Shire of Broome

people • place • prosperity

**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

## COMMENCING AT 2:00PM

**In the Shire Committee Room**

# 27 FEBRUARY 2012

# OUR VISION

***"A thriving and friendly community that recognises our history and embraces cultural diversity and economic opportunity, whilst nurturing our unique natural and built environment."***

# OUR MISSION

***"To deliver affordable and quality Local Government services."***

## *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**

**Integrity**

**Respect**

**Innovation**

**Transparency**

**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.**

**These minutes are unconfirmed.**

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

# 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**
**27 FEBRUARY 2012**

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## 1. OFFICIAL OPENING

The Chairperson declared the meeting open at 2:04pm.

## 2. ATTENDANCE AND APOLOGIES

| | | |
|---|---|---|
| Attendance: | Cr G T Campbell | Chairperson |
| | Cr D M Male | |
| | Cr P D Matsumoto | |
| | Cr C R Mitchell (from 2:22pm) | |
| Apologies: | Kenn Donohoe | Chief Executive Officer |
| | Cr A Poelina | Deputy Shire President |
| Officers: | Adrian Grant | Director Corporate and Community Services |
| | Theresa De Biasi | Acting Manager Financial Services |

## 3. CONFIRMATION OF PREVIOUS MINUTES

***Moved: Cr D Male*** ***Seconded: Cr P D Matsumoto***

***That the Minutes of the Audit Committee meeting held on 21 November 2011 be confirmed as a true and accurate record of that meeting.***

***CARRIED UNANIMOUSLY***

## 4. ITEMS FOR DISCUSSION

***Item 4.1 has been amended as per resolution to Late Item 5.1 – Budget Amendment Old Shire Office Building Renewal.***

***Cr G T Campbell declared a Financial Interest in Item 4.1 as a Director of a company that has a share in the Roebuck Bay Caravan Park. The members agreed that as there was no significant conflict and allowed Cr G T Campbell to remain in the meeting as a non-voting member.***

### 4.1 HALF YEAR BUDGET REVIEW REPORT 2011/2012

| | |
|---|---|
| **LOCATION/ ADDRESS:** | N/A |
| **APPLICANT:** | N/A |
| **FILE:** | FRE 02 |
| **AUTHOR:** | Manager Financial Services |
| **CONTRIBUTOR/S:** | Responsible Officers |
| **RESPONSIBLE OFFICER:** | Director Corporate and Community Services |
| **DISCLOSURE OF ANY INTEREST:** | Nil |
| **DATE OF REPORT:** | 10 February 2012 |

**SUMMARY:** Half Yearly Review of the Shires operations for the period ended 31 December 2011, including estimates and budget recommendations to 30 June 2012.

**BACKGROUND**

Previous Considerations

Monthly Financial Activity Reports July – December 2011.

In accordance with r.33A of the *Local Government (Financial Management) Regulations 1996*, a local government is to carry out a review of its annual budget for that year. The terms of reference of the audit committee include a review of the half yearly financial results compared to budget from 1 July 2011 to 31 December 2011.

The Shire of Broome reviews performance on a monthly basis and reports variations through the Monthly Financial Activity Report. In the six (6) months to December 2011 the financial reporting process had recorded 148 budget variations to original estimates, resulting in an accumulated net forecast of $68,600 in surplus funds.

At the Ordinary Council Meeting 14 December 2011, Council fully allocated the balance of the $1,208,789 carried forward surplus as 18 budget variations to original estimates, resulting in no change to the accumulated net forecast.

On the advice of the Department for Local Government, a schedule of all prior budget amendments should be included to complete the financial review of the original budget for the period July – December 2011. A schedule of all prior amendments has been included for acceptance by Council.

In addition, Council has received confirmation from the Department of Regional Development and Lands of the 2011-2012 Royalties for Regions Country Local Government Fund, of its individual allocation of $881,580. This report recommends that

Council allocates this funding to the McMahon Estate staff housing project to facilitate its progress and reduce Council's borrowing commitments.

This half yearly report provides commentary of operations by statutory program and sub-program of activity, as an addition to the information already prepared for the regular December Monthly Financial Activity Report.
The intent of the report is to enhance any forecasting variations prepared from July to December, by including specific analysis to detect and comment on potential revisions to the latest budget forecast. Finance has also commented as to the overall favourable or unfavourable outlook for respective activities.

**COMMENT**

The following are the key organisational indicators from the December Monthly Financial Activity Report of the year-to-date budget position as at 31 December 2011.

**Budget Year elapsed 50%**

**Total Operating Expenditure 48% (Last Year 52%)**

Generally operating expenditure at 48% is very favourable at 2% below the half yearly mark, and further positive signs are that it is 4% lower than last year to date.

**Total Operating Revenue 85% (Last Year 81%)**

The operating revenue figure of 85% is influenced by rates and rubbish services levied in the 2nd quarter, and similarly favourable the operating income is 4% higher than last year to date.

**Total Capital Expenditure 15% (Last Year 16%)**

Capital expenditure of 15% is similar to last year, however the capital programme is behind schedule to be completed by years end. The areas that have fallen behind at December were Land and Buildings Upgrade 11%, although this area is now progressing well with the works in progress on the Broome Multipurpose Arts and Community Venue; Land and Buildings Renewal 3%, has slowed with staff turnover; Infrastructure Assets New 6%, has been restricted by design staff turnover; Infrastructure Assets Renewal 8% awaiting start on $500K of rural maintenance reseals; Fixed Plant and Equipment Upgrade 7%, from the deferral of the Chinatown Underground Power project through lack of grant funding $500K; Fixed Plant and Equipment Renewals 3%, from deferral of the $139K KRO air conditioner replacement.

**Total Capital Revenue 47% (Last Year 51%)**

Capital revenues at 47% have been favourably influenced to date by the receipt of construction grants for the BMACV and road construction grants.

**Total Sale of Asset Revenue 13% (Last Year 4%)**

Sale of asset revenue of 13% indicates the progress of the planned plant replacement program. The progress is more favourable compared to last year and reflects the progress of the mobile plant replacement program which is 41% completed.

**Methodology**

The methodology of commenting on material exceptions is guided by the policy of Materiality in Financial Reporting 2.1.1.

Any budget forecast estimates from this report will be considered for inclusion and reported as amendments in the following Monthly Financial Activity report.

**MID YEAR FINANCIAL REVIEW TO END DECEMBER 2011**

**Introduction and Methodology**

This review is in three sections, these being;

- Operating Budgets by Program – budget amendments recommended.
- Waste Management (Business Unit) – Net movement of funds to/from reserve as a result of variations in operating revenue or expenditure
- Capital Budgets by Program – budget amendments recommended.

The review methodology compares the current amended budget position to forecast actual values and recommends budget amendments where appropriate. The threshold of reporting is in accordance with Materiality in Financial Reporting 2.1.1. The threshold is applied to operating, capital and program items and if appropriate an estimate will be recommended as a budget amendment.

**Exclusions**

Variations to non-cash items such as profit or loss on sale of assets, accrual items and depreciation are not reported as they have no cash impact on Council's forecast position.

**Executive Summary**

The net result of all half year review operating estimates and capital estimates is an increase of the forecast deficit $48,600. Added to the current December forecast of $68,600 surplus, the net affect of this budget review will be an end of year forecast surplus of $20,000.

Materiality in Financial Reporting Policy 2.1.1. contains a trigger point when a forecast deficit reaches the equivalent to 1% of Operating Revenue ($276,500), a specific organisational plan of action is enacted immediately to remedy the situation. The current forecast of a $20,000 surplus does not require a specific plan of action to bring the budget forecast back into balance at this point in time. Finance staff will continue to monitor results during the remainder of the financial year.

**GOVERNANCE**

**Other Governance**

Budget Amendments are recommended for:

Expenses

- $60,000 reduction in community information expenditure from deferral of the visual media programme, estimate $30K

- $10,000 reduction in cash community sponsorship programme transferred to In-Kind sponsorship, estimate $85K.
- $10,000 increase in In-Kind community sponsorship to reflect non-cash community support, estimate $10K
- $88,000 reduction in salary budget for August start of the Executive Manager Strategic Development $13K and move of Council Secretary to Governance section $75K.
- $15,000 increase in consultants services for additional asset pick up work and presentations for Cardno LG services in remote communities, estimate $335K.

**GENERAL PURPOSE FUNDING**

**Rates**

Budget Amendments are recommended for:

Expenses

- $25,000 reduction in VGO expenses as UV to GRV revaluations will not occur en bloc after revision of Rural Rating Policy, estimate $154K.

Income

- $12,000 increased rates enquiry income estimates from increased sales activity, estimate $45K
- $100,000 increase to rates income from additional interim rates estimates, estimate $14.972 million

**Other General Purpose Income**

Budget Amendments are recommended for:
Income

- $18,000 increased commonwealth financial assistance grants than estimated (FAGS) estimate $2.139million

**LAW ORDER and PUBLIC SAFETY**

**Ranger, Emergency and Beach Administration**

Budget Amendments are recommended for:

Expenses

- $34,000 increased estimate of Ranger office accommodation for outgoings $29K and cleaning $5K; estimate $54K
- $10,000 reduction in cost of security beach patrols and security intelligence gathering, estimate $11K
- $23,000 reduction in Ranger salaries from less than estimated expenditure.

**HEALTH**

**Health Service – Inspection**

Budget Amendments are recommended for:

Income

- $10,000 reduction in annual Health licence income estimate from lower volume, estimate $50K

**EDUCATION and WELFARE**

**Community Services**

Expenses

- $45,000 increase in salaries expenditure for a Level 5 Arts and Venue Coordinator (6 month contract) for BMACV, total salary estimate $301K

**HOUSING**

**Staff Housing**

Budget Amendments are recommended for:

Expenses

- $26,000 reduction in 16 Goshawk Loop rent expense as lease terminated
- $31,200 reduction in Unit 4/11 Challenor Drive rent expense as lease terminated
- $25,500 increase in 35 Pipit Loop rent expense for new lease
- $21,000 increase in Unit 12/49 Hamersley rent expense for new lease
- $12,700 increase in 61 Durack Crescent rent expense for new lease
- $25,500 reduction in 12 Godwit Crescent rent expense as lease terminated
- $17,500 reduction in 16 Wallaby Way rent expense as lease terminated
- $18,200 reduction in Unit 5/10 Bagot Street rent expense as lease terminated
- $24,900 reduction in loan interest and fee repayment as loan funds for McMahon Estate will not be drawn this financial year

Income

- $26,000 reduction in 16 Goshawk Loop rent income as lease terminated
- $31,200 reduction in Unit 4/11 Challenor Drive rent income as lease terminated
- $25,500 increase in 35 Pipit Loop rent income for new lease
- $21,000 increase in Unit 12/49 Hamersley rent income for new lease
- $12,700 increase in 61 Durack Crescent rent income for new lease
- $25,500 reduction in 12 Godwit Crescent rent income as lease terminated
- $17,500 reduction in 16 Wallaby Way rent income as lease terminated
- $18,200 reduction in Unit 5/10 Bagot Street rent income as lease terminated

**COMMUNITY AMENITIES**

**Sanitation – Other**

Budget Amendments are recommended for:

Expenses

- $14,000 increase for clean up crew general litter control tip fees
- $16,000 increase for clean up crew rural public rubbish bin tip fees
- $48,000 increase for clean up crew urban rubbish tip fees $40K and materials $8K

- $12,000 increase in casual litter collection expenses, estimate $36K
- $10,000 reduction in Shire skip bin expenses after costing to correct user programs, estimate $20K

**Urban Storm Water Drainage**

Budget Amendments are recommended for:

Income

- $12,000 reduction in estimated headworks contributions from developers, estimate $8K

**Development Services**

Budget Amendments are recommended for:

Expenses

- $37,000 reduction in Development Services salaries from turnover in first half
- $10,000 increase in consultancy quotes for LPS/TPS5 projects

**Protection of Environment**

Budget Amendments are recommended for:

Expenses

- $100,000 reduction for coastal protection revetment at Town Beach, provision for emergency response, also budgeted under Parks and Ovals.

**Other Community Amenities**

Budget Amendments are recommended for:

Expenses

- $23,000 increase in Town Beach toilet maintenance for sewer study $17K and painting, estimate $32K
- $15,000 reduction in Town Beach toilet cleaning expenses, estimate $40K
- $15,000 reduction in Cable Beach toilet cleaning expenses, estimate $40K

**RECREATION and CULTURE**

**Public Halls and Civic Centres**

Budget Amendments are recommended for:

Expenses

- $10,000 reduction in Civic Centre operational expenses whilst under reconstruction, estimate $31K

**Libraries**

Budget Amendments are recommended for:

Expenses

- $10,000 increase in library building maintenance activity than estimated, $15K

**Other Recreation and Sport**

Budget Amendments are recommended for:

Expenses

- $34,000 increase for external costs of International basketball event, estimate $34K

**Broome Recreation and Aquatic Centre (BRAC)**

Budget Amendments are recommended for:

Expenses

- $10,000 reduction in contractor expenses for ground maintenance at BRAC, estimate $68K
- $11,000 reduction in staff housing expenses from termination of management contract Nov, estimate $31K
- $25,000 increase in kiosk cost of goods sold stock usage; cost of goods sold estimate $71K
- $25,000 reduction in lifeguard salaries to December
- $30,000 increase in swimming lesson salaries to December
- $80,000 increase in Sports Facilities Master Plan for BRAC and Four Active Reserves, funded by $25K Community Sporting and Recreation Facilities Fund (CSRFF) Grant, see Ordinary Council Meeting 1/09/2011

Income

- $17,000 increased estimate for annual kiosk sales; Sales estimate $87K
- $25,000 increase in CSRFF grants for Sports Facilities Master Plan for BRAC and Four Active Reserves, see Ordinary Council Meeting 1/09/2011
- $170,000 increase for final CSRFF Grant claim for BRAC Pavilion Construction

**TRANSPORT**

**Parking Control**

Budget Amendments are recommended for:

Expenses

- $11,000 reduction in annual salaries and superannuation estimate for parking control

**Road Maintenance**

Budget Amendments are recommended for:

Income

- $48,000 reduction in WANDRRA claim for TC Laurance, estimate $133K

**ECONOMIC SERVICES**

**Tourism and Area Promotion**

Budget Amendments are recommended for:

Expenses

- $35,000 increase in Roebuck Bay Caravan park maintenance for immediate program of electrical safety testing in response to incident reports, estimate $41.5K

**Building Control**

Budget Amendments are recommended for:

Expenses

- $50,000 reduction to estimate for six month program of swimming pool inspections, estimate $50K
- $10,000 reduction to estimate of building control relief contractors to December, estimate $10K

**OTHER PROPERTY and SERVICES**

**Engineering Office**

Budget Amendments are recommended for:

Expenses

- $54,000 reduction in engineering office salaries from turnover to December

Income

- $10,000 reduction for estimate of plan checking fees initiative to $0K
- $14,000 reduction for annual estimate of subdivision supervision fees to $36K

**Works Operations**

Budget Amendments are recommended for:

Expenses

- $10,000 reduction in estimate of works operations staff housing expenses from turnover

**Plant Operations**

Budget Amendments are recommended for:

Expenses

- $15,000 reduction in annual parts and repairs estimates, estimate $410K
- $27,000 increase in vehicle insurance and licences paid in advance

**Corporate Governance and Support**

Budget Amendments are recommended for:

Expenses

- $150,000 increase in salary estimates for Council Secretary $75K moved from Other Governance, plus permanent Lvl4 position $75K from front counter restructure December
- $12,000 reduction in annual estimate to other local authorities for ex-employee entitlements, estimate $20K
- $10,000 increase in annual recruitment expenditure estimate from higher level staff turnover, estimate $74K
- $10,000 reduction in relocation expenses to December, estimate $54K
- $10,000 reduction in annual estimate for General Administration legal expenses to $25K
- $16,000 increase in insurance expenses for public liability $6K and property insurance portfolio $10K residuals for architects fees, removal of debris, loss of rent

**IT and Records Operations**

Budget Amendments are recommended for:

Expenses

- $20,000 increase for business broadband costs not included in original estimates
- $30,000 reduction in annual IT salary estimates from hosting GIS services with the City of Swan

**Unclassified General**

Budget Amendments are recommended for:

Expenses

- $61,000 increase in consultants for survey of all buildings on asbestos register and review asbestos management plan

**Community Facilities Leased Unclassified**

Budget Amendments are recommended for:

Income

- $10,000 increase in BOSCCA child care lease and back rent

**WASTE MANAGEMENT (BUSINESS UNIT)**

Budget Amendments are recommended for:

Expenses

- $117,000 reduction in estimate for domestic refuse collection, estimate $480K
- $110,000 increase in estimate for domestic recycling collection, estimate $660K
- $10,000 increase in estimate for commercial recycling expenses, estimate $26K
- $85,000 increase in estimate for mulching at refuse site, estimate $210K

- $242,000 increase in estimate for outsourced material and services, estimate $402K
- $250,000 increase in estimated earthworks and refuse movement, estimate $1.02 million
- $50,000 increase in wages for office and customer service duties from use of workers compensation light duties and higher wage rate staff.
- $100,000 reduction of new refuse site feasibility analysis as already covered under separate $50K budget allocation, estimate $0K
- $28,000 increase in consultancy for $8K Cardno Strategic Waste Plan and $20K Waste Collection Contract preparation and tender

Income

- $60,000 increase in refuse and recycling charges, estimate $2.211 million
- $62,000 reduction in commercial waste charges, revised estimate from budget calculation as the majority of charges are raised to Dec, estimate $169K
- $15,000 increase in waste management levy than estimated, estimate $485K
- $350,000 increase in refuse site tipping fees, estimate $1 million

Capital Income

- $195,000 reduction in transfer to Refuse Site Reserve from operating surplus, estimate $569K from a budgeted transfer of $764K.

Potential affect on current forecast for the Waste Reserve transfer is a reduction in $195,000 to the estimated transfer to Reserve, there is no affect on the general purpose operating carried forward forecast.

**CAPITAL BUDGET (RESERVE AND GRANT FUNDED)**

**Capital Expenditure - Progress after 50% of Year Elapsed to December was 15% of total budgeted capital expenditure.**

Capital programs are backed by Reserve accounts and generally where capital works have not been completed, the unspent funds are quarantined into the relevant reserve so that funds remain available for asset management purposes only, thus avoiding leakage into consolidated revenue to offset operating results.

The following is a summary of exceptions as forecast for recommendation for budget amendments.

The net cost against General Purpose funds not covered by Reserves is $267,500 including Old Shire Office internal re-fit $90K, further completion of the BRAC Medlend Pavilion $80K, McMahon subdivision design quote $70K, Broome Youth Support Group outdoor sports courts $16,500, and BRAC Retractable Shade $11K.

**Staff Housing**

Capital Expenditure

- $760,000 reduction in McMahon Estate planning and design expense being subdivision design quotation, estimate $70K

Capital Income

- $830,000 reduction in McMahon Estate loan funds received as the loan will not be drawn until final project costs are realised, estimate $0K

**Community Amenities**

Capital Expenditure

- $30,000 increase in Cable Beach Toilets Renewal to refurbish roof, repaint, retile and re-grout cubicles, estimate $51K

**Recreation and Culture**

Capital Expenditure

- $80,000 reduction in Lotteries House Building Renewal works by deferring roof refurbishment and replacement of patio roof outside of Jack and Jill playgroup, estimate $12K, reduced funding from Building Reserve $80K
- $136,000 increase in Library Building Renewal to add an additional $36K to recarpeting, and include $50K electrical switchboard replacement and $50K toilet refurbishment, estimate $196K, increased funding from Building Reserve $136K
- $20,000 increase in Museum Building Renewal for a $30K refurbishment of disabled toilet and deferral of $10K gazebo replacement, estimate $30K, increased funding from Building Reserve $20K
- $13,000 increase in Cable Beach POS Reserve Renewal works carry over completion from 10/11, estimate $13K funded from POS Reserve
- $11,000 increase in BRAC Building Upgrade for carryover completion of retractable shade project from 10/11, estimate $11K funded from General Purpose funds
- $10,000 reduction in BRAC Aquatic Building Renewal from reduced refurbishment of pool deck amenities, estimate $42K , reduced funding from Building Reserve $10K
- $80,000 increase in BRAC Ovals Pavilion New Building construction, estimate $280K, funded from final Community Sporting and Recreation Facilities Fund (CSRFF) Grant claim $80K (of $170K)
- $33,000 increase for upgrade of Outdoor Youth Sports Courts at Youth Support Group Centre; funded by $16,500 CSRFF Grant and $16,500 General Purpose Funds, refer Ordinary Council Meeting 010911.

Capital Income

- $13,000 increase in transfer from POS Reserve for Cable Beach POS Renewal works.
- $16,500 increase in CSRFF Grant for Outdoor Youth Sports Courts

**Transport**

Capital Expenditure

- $500,000 reduction in Street Light construction for Chinatown Underground Power as grant was not successful, estimate $0K

Capital Income

- $500,000 reduction in Street Light construction grant for Chinatown Underground Power as grant was not successful, estimate $0K

**Other Property and Services**

Capital Expenditure

- $60,000 reduction in Shire Office Building New storage construction deferred to 12/13, estimate $0, funding transferred to Building Reserve $60K
- $30,000 increase in IT Equipment and Hardware carryover from late billing of PABX Phase 2 project 10/11, estimate $165K, funded from IT and Equipment Reserve $30K
- $265,000 reduction in Cable Beach Restaurant Facilities Building Renewal deferred to 12/13, estimate $0K, reduced funding from Building Reserve $132.5K and tenant contribution $132.5K
- $151,000 increase in BOSSCA Building Renewal for $70K roof replacement, $81K electrical switchboard rewire, painting and asbestos removal, estimate $151K, funded from Building Reserve
- $139,000 reduction in KRO Building Renewal for air conditioner replacement deferred to 12/13, estimate $0K, reduced funding from Building Reserve $139K
- $90,000 increase in Old Shire Office internal re-fit for Shire Accommodation, funded from General Purpose Funds
- $60,000 increased transfer to Building Reserve for deferral of Shire Office Building New storage facility
- $60,000 increase in Old Shire Office Building Renewal for electrical system renewal, estimate $300K, funded from Building Reserve as per late item 5.1 Audit Committee Meeting held on 27 February 2012

Capital Income

Amended ACM 27 February 2012 Late Item 5.1

- $30,000 increased transfer from IT Reserve for PABX Phase 2 project completion
- $24,500 reduction in transfer from Building Reserve for increase in Cable Beach toilets $30K, reduction in Lotteries House $80K, increase in Library $136K, increase in Museum $20K, reduction in Cable Beach Restaurant $136.5K, increase in BOSSCA $151K and reduction in KRO plant $139K.
- $132,500 reduction in tenant contribution for Cable Beach Restaurant Renewal
- $60,000 increased transfer from Building Reserve for increase in Old Shire Office Building Renewal for electrical system renewal as per late item 5.1 ACM 27 February 2012

**CONSULTATION**

Nil.

**STATUTORY ENVIRONMENT**

*Local Government (Financial Management) Regulation 1996*

**r33A.** ***Review of Budget***

*(1) Between 1 January and 31 March in each financial year a local government is to carry out a review of its annual budget for that year.*

*(2A) The review of an annual budget for a financial year must —*

*(a) consider the local government's financial performance in the period beginning on 1 July and ending no earlier than 31 December in that financial year; and*

*(b) consider the local government's financial position as at the date of the review; and*

*(c) review the outcomes for the end of that financial year that are forecast in the budget.*

*(2) Within 30 days after a review of the annual budget of a local government is carried out it is to be submitted to the council.*

*(3) A council is to consider a review submitted to it and is to determine* whether or not to adopt the review, any parts of the review or any recommendations made in the review.*

**Absolute majority required.*

*(4) Within 30 days after a council has made a determination, a copy of the review and determination is to be provided to the Department.*

*Local Government Act 1995*

***6.8. Expenditure from municipal fund not included in annual budget***

*1) A local government is not to incur expenditure from its municipal fund for an additional purpose except where the expenditure —*

*a) is incurred in a financial year before the adoption of the annual budget by the local government;*

*b) is authorised in advance by resolution*; or*

*c) is authorised in advance by the mayor or president in an emergency.*

*(1a In subsection (1) —*

*"additional purpose" means a purpose for which no expenditure estimate is included in the local government's annual budget.*

**POLICY IMPLICATIONS**

Materiality in Financial Reporting Policy 2.1.1.

**FINANCIAL IMPLICATIONS**

The net result of all half yearly review estimates is a deficit of $48,600. Added to the current December forecast of $68,600 surplus, the net affect of this budget review will be an end of year forecast surplus of $20,000.

**STRATEGIC IMPLICATIONS**

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

Manage resource allocation.

Encourage community engagement.
Improve systems, processes and compliance.

**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 or 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*

***AUDIT COMMITTEE RESOLUTION:***
***(REPORT RECOMMENDATION)***

***That the Audit Committee recommends that Council:***

***1. Receives the Half Yearly Review Report for the period ended 31 December 2011.***

***2. Receives the schedule of budget amendments already adopted by Council during the period 1 July 2011 to 31 December 2011.***

***3. Adopts the operating and capital budget amendment recommendations for the period ended 30 June 2012.***

***4. Confirms the allocation of the 2011-2012 Royalties for Regions Country Local Government Fund Individual Allocation of $881,580 to the McMahon Estate project.***

***Moved: Cr D Male*** ***Seconded: Cr P Matsumoto***

***CARRIED BY ABSOLUTE MAJORITY 2/0***

Attachment: 26 Pages

## 4.2 COMPLIANCE AUDIT RETURN 2011

**LOCATION/ADDRESS:** N/A
**APPLICANT:** N/A
**FILE:** LCR 02
**AUTHOR:** Manager Governance
**CONTRIBUTOR/S**
**RESPONSIBLE OFFICER:** Director Corporate and Community Services
**DISCLOSURE OF INTEREST:** Nil
**DATE OF REPORT:** 25 January 2012

**SUMMARY:** The purpose of this Report is to present to the Audit Committee the 2011 Compliance Audit Return for review, noting areas of non-compliance, and for a recommendation to Council to adopt the 2011 Compliance Audit Return for submission to the Department of Local Government by 31 March 2012.

### BACKGROUND

Previous Considerations

| | |
|---|---|
| OMC 23 March 2004 | Item 9.1.3 |
| OMC 22 March 2005 | Item 9.1.2 |
| OMC 11 April 2006 | Item 9.1.4 |
| OMC 15 March 2007 | Item 10.4 |
| OMC 13 March 2008 | Item 10.1 |
| OMC 24 March 2009 | Item 10.3 |
| OMC 18 March 2010 | Item 10.1 |
| OMC 17 March 2011 | Item 10.2 |

Section 7.13(i) of the Local Government Act 1995 requires that each local government carry out a compliance audit for the period 1 January to 31 December each year. The Compliance Audit is an in-house self audit that is undertaken by staff.

The Compliance Audit Return is to be:

1. presented to an Ordinary Meeting of Council,
2. adopted by Council; and
3. recorded in the minutes of the meeting at which it is adopted.

After the Compliance Audit Return (CAR) has been presented to Council, a certified copy of the return, along with the relevant section of the minutes and any additional information detailing the contents of the return are to be submitted to the Department of Local Government by 31 March 2012.

### COMMENT

The Compliance Audit for the period 1 January 2011 to 31 December 2011 has been completed and is attached, along with the details of the area of non-compliance and future actions to be implemented to address same.

The 2011 Compliance Audit reveals a compliance rating of 98.7% with 1 area of non-compliance out of the 78 areas audited. This compares to:

2010 Compliance Audit – 1 area of non-compliance of 283 areas audited (99.6%)
2009 Compliance Audit – 4 areas of non-compliance of 347 areas audited (98.8%)
2008 Compliance Audit – 2 areas of non-compliance of 311 areas audited (99.4%
2007 Compliance Audit – 13 areas of non-compliance of 271 areas audited (96.1%)
2006 Compliance Audit – 21 areas of non-compliance of 271 areas audited (92.3%)
2005 Compliance Audit – 23 areas of non-compliance of 306 areas audited (92.5%)
2004 Audit – 18 areas of non-compliance and 147 areas audited (87.8%)

Whilst the structure of the CAR is generally similar to that of previous years, areas of compliance covered by the 2011 return have been reduced to those areas considered high risk. This has resulted in substantially fewer questions.

This return requires the Shire President and the Chief Executive Officer to certify that the statutory obligations of the Shire of Broome have been complied with.

**CONSULTATION**

Nil.

**STATUTORY ENVIRONMENT**

**Local Government Act 1995**

***7.13 Regulations as to audits***

*(1) Regulations may make provision –*
*(i) requiring local governments to carry out, in the prescribed manner and in a form approved by the Minister, an audit of compliance with such statutory requirements as are prescribed whether those requirements are –*
*(i) of a financial nature or not; or*
*(ii) under this Act or another written law.*

**Local Government (Audit) Regulations 1996**

***14. Compliance audit return to be prepared***

*(1) A local government is to carry out a compliance audit for the period 1 January to 31 December in each year.*
*(2) After carrying out a compliance audit the local government is to prepare a compliance audit return in a form approved by the Minister.*
*(3) A compliance audit return is to be –*
*(a) presented to the council at a meeting of the council;*
*(b) adopted by the council; and*
*(c) recorded in the minutes of the meeting at which it is adopted.*

***15. Completion of compliance audit***

*(1) After the compliance audit return has been presented to the council in accordance with regulation 14(3) a certified copy of the return together with –*
*(a) a copy of the relevant section of the minutes referred to in regulation 14(3)(c); and*
*(b) any additional information explaining or qualifying the compliance audit,*

*Is to be submitted to the Executive Director by 31 March next following the period to which the return relates.*

*(2) In this regulation –*

***certified** in relation to a compliance audit return means signed by –*

*(a) the mayor or president; and*

*(b) the CEO.*

**POLICY IMPLICATIONS**

Nil

**FINANCIAL IMPLICATIONS**

Nil

**STRATEGIC IMPLICATIONS**

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

Improve systems, processes and compliance.

**VOTING REQUIREMENTS**

*Simple Majority.*

***AUDIT COMMITTEE RESOLUTION:***

***REPORT RECOMMENDATION***

***That the Audit Committee recommends:***

***1. Council receives the Compliance Audit Return 2011 Summary listing areas of noncompliance and future actions.***

***2. Council adopts the Compliance Audit Return 2011 as the official return for the Shire of Broome.***

***Moved: Cr P Matsumoto*** ***Seconded: Cr D Male***

***CARRIED UNANIMOUSLY***

Attachment: 11 pages

## 5. URGENT ITEMS

### 5.1 BUDGET AMENDMENT - OLD SHIRE OFFICE BUILDING RENEWAL

**LOCATION/ADDRESS:** N/A
**APPLICANT:** N/A
**FILE:** FRE02
**AUTHOR:** A/ Manager Financial Services
**CONTRIBUTOR/S** Property and Leasing Coordinator
**RESPONSIBLE OFFICER:** Deputy Chief Executive Officer
**DISCLOSURE OF INTEREST:** NIL
**DATE OF REPORT:** 27 February 2012

**SUMMARY:** This report seeks urgent inclusion in the Half Year Review Report of budget increases of $60,000 for building renewal capital works at the Old Shire Office at 7 Barker Street, for preparation of the facility for Shire staff office accommodation, to be funded from the Building Renewal Reserve.

**BACKGROUND**

Previous Considerations

SCM 17 August 2011 - Item 9.1.9

**COMMENT**

In line with the expansion of the operations of the Shire of Broome and its structure and staffing, it was recognised that additional office space was required in order to effectively meet the needs of the organisation and the community. As part of this review and with the existing Lingiari lease approaching renewal and with their removal to accommodation at the Kimberley Regional Office (KRO), the Old Shire Office at 7 Barker Street was seen as an opportunity to service this need as a result of its proximity to the existing Shire Administration building at 27 Weld Street.

In preparation for the relocation of staff into the Old Shire Office and due to the age of the building it has become necessary for the electrical switchboard and system to be renewed, being over thirty years old and is currently below safety standards.

Initial cost estimates for this work have been quoted at $60,000 in addition to the $240,000 already budgeted for other building renewal works for the property in the 2011/2012 budget. This capital expenditure will be funded by the Building Renewal Reserve account.

The additional funding from the Building Renewal Reserve account will be offset by the deferral of other reserve funded building renewal capital works including:

$7,000 Pearl Lugger Upgrade Construction
$31,000 Town Beach Kiosk Building Renewal Construction
$22,000 Shire Office Cable Beach Renewal Construction

The advantages of acquiring the additional office space include; satisfying current and future staff office space requirements; increased effectiveness of service delivery to the

organisation and community by Shire operations; and the re-alignment of the Ranger Services Department with their Directorate.

**CONSULTATION**

External electrical and building contractors

**STATUTORY ENVIRONMENT**

***6.8. Expenditure from municipal fund not included in annual budget***

*1) A local government is not to incur expenditure from its municipal fund for an additional purpose except where the expenditure —*

*a) is incurred in a financial year before the adoption of the annual budget by the local government;*

*b) is authorised in advance by resolution*; or*

*c) is authorised in advance by the mayor or president in an emergency.*

*(1a In subsection (1) —*

*"additional purpose" means a purpose for which no expenditure estimate is included in the local government's annual budget.*

** Absolute majority required.*

**POLICY IMPLICATIONS**

NIL

**FINANCIAL IMPLICATIONS**

The net result of this budget amendment will have a nil effect on the predicted end of year deficit.

Increase GL account 147372 - Old Shire Office-Building Renewal - Cap Exp - Office Prop Leased by $60,000 to a total of $300,000.

Increase GL account 147355 - Transfer from Building Reserve – Cap Inc - Leased Offices by $60,000 to a total of $60,000.

**Asset:**

| *Old Shire Office Building Renewal – Electrical Works* | Capital Expense | Lifecycle Cost (annually) | Remarks |
|---|---|---|---|
| **Capital Expense** | | | |
| Renewal | $60,000 | | |
| Upgrade | | | |
| New | | | |
| **Budget Impact** | | | |
| Loan interest | | | |
| Renewal | | | |
| *Operations | | ? | Annual electricity utility charges |
| *Maintenance | | ? | Nominal annual maintenance |
| Less Additional Revenue | ($60,000) | | Building Renewal Reserve Funding |
| **TOTAL** | $0 | | |

| *Old Shire Office Building Renewal – Electrical Works* | Capital Expense | Lifecycle Cost (annually) | Remarks |
|---|---|---|---|
| * *Operation and Maintenance costs - calculated as an increase to existing costs for upgrade and new assets.* | | | |

The table below outlines funding sources for the capital and lifecycle costs.

**Funding Source:** *Old Shire Office Building Renewal – Electrical Works*

| Funding Type | Capital or Start Up Expense | Life Cycle Costs (Annual) | | Funding Details (eg RLCIP) | Account Number |
|---|---|---|---|---|---|
| | | Cost $ | *Cost Type | | |
| Grant | | | | | |
| Reserve | ($60,000) | | | Building Renewal Reserve | 147355 Inc |
| Budget | $60,000 | ? | Operation and maintenance | | 147372 Exp |
| | | | | | |
| TOTAL | $0 | | | | |
| *Cost Type – Asset: New, Upgrade, Renewal, Maintenance, Operating. Service: Start up and Operating | | | | | |

**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.

Facilitate a safe environment.

**Our Place Goal – Help to protect the nature and built environment and cultural heritage of Broome whilst recognising the unique sense of the place:**

Engage with local community by presenting realistic and sustainable land use strategies for the Shire within the state and national frameworks.

Implement best practice asset management plans to optimise Shires' infrastructure whilst minimising life cycle costs.

**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.

Review and analyse strategic and operational plans.

Manage resource allocation.

Manage staff attraction and retention.

Improve systems, processes and compliance.

**VOTING REQUIREMENTS**

*Absolute Majority*

***AUDIT COMMITTEE RESOLUTION:***
***(REPORT RECOMMENDATION)***

***That the Audit Committee recommends:***

***1. Council includes the budget amendments as detailed in the report above, in the 2011/2012 Half Year Budget Review Report.***

***Moved: Cr P Matsumoto*** ***Seconded: Cr D Male***

***CARRIED BY ABSOLUTE MAJORITY 3/0***

Attachments: Nil

## 6. NEXT MEETING

The next meeting will be convened to coincide with the Interim Audit Visit and Financial Management Review occurring in the first week of May 2012, held in the Committee Room of the Shire Offices.

## 7. MEETING CLOSURE

There being no further business, the Chairperson declared the meeting closed at 2:55pm.