbox"/> | <b>Direct Financial</b><br><i>pursuant to s.5.60A of the Local Government Act 1995</i>                              | <input type="checkbox"/> |
|  | <input type="checkbox"/> | <b>Indirect Financial</b><br><i>pursuant to s.5.61 of the Local Government Act 1995</i>                             | <input type="checkbox"/> |
|  |                          | <b>Proximity</b><br><i>pursuant to s.5.60B of the Local Government Act 1995</i>                                     | <input type="checkbox"/> |
|  |                          | <b>Impartiality</b><br><i>pursuant to Regulation 11 of the Local Government (Rules of Conduct) Regulations 2007</i> | <input type="checkbox"/> |
| <b>NATURE OF INTEREST:</b>   |                          |   |                          |
|  |                          |   |                          |
| <b>EXTENT OF INTEREST:</b>   |                          |   |                          |
|  |                          |   |                          |

*Strike through the following declaration if it is not required.*

|  |                          |   |                          |
|--|--------------------------|---|--------------------------|
| <b>AGENDA ITEM NO:</b>   |                          | <b>PAGE NO:</b>   |                          |
| <i>An 'Interest' exists if either the relevant person or a person with whom the relevant person is closely associated has; a direct or indirect financial interest, a proximity interest, or their impartiality may be affected.</i> |                          |   |                          |
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|  | <input type="checkbox"/> | <b>Indirect Financial</b><br><i>pursuant to s.5.61 of the Local Government Act 1995</i>                             | <input type="checkbox"/> |
|  |                          | <b>Proximity</b><br><i>pursuant to s.5.60B of the Local Government Act 1995</i>                                     | <input type="checkbox"/> |
|  |                          | <b>Impartiality</b><br><i>pursuant to Regulation 11 of the Local Government (Rules of Conduct) Regulations 2007</i> | <input type="checkbox"/> |
| <b>NATURE OF INTEREST:</b>   |                          |   |                          |
|  |                          |   |                          |
| <b>EXTENT OF INTEREST:</b>   |                          |   |                          |
|  |                          |   |                          |

\_\_\_\_\_  
**SIGNATURE**

\_\_\_\_\_  
**DATE**

## **NOTE**

- \* Members of committees have the same liabilities as Councillors and Staff to disclose an interest.
- \* Relevant persons disclosing a Financial Interest must withdraw from the meeting while the item is under discussion.

## **DEFINITIONS**

**“extent”** in relation to an interest, includes the value and amount of the interest.

**“direct financial interest”** a person has a financial interest in a matter if it is reasonable to expect that the matter will, if dealt with by the local government in a particular way, result in a financial gain, loss, benefit or detriment for the person.

**“impartiality interest”** is an interest that could, or could reasonably be perceived to, adversely affect the impartiality of the person having an interest and includes an interest arising from kinship, friendship or membership of an association.

**“indirect financial interest”** an indirect financial interest of a person in a matter includes a reference to a financial relationship between that person and another person who requires a local government decision in relation to the matter.

**“members”** in relation to a council or committee, means a council member or a member of the committee.

**“proximity interest”** a person has a proximity interest in a matter if the matter concerns–

- (a) a proposed change to a planning scheme affecting land that adjoins the person's land;
- (b) a proposed change to the zoning or use of land that adjoins the person's land; or
- (c) a proposed development (as defined in section 5.63(5)) of land that adjoins the person's land.

**“relevant person”** means a person who is either a member or a person to whom section 5.70 or 5.71 applies (Council employee).

**ELECTION OF PRESIDING MEMBER**

Following the ordinary local government elections held 17 October 2009 an election for the office of Presiding Member for the current meeting will be conducted by the Director Corporate Services prior to the formal commencement of the meeting, in accordance with the provisions of Section 5.12 (1), Schedule 2.3 Division 1 of the Local Government Act 1995.

**1. OFFICIAL OPENING/ANNOUNCEMENT OF VISITORS/DISCLAIMER****2. RECORD OF ATTENDANCE/APOLOGIES/APPROVED LEAVE OF ABSENCE****3. DECLARATIONS OF INTEREST****4. CONFIRMATION OF MINUTES****RECOMMENDATION**

That the Minutes of the Audit Committee Meeting held on Tuesday 4 August 2009 be confirmed.

**5. REPORTS****5.1 INVESTMENT STRATEGY REVIEW**

Author: F Sullivan

Author's Declaration Nil

of Interest:

Previous Ref: Nil

Appendix: [5.1A](#) [Investment Strategy Review as Authored by Oakvale Capital Limited \(Click to view\)](#)

**PURPOSE OF REPORT**

To provide the Audit Committee with an update on proposed changes to the City's investment strategy.

**BACKGROUND**

For a significant period of time the City has had an Investment Policy in place to guide staff in the investment choices for Council's investable funds.

Investment choices have been made through informal discussion between the Director Corporate Services, Manager Financial Services and the City's investment advisors.

It is proposed that a more formal approach be implemented in the decision making process when choosing investments. An Investment Strategy Review, as authored by Oakvale Capital Limited is attached as Appendix 5.1A.

The City's investment strategy currently and for the past 18 months has been to rely mainly on Term Deposits for the bulk of the City's investable funds whilst retaining a small core holding in conservative managed funds with some exposure to the equities market.

Now is an opportune time to change the current mix of investments to take advantage of some opportunities within our investable space as dictated by the Investment Policy.

## **DISCUSSION**

In formulating the strategy two issues have been considered, risk versus return and maturity profiles.

In assessing risk versus return requirements, the extreme market conditions of the past two years have been acknowledged as well as the need to obtain the best return possible without losing capital or paying unnecessary fees.

In assessing maturity profiles finance staff, in consultation with various branch managers, have determined the following likely timeline for calls on investable funds.

|                     |                                    |
|---------------------|------------------------------------|
| \$35 Million        | within one year                    |
| \$20 Million        | two plus years to maturity         |
| <u>\$25 Million</u> | <u>five plus years to maturity</u> |
| \$80 Million        | Total investable funds             |

It is proposed that:

- A very highly rated pooled cash fund and Commercial Paper with very short maturity dates be utilised for the \$35 million that will be required to fund operations over the next 12 months.
- Senior Bonds of Australian Banks and Government Entities with a maturity date not greater than two years be utilised for the \$20 million which is required in two plus years.
- Conservative Managed Funds, Index Managed Funds and Subordinated Bonds of Australian Banks and Government Entities with a maturity date not greater than five years be utilised for the \$25 million that will be required in five plus years.

## **FINANCIAL IMPLICATIONS**

The change to the proposed investment strategy will impact on the return.

**STATUTORY IMPLICATIONS**

Nil.

**VOTING REQUIREMENTS**

Simple Majority required.

**STAFF RECOMMENDATION**

That the Audit Committee recommend to Council the acceptance of the new investment strategy review as outlined in Appendix 5.1A.

## 5.2 AUDITED ANNUAL FINANCIAL REPORT - 2009

Author: F Sullivan  
Author's Declaration of Interest: Nil  
Previous Ref: Nil  
Appendix: 5.2A [Audited Annual Financial Report for the period ended 30 June 2009 \(Click to view\)](#)

### PURPOSE OF REPORT

To present to the Audit Committee the Audited Annual Financial Report for the period ended 30 June 2009 attached as Appendix 5.2A.

### BACKGROUND

The auditors have completed their testing for the financial year ended 30 June 2009 and have provided the City with an unqualified audit report.

### DISCUSSION

The Operating Statement shows a Net Result of \$12,246,470. This is under budget by \$1,276,759 due to a combination of Sale of Assets being under budget by \$3.5 million and General Purpose Funding \$1.086 million received in advance, Interest Revenue \$390,000 over budget, Maddington Kenwick Grant \$566,000 over budget and Interim Rates \$370,000 being over budget.

### Auditors' Management Letter

An unqualified Audit Report was presented by UHY Haines Norton for the 2008/2009 Annual Financial Statements. No management letter has been provided this year due to the absence of any significant items.

### FINANCIAL IMPLICATIONS

The actual surplus for 2008/2009 will be provided to Council in the near future when carry forward calculations are complete.

### STATUTORY IMPLICATIONS

Local Government Act 1995 and Regulations.

### VOTING REQUIREMENTS

Simple Majority required.

### STAFF RECOMMENDATION

That the Audit Committee recommend to Council that the Audited Annual Financial Report for the period ended 30 June 2009 attached as Appendix 5.2A, be received.

### 5.3 LONG SERVICE LEAVE AND ANNUAL LEAVE ACCRUALS

Author: P Laycock  
Author's Declaration of Interest Nil  
Previous Ref: OCM 10 February 2009 (Resolution 10)  
Appendix: 5.3A [Quarterly Leave Liability Report as at September 2009](#) ([Click to view](#))

#### PURPOSE OF REPORT

To advise the Audit Committee of the City's management of annual leave (A/L) and long service leave (LSL) accruals.

#### BACKGROUND

The Audit Committee has requested that ongoing information on A/L and LSL accruals be provided.

#### DISCUSSION

The City has made representation to the Western Australian Local Government Association (WALGA) to lobby the State Government to amend the Regulations to enable staff to take LSL over more than three separate periods. WALGA has noted that the LSL regulations are being reviewed on a national basis and we would be subject to the outcome of that review.

A report showing the City's leave liability as at September 2009 is attached as Appendix 5.3A.

The next and subsequent reports will be able to provide comparisons over a full 12 month period.

There is significant change and uncertainty in the industrial relations arena at this time which has potential implications for leave accruals and the taking of leave. The Fair Work Act 2009 (and Regulations) contains provisions for the taking of leave, the draft Local Government Officers Award also contains provisions for the accrual and taking of leave, and the Long Service Leave Regulations are being reviewed. Additionally, there is an ongoing dispute with regards to State or Federal jurisdiction over industrial relations that will determine whether any of the legislation is applicable to Local Government in Western Australia.

#### FINANCIAL IMPLICATIONS

The City has appropriate funds set aside in the provision accounts for all leave accruals.

#### STATUTORY IMPLICATIONS

Local Government (Long Service Leave) Regulations.  
Fair Work Act 2009 (and Regulations).

**VOTING REQUIREMENTS**

Simple Majority required.

**STAFF RECOMMENDATION**

That the Audit Committee note the leave liability report attached as Appendix 5.3A.

**5.4 2010/2011 BUDGET - PROPOSED TIMETABLE**

Author: R Bouwer  
Author's Declaration of Interest: Nil  
Previous Ref: Nil  
Appendix: 5.4A [2010/2011 Budget - Proposed Timetable \(Click to view\)](#)

**PURPOSE OF REPORT**

To inform Councillors of the timetable proposed for adoption of the 2010/2011 Budget and Ten-Year Financial Plan.

**BACKGROUND**

Section 6.2 (1) of the Local Government Act 1995 requires the adoption of the Annual Budget during the period 1 June in a financial year to 31 August in the next financial year and Section 6.2 (2) requires the Annual Budget to have regard to the contents of the plan for the future of the district.

**DISCUSSION**

The proposed timetable (attached as Appendix 5.4A) has set a target date for adoption of the Annual Budget being 6 July 2010, with three Councillor Workshops scheduled for 16 February 2010, 29 March 2010 and 1 June 2010.

The first Workshop will focus on the Ten-Year Financial Plan and Councillors will be given an overview of the asset management needs of the City.

The second Workshop will present Councillors with the Capital Works proposed for 2010/2011 by the Asset Management Model and the Resource Allocation Model (RAM). The Executive Team is proposing to only use the RAM for 2010/2011 as the better asset management information now available can be used for future years with the smaller balance being determined by the RAM on an annual basis.

The third Workshop will discuss the operational budget requirements of the City.

**FINANCIAL IMPLICATIONS**

Nil.

**STATUTORY IMPLICATIONS**

Local Government Act 1995.

**VOTING REQUIREMENTS**

Simple Majority required.

**STAFF RECOMMENDATION (1 of 2)**

That the Audit Committee recommend to Council that the timetable for adoption of the 2010/2011 Budget, attached as Appendix 5.4A, be received.

**STAFF RECOMMENDATION (2 of 2)**

That the Audit Committee recommend to Council that the Special Council meeting to adopt the Budget be held on 6 July 2010.

**6. URGENT BUSINESS (BY PERMISSION OF COMMITTEE)****7. CLOSURE**