



MINUTES

AUDIT COMMITTEE MEETING

Held at the Shire of Broome –
Function Room at 9.30AM

27 AUGUST 2012

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.

SHIRE OF BROOME
AUDIT COMMITTEE MEETING
27 August 2012

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NOTICE OF MEETING

Dear Committee Member,

The next Audit Committee Meeting of the Shire of Broome will be held on Monday 27 August 2012, in the Function Room, Corner Weld and Haas Streets, Broome, commencing at 9.30am.

Regards



K R DONOHOE
Chief Executive Officer

13 August 2012

5. ITEMS FOR DISCUSSION

5.1 ELECTION OF CHAIRPERSON AND DEPUTY CHAIRPERSON – AUDIT COMMITTEE

LOCATION/ADDRESS: N/A
APPLICANT: N/A
FILE: COA01
AUTHOR: Manager Financial Services
CONTRIBUTOR/S: Nil
RESPONSIBLE OFFICER: Chief Executive Officer
DISCLOSURE OF INTEREST: Nil
DATE OF REPORT: 16 August 2012

SUMMARY: In accordance with the Local Government Act 1995 s5.12, the members of the Audit Committee are to elect a chairperson and deputy chairperson.

BACKGROUND

Previous Considerations

- OCM 27 October 2011 – Item 9.1.3
- OCM 24 May 2005 - Item 9.4.5

The Shire of Broome Audit Committee was established by Council resolution at the Ordinary Meeting of Council held on the 24 May 2005. The Department of Local Government’s guidelines on Audit Committees state:

“An amendment to the Local Government Act 1995 (the Act) in 2005 introduced a requirement that all local governments establish an audit committee. Such committees are to provide an independent oversight of the financial systems of a local government on behalf of the Council. As such, the committee will operate to assist Council to fulfil its corporate governance, stewardship, leadership and control responsibilities in relation to the local government’s financial reporting and audit responsibilities.”

The Act and Regulations provide that audit committees must consist of three members with the majority being elected members, excluding Shire officers. The current members of the Audit Committee were nominated to be appointed to the Audit Committee by Council resolution at the Ordinary Meeting of Council held on the 27 October 2011. The current members and their deputy audit committee members are:

MEMBERS	DEPUTIES
Cr Graeme Campbell	Cr Eunice Yu
Cr Desiree Male	Cr Chris Mitchell
Cr Peter Matsumoto	Cr Anne Poelina

COMMENT

Pursuant to s5.12 of the Local Government Act 1995, the members of the Audit Committee must elect a chairperson and deputy chairperson.

Chairperson.....Date.....

CONSULTATION

Nil

STATUTORY ENVIRONMENT

Local Government Act 1995

5.12. *Election of presiding members and deputies*

- (1) *The members of a committee are to elect a presiding member from amongst themselves in accordance with Schedule 2.3, Division 1 as if the references in that Schedule —*
 - (a) *to “office” were references to “office of presiding member”;*
 - (b) *to “council” were references to “committee”; and*
 - (c) *to “councillors” were references to “committee members”.*
- (2) *The members of a committee may elect a deputy presiding member from amongst themselves but any such election is to be in accordance with Schedule 2.3, Division 2 as if the references in that Schedule —*
 - (a) *to “office” were references to “office of deputy presiding member”;*
 - (b) *to “council” were references to “committee”;*
 - (c) *to “councillors” were references to “committee members”; and*
 - (d) *to “mayor or president” were references to “presiding member”.*

POLICY IMPLICATIONS

Nil

FINANCIAL IMPLICATIONS

Nil

STRATEGIC IMPLICATIONS

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

Encourage communication.

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

Develop an organisational culture that strives for service excellence.

Improve systems, processes and compliance.

VOTING REQUIREMENTS

Simple Majority

REPORT RECOMMENDATION:

The Audit Committee recommends to Council that Councillor _____ be nominated as Chairperson and _____ be nominated as Deputy Chairperson of the Audit Committee.

AUDIT COMMITTEE RESOLUTION:
(REPORT RECOMMENDATION)

The Audit Committee recommends to Council that Councillor G T Campbell be nominated as Chairperson and Councillor D M Male be nominated as Deputy Chairperson of the Audit Committee.

Moved: Cr D M Male

Seconded: Cr P D Matsumoto

CARRIED UNANIMOUSLY

Attachment: Nil

5.2 FINANCIAL MANAGEMENT REVIEW REPORT – MAY 2012

LOCATION/ADDRESS:	N/A
APPLICANT:	N/A
FILE:	FRE02
AUTHOR:	Manager Financial Services
CONTRIBUTOR/S	Senior Officers
RESPONSIBLE OFFICER:	Chief Executive Officer
DISCLOSURE OF INTEREST:	Nil
DATE OF REPORT:	16 August 2012

SUMMARY: Acceptance by the Audit Committee of the four yearly Financial Management Review Report as per the Local Government (Financial Management) Regulations 1996 r5(2)(c) for presentation to Council.

BACKGROUNDPrevious Considerations

OCM 25 September 2008 – Item 9.4.3

The Local Government (Financial Management) Regulations 1996 prescribe the requirement for an extensive review of a local government's financial management system and processes. It requires the Chief Executive Officer (CEO) to undertake reviews of the appropriateness and effectiveness of the financial management systems and procedures of the local government regularly (and not less than once in every 4 financial years) and report to the local government the results of those reviews. In this regard the CEO has engaged auditor David Tomasi of UHY Haines Norton, to conduct a comprehensive review.

The objective of the engagement was to test the financial management system of the Shire of Broome and receive a report on the appropriateness and effectiveness of the control environment within, as required by regulation 5(2)(c).

This report summarises the factual findings and observations of the audit examination and includes recommendations from the auditors that are considered appropriate for the Shire to improve any weaknesses in systems and controls.

COMMENT

The audit examination covered the period July 2011 to February 2012 and considered the following financial systems and procedures of Council:

- Bank Reconciliations and Petty Cash
- Trust Fund
- Receipts and Receivables
- Rates
- Fees and Charges
- Purchases, Payments and Payables (Including Purchase Orders)
- Wages and Salaries
- Fixed Assets (Including acquisition and disposal of property)
- Credit Card Procedures

- Storage of Documents/Record Keeping
- Costs Allocations
- Administration Allocations
- Minutes and Meetings
- Financial Reports
- Budget
- Plan for the Future – Long Term Financial Plan
- Registers (Including Annual & Primary Return)
- Delegations
- Audit Committee
- Insurance
- Other Matters and General Compliance issues

The auditors did not necessarily examine compliance with provisions of the Local Government Act 1995 (the Act) or Local Government (Financial Management) Regulations 1996 (the Regulations), which were not financial in nature. That is, Parts 2, 4, 8 and 9 of the Act, some provisions of Parts 3 and 5 as well as most regulations (apart from the Financial Management Regulations), which did not impact on the areas examined above.

It should be noted that this examination was not an assurance engagement, audit or review in accordance with the Framework for Assurance Engagements, Australian Auditing Standards (ASAs), Auditing Standards on Review Engagements (ASREs) or Standards on Assurance Engagements (SAEs).

The role of expressing assurance on balances rests with the external audit function and those procedures will be carried out separately from this examination with a view to forming an opinion on the financial report (consistent with the requirements of Australian Auditing Standards and the Act) subsequent to the conclusion of the current financial year (30 June 2012). The final external audit is scheduled to take place in October 2012.

The objective was to examine the appropriateness and effectiveness of the financial management systems and procedures of the Shire on behalf of the CEO, with the report intended solely to assist the CEO prepare their review for presentation to Council as required by r5 (2)(c). It is not intended to express or imply any assurance.

It has taken the form of an agreed upon procedures engagement in accordance with Australian Auditing Standards and is in addition to our role as external auditors.

The audit examination and this report should be considered on this basis.

In reporting the results of the review to the local government, section 3.0 of the report summarises exceptions and provides auditor recommendations to address the issues raised.

Officers have noted actions against each recommendation in order to address the specific issues.

CONSULTATION

UHY Haines Norton

STATUTORY ENVIRONMENT

Chairperson.....Date.....

*Local Government Act 1995**Section 6.5 Accounts and records**The CEO has a duty —*

- (a) to ensure that there are kept, in accordance with regulations, proper accounts and records of the transactions and affairs of the local government; and*
- (b) to keep the accounts and records up to date and ready for inspection at any time by persons authorised to do so under this Act or another written law.*

*Local Government (Financial Management) Regulations 1996**Regulation 5. Financial management duties of the CEO**(1) Efficient systems and procedures are to be established by the CEO of a local government —*

- (a) for the proper collection of all money owing to the local government;*
- (b) for the safe custody and security of all money collected or held by the local government;*
- (c) for the proper maintenance and security of the financial records of the local government (whether maintained in written form or by electronic or other means or process);*
- (d) to ensure proper accounting for municipal or trust —*
 - (i) revenue received or receivable;*
 - (ii) expenses paid or payable; and*
 - (iii) assets and liabilities;*
- (e) to ensure proper authorisation for the incurring of liabilities and the making of payments;*
- (f) for the maintenance of payroll, stock control and costing records; and*
- (g) to assist in the preparation of budgets, budget reviews, accounts and reports required by the Act or these regulations.*

(2) The CEO is to —

- (a) ensure that the resources of the local government are effectively and efficiently managed;*
- (b) assist the council to undertake reviews of fees and charges regularly (and not less than once in every financial year); and*
- (c) undertake reviews of the appropriateness and effectiveness of the financial management systems and procedures of the local government regularly (and not less than once in every 4 financial years) and report to the local government the results of those reviews.*

POLICY IMPLICATIONS

2.1.2 Investment of Surplus Funds

FINANCIAL IMPLICATIONS

The conduct of the four yearly financial management review, is a separate and additional cost to Council's audit which is conducted by the appointed auditors.

STRATEGIC IMPLICATIONS

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

Encourage communication.

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.

Improve systems, processes and compliance.

VOTING REQUIREMENTS

Simple Majority

REPORT RECOMMENDATION:

That the Audit Committee recommends that Council:

1. *Adopts the Financial Management Review Report May 2012 and,*
2. *Implements actions to recommendations during 2012/2013.*

AUDIT COMMITTEE RESOLUTION:
(REPORT RECOMMENDATION)

That the Audit Committee recommends that Council:

1. *Notes the level of significant improvement from the 2008 Financial Management Review in the occurrence of matters of non-compliance and,*
2. *Acknowledges the areas of medium risk are being addressed by staff and,*
3. *Adopts the Financial Management Review Report May 2012.*

Moved: Cr G T Campbell

Seconded: Cr D M Male

CARRIED UNANIMOUSLY

Attachment: [14 Pages](#)

6. NEXT MEETING

The next meeting will be convened to coincide with the receipt of the Annual Financial Report in November 2012 to be held in the Committee Room of the Shire Offices.

7. MEETING CLOSURE

There being no further business the Chairperson declared the meeting closed at 10:12 am.