



Town of Port Hedland

MINUTES

OF THE

AUDIT AND FINANCE COMMITTEE
OF THE TOWN OF PORT HEDLAND COUNCIL

HELD ON

TUESDAY 20 JUNE 2011

COMMENCING AT 2PM

IN COUNCIL CHAMBERS
McGREGOR STREET, PORT HEDLAND

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*Natalie Octoman
Director Corporate Services*

Our Commitment

To enhance social, environmental and economic well-being through leadership and working in partnership with the Community.

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ITEM 1 OPENING OF MEETING**1.1 Opening**

The Chairperson declared the meeting open at 2.10pm and acknowledged the traditional owners, the Kariyarra people.

ITEM 2 RECORDING OF ATTENDANCE AND APOLOGIES**2.1 Attendance**

Councillor Arnold A Carter (Chairman)
Mayor Kelly A Howlett
Councillor Stan R Martin
Councillor Michael (Bill) Dziombak

Chief Executive Officer – Paul Martin
Director Corporate Services – Natalie Octoman
Manager Finance – Suma George
UHY Haines Norton – Greg Godwin – Teleconference
Administration Officer Governance – Louise Roux

2.2 Apologies

Nil.

2.3 Approved Leave of Absence

Nil

ITEM 3 RESPONSE TO PREVIOUS QUESTIONS - ON NOTICE

Nil

ITEM 4 PUBLIC TIME

2:10pm Chair opened Public Question Time

4.1 Public Questions

Nil

2:10pm Chair closed Public Question Time

2:10pm Chair opened Public Statements Time

4.2 Public Statements

Nil

2:10pm Chair closed Public Statements Time

ITEM 5 QUESTIONS FROM MEMBERS WITHOUT NOTICE

Nil

ITEM 6 DECLARATION BY MEMBERS TO HAVE GIVEN DUE CONSIDERATION TO ALL MATTERS CONTAINED IN THE BUSINESS PAPER PRESENTED BEFORE THE MEETING

Mayor K A Howlett	Cr M (Bill) Dziombak
Cr A A Carter	Cr Stan Martin

ITEM 7 CONFIRMATION OF MINUTES OF PREVIOUS MEETING

7.1 Confirmation of Minutes of Audit and Finance Committee of Council held on Wednesday 25 May 2011.

AFC201011/17 Officer's Recommendation /Audit and Finance Committee Decision

Moved: Cr KA Howlett

Seconded: Cr M Dziombak

That the Minutes of the Audit and Finance Committee Meeting of Council held on Wednesday 25 May 2011 be confirmed as a true and correct record of proceedings.

CARRIED 4/0

ITEM 8 ANNOUNCEMENTS BY CHAIRMAN WITHOUT DISCUSSION

Nil

ITEM 9 PETITIONS/DEPUTATIONS/PRESENTATIONS/ SUBMISSIONS

9.1 Discussion with Auditor – Greg Godwin from UHY Haines Norton.

A Report from UHY Haines Norton was distributed to the Audit and Finance Committee members. Mr Greg Godwin from UHY Haines Norton stated the the Audit Report and Management Letter for the 2009/2010 was signed in March 2011.

Greg Godwin pointed out that it is the Auditor's responsibility to give an opinion on whether the financial report reflects a true and fair view of Council's financial position as well as the performance achieved over the last financial year. It is Council's responsibility to prepare the financial report and ensure that internal control systems are enforced.

The Audit Report for the years 2009/10 was a clean Audit Report and there were no matters of statutory compliance that needed to be raised.

The Internal Audit was also discussed. A few issues were raised with management and actions have been put in place to address these matters. The Council will aim to complete the financial report for the year 2010/11 by end of October/November 2011.

ITEM 10 REPORTS OF OFFICERS**10.1 CORPORATE SERVICES****10.1.1 Finance and Administration****10.1.1.1 *Review of Policy 2/010 Council Investments (File No.: -)***

Officer	Lee Crombie Coordinator Financial Services
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Date of Report	16 June 2011
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Disclosure of Interest by Officer	Nil
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Summary

For the Committee to endorse amendments to the current Investment Policy 2/010, for an additional two Directors to be included in those allowed to authorise investments and to include the nature and location details for each investment in the reporting to the Council.

Background

The current investment policy requires that all investments have co-authorisation of two staff members, being the Chief Executive Officer, Director Corporate Services, Director Community & Regulatory Services and the Manager Financial Services, along with the Mayor where the investment exceeds \$1 million.

The current process for investments is for rates to be sought from appropriate institutions, an investment strategy to be developed based on the rates provided and cashflow required in the upcoming months, paperwork to be completed that authorises the Town to make the investment, along with the physical transfer of funds between accounts.

The timing of the process is extremely tight. It will commence in the morning of the day that funds are available for investing and is required to be completed prior to 3pm on the same day in order for the funds to be transferred to the selected institutions and the rate locked in.

The authorisation process can be difficult to complete within these timelines due to either staff absences, or the availability of authorising staff members.

Consultation

The Town's Chief Executive Officer has been consulted in relation to the proposed modifications.

Statutory Implications

The Local Government Act 1995 states (in part):

“6.14 . Power to invest

- (1) Subject to the regulations, money held in the municipal fund or the trust fund of a local government that is not, for the time being, required by the local government for any other purpose may be invested in accordance with Part III of the [Trustees Act 1962](#) .*
- (2) Regulations in relation to investments by local governments may —*
 - (a) provide for the manner in which an approval under subsection (1)(b) may be sought;*
 - (b) prescribe classes of investment which may be made without the need to comply with subsection (1)(b);*
 - (c) prescribe circumstances in which a local government is required to invest money held by it;*
 - (d) provide for the application of investment earnings; and*
 - (e) generally provide for the management of those investments.”*

The Local Government (Financial Management) Regulations 1996, states in part:

“19. Management of investments

- (1) A local government is to establish and document internal control procedures to be followed by employees to ensure control over investments.*
- (2) The control procedures are to enable the identification of —*
 - (a) the nature and location of all investments; and*
 - (b) the transactions related to each investment.”*

Policy Implications

Council's existing Policy 2/010 attached.

It is recommended the following amendments be made to Council's existing Policy 2/010 'Council Investments':

“Authority to Invest

All investments require the co-authorisation of at least two of the following staff:

- Chief Executive Officer
- Director, Corporate Services
- Director, Engineering
- Director, Planning and Development
- Director, Community Development
- Manager, Financial Services

All investments of \$1,000,000 or above also require Mayoral approval. Note that this does not incorporate the redemption of funds at maturity.”

“Reporting/Measurement

Council will receive a summarised report on the monthly movement of all Investments, including performance, % exposure of total portfolio, maturity date and changes in market value for each individual investment. This report will also include the nature and location of each investment. A detailed report of Council’s Investments will be provided to the Audit and Finance Committee for review every 6 months.”

Strategic Planning Implications Nil

Budget Implications Nil

Officer’s Comment

The current investment policy requires two staff members to authorise the paperwork associated with the investment, along with a third person being the Mayor if the investment exceeds \$1 million. After authorisation has been provided, the physical transfer of funds between institutions requires two staff members with password authorisation for NAB (National Australia Bank) Online to affect the transfer.

It is customary in many organisations to have two staff members authorise transactions to ensure there is a separation of duties to prevent fraudulent activities that will satisfy audit requirements.

Given the extremely tight timelines associated with the process, it is often difficult to affect the transactions on the same day, therefore requiring negotiations with the institutions to hold the quoted investment rate until the physical transaction can occur. Some institutions cannot hold the quoted rate, therefore resulting in a potential reduction in the interest income received, or commencing the process again to ensure the best rate of return for ratepayers.

It is therefore recommended that the authorisation requirements of the current investment policy be expanded to include an additional two Directors, with the Mayor still required to authorise those investments in excess of \$1 million.

This will reduce the potential risk for breaches of the investment policy where staff are on leave or unavailable, and expedite the process to ensure that investments can occur in the appropriate timeframe and not become an administrative burden.

Attachments

Current Policy, *2/010 Council Investments*.
Revised Investment Policy.

Officer's Recommendation

That the Audit and Finance Committee:

- i) Recommends to the Council to approve amendments to the existing Investment Policy, *2/010 Council Investments*.

AFC201011/18 Audit and Finance Committee Decision

Moved: Cr K A Howlett

Seconded: CR S R Martin

That the Audit and Finance Committee:

- i) Recommends to the Council to approve amendments to the existing Investment Policy, *2/010 Council Investments*.
- ii) Recommends to Council that the Chief Executive Officer and the Director Corporate Services be one of the signatories on any investment.

CARRIED 4/0

ATTACHMENT 1 TO AGENDA ITEM 10.1.2.1

2/010 Council Investments

Objectives

This policy is to be used to provide direction to staff in investing Council surplus cash funds in order to maximize return to council, without increasing risk. The minimum requirements of this policy are:

- 100% preservation of capital;
- Liquidity of Investment to meet Council's Cash flow requirements;
- A rate of return comparable to predetermined market based measurement criteria.

Legislative requirements

This policy will be interrupted, implemented and comply with the following:

- Local Government Act 1995, Section 6.14
- The Trustee Act 1962, Part III Investment
- Local Government (Financial Management) Regulations 1996
- Australian Accounting Standards

Prudent Person Standard

All investments will be managed with the care, diligence and skill that a prudent person would exercise. Officers are to manage the investment portfolio's to safeguard the portfolios in accordance with the spirit of the investment policy, and not for speculative purposes.

Prohibited Investments

This investment policy prohibits any investments carried out for speculative purposes including:

- Derivative based instruments; and
- Principal only investments or securities that provide potentially nil or negative cash flow; and
- Stand-alone securities issued that have underlying futures, options, forwards contracts and swaps of any kind.

It is recognised that there will be circumstances where Council may decide to invest surplus funds outside the parameters of this policy.

This is permitted, if resolved by Council, and the investment is deemed to be in the interest of the local community and a business case been reviewed and approved by the Audit and Finance Committee.

Investment Funds

Council cash funds have been catergorised into the following:

Short Term

Short Term Funds are funds required for the immediate daily requirements of Council. Maximum value of this fund will be \$1,000,000, unless the daily needs require differently. Of this a maximum of \$50,000 plus the total outstanding cheques/payments and/or payroll requirements to be kept in the Municipal Cheque Account. Balance of funds to be maintained in the Business/Cash maximization Account.

Medium Term

The Maximum value of the is fund will be difference between the total Short Term Funds (see above) and the total funds required in the current financial years as prescribed in Council's Adopted Budget.

Long Term

Long Term Funds are Council surplus funds, except for short Term and Medium Term funds, which are unlikely to be needed in the current financial year. This fund contains cash funds not required in the current financial year as prescribe in Council's Adopted Budget. Investment of these funds will be made on the advice received by Investment Advisors (Advisor), licensed by the Australian Securities and Investment Commission, appointed by Council, on the recommendation of the Audit and Finance Committee. No more than 70% of Long Terms funds can be invested on the advice of a single Advisor. All advisors must be an independent person who has no actual or potential conflict of interest in relation to any investment products recommended to Council; and is free to choose the most appropriate product within the terms of this policy.

Approved Investments	Short Term	Medium Term	Long Term
State/Commonwealth Government Bonds	Yes	Yes	Yes
Interest Bearing Deposits	Yes	Yes	Yes
Bank Accepted/Endorsed Banks Bills	No	Yes	Yes
Commercial Paper	No	Yes	Yes
Bank negotiated Certificate of Deposits	No	Yes	Yes
Managed Funds	No	No	Yes

Risk Management Guidelines

All investments obtained must comply with three key criteria relating to:

- Limit overall credit exposure of the portfolio (Portfolio Credit Framework)
- Limit exposure to individual counterparties/institutions (Counterparty Credit Framework)
- Limits based upon maturity of securities (term to Maturity Framework)

Portfolio Credit Framework

All Council investments will have a minimum Standards and Poors (S&P) rating of AA (long term), A-1 (short term) or AAf (managed fund) depending on the nature of the investment.

Counterparty Credit Framework

No individual counterparty/institution will have more than 70% of Council total investment at any one time.

Term to Maturity Framework

All Short Term and Medium Term Funds must mature or be capable of maturing within 12 months of the initial investment

All Long Term Funds are to be invested for a minimum of 12 months and mature within 3 years of the initial investment.

Authority to Invest

All investments require the co-authorisation of at least two of the following staff:

- Chief Executive Officer
- Director, Corporate Services
- Director, Community & Regulatory Services
- Manager, Financial Services

All investments of \$1,000,000 or above also require Mayoral approval. Note that this does not incorporate the redemption of funds at maturity.

Authority to Invest (Amended by Council at its Ordinary Meeting held 24 June 2009)

Reporting/Measurement

Council will receive a summarised report on the monthly movement of all Investments, including performance, % exposure of total portfolio, maturity date and changes in market value for each individual investment.

A detailed report of Council's Investments will be provided to the Audit and Finance Committee for review every 6 months.

Performance benchmarks will be based on the following table:

Investment Product	Performance Benchmark
Cash	Cash Rate
Enhanced/Direct Investments	UBSWA Bank Bill
Diversified Funds (managed funds)	CPI + 2%

(Amended by Council at its Ordinary Meeting held 23 April 2008)

'Authority to Invest' section amended by Council at its Ordinary Meeting held 24 June 2009.

ATTACHMENT 2 TO AGENDA ITEM 10.1.2.1

2/010 Council Investments

Objectives

This policy is to be used to provide direction to staff in investing Council surplus cash funds in order to maximize return to council, without increasing risk. The minimum requirements of this policy are:

- 100% preservation of capital;
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Legislative requirements

This policy will be interrupted, implemented and comply with the following:

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Investment Fund

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Authority to Invest (Amended by Council at its Ordinary Meeting held 24 June 2009)

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Cash	Cash Rate
Enhanced/Direct Investments	UBSWA Bank Bill
Diversified Funds (managed funds)	CPI + 2%

(Amended by Council at its Ordinary Meeting held 23 April 2008)

'Authority to Invest' section amended by Council at its Ordinary Meeting held 24 June 2009.

ITEM 11 LATE ITEMS AS PERMITTED BY CHAIRPERSON/COUNCIL

Nil.

ITEM 12 MOTIONS OF WHICH PREVIOUS NOTICE HAVE BEEN GIVEN

Nil.

ITEM 13 CONFIDENTIAL ITEMS

Nil.

ITEM 14 APPLICATIONS FOR LEAVE OF ABSENCE

ITEM 15 CLOSURE

15.1 Date of Next Meeting

The next Audit and Finance Committee Meeting of Council will be held at a time at date and time that is to be confirmed by the Presiding Member.

15.2 Closure

There being no further business, the Chairman declared the meeting closed at 2:45 pm.

Declaration of Confirmation of Minutes

I certify that these Minutes were confirmed by the Audit and Finance Committee at its Ordinary Meeting of _____.

CONFIRMATION: _____
CHAIR

DATE