



MISSION AND VALUES OF COUNCIL

"A Sustainable Community that is inclusive, attractive, healthy and pleasant to live in, that uses our land so as to preserve our history and environment, respects the rights and equality of our citizens and manages our future growth wisely."

MINUTES

AUDIT COMMITTEE MEETING

MONDAY 21 NOVEMBER 2011

COMMENCING AT 1:00PM

In the Shire Committee Room

21 NOVEMBER 2011

OUR MISSION

"To provide a quality range of affordable and sustainable services to our community with a strong commitment to customer focus so that our citizens and visitors enjoy a quality lifestyle."

CORE VALUES OF THE SHIRE

The core values that underpin the achievement of the mission will be based on a strong customer service focus and a positive attitude:

Communication

Respect

Integrity

Transparency

Courtesy

DISCLAIMER

The purpose of Council Meetings is to discuss, and where possible, make resolutions about items appearing on the agenda. Whilst Council has the power to resolve such items and may in fact, appear to have done so at the meeting, no person should rely on or act on the basis of such decision or on any advice or information provided by a Member or Officer, or on the content of any discussion occurring, during the course of the meeting.

Persons should be aware that the provisions of the Local Government Act 1995 (Section 5.25 (e)) establish procedures for revocation or rescission of a Council decision. No person should rely on the decisions made by Council until formal advice of the Council decision is received by that person. The Shire of Broome expressly disclaims liability for any loss or damage suffered by any person as a result of relying on or acting on the basis of any resolution of Council, or any advice or information provided by a Member or Officer, or the content of any discussion occurring, during the course of the Council meeting.

NOTICE OF MEETING

Dear Council Member,

The next meeting of the Audit Committee will be held on Monday 21 November 2011, at the Shire of Broome Committee Room, corner Weld and Haas Street Broome, commencing at 1:00 pm.

Regards,



K R DONOHOE
Chief Executive Officer

4 November 2011

SHIRE OF BROOME

**AUDIT COMMITTEE MEETING
21 NOVEMBER 2011**

**HELD IN THE SHIRE COMMITTEE ROOM
COMMENCING AT 1:00 PM**

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1. OFFICIAL OPENING

The Chairperson declared the meeting open at 1.05pm

2. ATTENDANCE AND APOLOGIES

Attendance:	Cr G T Campbell	Chairperson
	Cr A Poelina (From 1.16pm)	
	Cr P D Matsumoto	
Leave of absence:	Cr D M Male (11-25 November 2011 inclusive approved OCM 27 October 2011)	
Officers:	Peter Naylor	Director Corporate and Community Services
	Theresa De Biasi	Acting Manager Financial Services
	Karen Higgins	Finance Officer
	Ghislaine Sweet	Manager Community Development

3. CONFIRMATION OF PREVIOUS MINUTES

Moved: Cr P Matsumoto

Seconded: Cr G Campbell

That the Minutes of the Audit Committee meeting held on 2 March 2011 be confirmed as a true and accurate record of that meeting.

CARRIED

4. ITEMS FOR DISCUSSION

4.1 ANNUAL FINANCIAL AUDIT 2010/2011

LOCATION/ ADDRESS:	N/A
APPLICANT:	N/A
FILE:	FRE 02
AUTHOR:	Acting Manager Financial Services
CONTRIBUTOR/S:	
RESPONSIBLE OFFICER:	Director Corporate and Community Services
DISCLOSURE OF ANY INTEREST:	Nil
DATE OF REPORT:	18 October 2011

SUMMARY: The Audit Committee is required to consider and recommend adoption of the annual financial report, examine the auditor and management reports, and review the report prepared by the CEO.

BACKGROUND

Previous Considerations

Nil

The Audit Committee is required to examine the reports of the auditor after receiving a report from the CEO on the matters and:

- Determine if any matters raised require action to be taken by the local government; and
- Ensure that appropriate action is taken in respect of those matters.

The Audit Committee will review the report prepared by the CEO on any actions taken in respect of any matters raised in the report of the auditor and present the report to Council for adoption. A report copy is to be forwarded to the Minister prior to the end of the next financial year or 6 months after the last report prepared by the auditor is received, whichever is the latest in time.

The Audit Committee will consider and recommend adoption of the annual financial report.

COMMENT

CEO Report to the Audit Committee

Following is the CEO's report to the Audit Committee on matters arising from the audit and management reports. Extracts from the audit and management reports are indented in italics.

Audit Report

The Auditors reported one incident of statutory non-compliance reported during 2010/2011:

“The annual Financial Report for the year ended 30 June 2010 was not submitted to the Director General of the Department of Local Government within 30 days of the auditor’s report becoming available as required by Financial Management Regulation 51 (2).”

This matter occurred as a result of an oversight by staff where the annual Financial Report for the year ended 30 June 2010 was submitted to the Department of Local Government outside of the statutory timeframe of 30 days.

The Local Government (Financial Management) Regulations 1996 state that:

51. Completion of financial report

(2) A copy of the annual financial report of a local government is to be submitted to the Departmental CEO within 30 days of the receipt by the local government’s CEO of the auditor’s report on that financial report.

The oversight was a result of a confusion where the above regulation requires the annual financial report to be submitted after the receipt of the auditor’s report, rather than after the adoption of the reports by Council, as is the case with other regulations.

Staff are now fully aware of the requirements of the regulation and have now submitted the annual Financial Report for the year ended 30 June 2011 to the Department of Local Government within 30 days of receipt of the auditor’s report.

There were no other matters of statutory non-compliance reported.

Management Report

There were no management matters that the auditors wished to draw to Council’s attention.

Other auditing matters;

There were no misstatements, corrected or uncorrected, that the auditors noted during the course of their audit.

Operating Surplus

The Shire closed on 30 June 2011 with a carried forward balance of \$2,121,789, which was made up of \$913,000 prepaid local government grants (included in the 2011/12 Budget) and a net operating surplus of \$1,208,789.

It is proposed that the net operating surplus of \$1,208,789 is distributed to cover any significant operating projects budgeted and commenced during 2010/11 but carried over without being included in the 2011/12 Budget, or any specific debt funded capital projects to reduce borrowings or to specific one off projects as directed by Council. Any balance of net operating surplus could be allocated across capital reserves as funding for future capital works projects.

Major borrowings for 2011/12 are \$4,608,000 Broome Multipurpose Arts & Community Venue Redevelopment and \$830,000 McMahon Estate Staff Housing.

Staff propose an allocation of the \$1,208,789 net operating surplus as follows:

Project/Activity Description	Allocation
Broome Multipurpose Arts & Community Venue (BMACV) – Building Reserve Fund	\$330,000
BRAC Pavilion – Variations to Contract	\$200,000
McMahon Staff Housing Development – Building Reserve	\$160,000
BRAC Retention Basin – Frederick St Drainage – Drainage Reserve Fund	\$150,000
Swimming Pool Inspection Programme	\$100,000
HR Training – Organisational Leadership Development	\$50,000
70 th Anniversary Broome Air Raid Function	\$43,000
Chinatown Precinct Strategy – 10/11 carried over project	\$40,000
Cable Beach Precinct Strategy – 10/11 carried over project	\$40,000
Jetty to Jetty Project	\$20,000
Environmental Policies – 10/11 carried over project	\$20,000
Environmental Strategy – 10/11 carried over project	\$13,000
Administration Staff pool restructure	\$13,000
Community Sponsorship Grants – 10/11 carried over project	\$10,000
LPS/TPS5 – 10/11 carried over project	\$7,000
Total Allocated Funds	\$1,196,000
Carried Forward Operating Surplus	\$12,789
TOTAL	\$1,208,789

BMACV

\$330K is proposed to be set aside in the Building Reserve fund to offset the proposed loan of \$4.608mil and any potential contingencies.

BRAC Pavilion

\$200K is proposed to offset costs of contract variations including \$160K adopted in item 9.2.4 of Ordinary Council Meeting held 2nd September 2010, but was not budgeted for in the 2010/11 or 2011/12 budgets.

McMahon Staff Housing

\$160K is proposed to be set aside in the Building Reserve fund to offset the proposed loan of \$830K and project start up.

BRAC Retention Basin

\$150K is proposed to be set aside in the Drainage Reserve fund for the completion of the BRAC retention basin which was halted last financial year as a result of insufficient funds. This is also reliant on the result of Council's consideration and determination of the development application submitted by Broome International Airport.

Swimming Pool Inspections

\$100K is proposed for employee and operational programme costs as was proposed in the unsuccessful 2011/12 budget submission.

Organisational Training

\$50K is proposed for additional organisational leadership development training to bridge skill gaps at management level.

70th Broome Air Raid Function

\$43k is proposed to fund the scope of the civic function, provide additional funds to ensure the event is a success and a fitting ceremony to commemorate this important chapter in Broome's history.

Chinatown Precinct Strategy

\$40K is proposed for the carried forward project and committed contract with the consultant.

Cable Beach Precinct Strategy

\$40K is proposed for the carried forward project and committed contract with the consultant.

Jetty to Jetty Project

\$20K is proposed for Engagement of Landscape Architect firm for the preparation of preliminary design documentation for the Jetty to Jetty project consisting of indicative route, on-shore and off-shore structures and indicative pricing for each type of structure. the preliminary documentation is needed for consultation purposes and to seek funds to advance to the first stage of the project.

Environmental Policy

\$20K is proposed for the carried forward project and committed contract with the consultant.

Environmental Strategy

\$13K is proposed for the carried forward project and committed contract with the consultant.

Administration Staff Restructure

\$13k is proposed for the formation of an admin pool to provide assistance and support to other departments and provide up-skilling of the customer services team.

Community Sponsorship Programme

\$10K is proposed for the carried forward grant funds from 10/11.

LPS/TPS5 Project

\$7K is proposed for the carried forward project and committed contract with the consultant.

CONSULTATION

Nil

STATUTORY ENVIRONMENT

Local Government Act 1995

6.4. Financial report

- (1) A local government is to prepare an annual financial report for the preceding financial year and such other financial reports as are prescribed.
- (2) The financial report is to —
 - (a) be prepared and presented in the manner and form prescribed; and
 - (b) contain the prescribed information.
- (3) By 30 September following each financial year or such extended time as the Minister allows, a local government is to submit to its auditor —
 - (a) the accounts of the local government, balanced up to the last day of the preceding financial year; and
 - (b) the annual financial report of the local government for the preceding financial year.

7.12A. Duties of local government with respect to audits

- (1) A local government is to do everything in its power to —
 - (a) assist the auditor of the local government to conduct an audit and carry out his or her other duties under this Act in respect of the local government; and
 - (b) ensure that audits are conducted successfully and expeditiously.
- (2) Without limiting the generality of subsection (1), a local government is to meet with the auditor of the local government at least once in every year.
- (3) A local government is to examine the report of the auditor prepared under section 7.9(1), and any report prepared under section 7.9(3) forwarded to it, and is to —
 - (a) determine if any matters raised by the report, or reports, require action to be taken by the local government; and
 - (b) ensure that appropriate action is taken in respect of those matters.
- (4) A local government is to —
 - (a) prepare a report on any actions under subsection (3) in respect of an audit conducted in respect of a financial year; and
 - (b) forward a copy of that report to the Minister, by the end of the next financial year, or 6 months after the last report prepared under section 7.9 is received by the local government, whichever is the latest in time.

5.54. Acceptance of annual reports

- (1) Subject to subsection (2), the annual report for a financial year is to be accepted* by the local government no later than 31 December after that financial year.

* Absolute majority required.

- (2) If the auditor's report is not available in time for the annual report for a financial year to be accepted by 31 December after that financial year, the annual report is to be accepted by the local government no later than 2 months after the auditor's report becomes available.

POLICY IMPLICATIONS

Nil

FINANCIAL IMPLICATIONS

As detailed in the contents of the report.

STRATEGIC IMPLICATIONS

Our People Goal – Foster a community environment that is accessible, affordable, inclusive, healthy and safe:

Encourage communication.

Identify affordable services and initiatives to satisfy community needs.

Our Prosperity Goal – Create the means to enable local jobs creation and lifestyle affordability for the current and future population:

Encourage the provision of affordable land for residential, industrial, commercial and community use.

Our Organisation Goal – Continually enhance the Shire’s organisational capacity to service the needs of a growing community:

Develop an organisational culture that strives for service excellence.

Review and analyse strategic and operational plans.

Manage resource allocation.

Manage staff attraction and retention.

Improve systems, processes and compliance.

VOTING REQUIREMENTS

Absolute Majority

REPORT RECOMMENDATION:

1. *The Audit Committee recommends that Council receives the CEO’s report relating to the audit.*
2. *The Audit Committee recommends that Council receives the audit report and audit management report dated 20 October 2011.*
3. *The Audit Committee recommends that Council adopts the annual financial report for the year ended 30 June 2011.*
4. *The Audit Committee recommends that Council allocates the 2010/2011 net operating surplus of \$1,208,789 as detailed in the report.*

Committee Resolution

Moved: Cr A Poelina

Seconded: Cr P Matsumoto

The audit committee recommends that council:

1. *The Audit Committee recommends that Council receives the CEO’s report relating to the audit.*

2. *The Audit Committee recommends that Council receives the audit report and audit management report dated 20 October 2011.*
3. *The Audit Committee recommends that Council adopts the annual financial report for the year ended 30 June 2011.*
4. *The Audit Committee recommends that Council allocates part of the 2010/2011 net operating surplus of \$1,196,000 as detailed in the report.*
5. *The audit committee recommends the remaining balance of \$12,789 be allocated to area of Community Development and Development Services for completion of the Community Plan Project*

CARRIED BY ABSOLUTE MAJORITY

[Attachment: 55 pages](#)

5. NEXT MEETING

The next meeting will be convened to coincide with the half yearly review in March 2012 held in the Committee Room of the Shire Offices.

6. MEETING CLOSURE

The chairperson on behalf of the audit committee made mention of a very good audit report with only one area of statutory non compliance which was not a major issue, more a timing issue.

Thanked the acting Manager of Finance Services and staff for preparation of financial statement and excellent reporting standards.

There being no further business, the Chairperson declared the meeting closed at 1.46pm