



**AUDIT COMMITTEE
MINUTES**

for the meeting held at 6.00pm on Tuesday 1 March 2011
in the Margaret Coates Boardroom

(File Ref: FM.MEE.1 Synergy Ref: AM1117350)

1.0 ATTENDANCE:

Mayor	M Evans, JP (Member)
Councillors:	
Cr Wellington	(Chair)
Cr Leavesley	(Member)
Cr Hammond	(Member)(6:07 PM)
Cr Matla	(Member)
Cr Duffy	(Observer)
Cr Holden	(Observer)
Cr D Bostock	(Observer)
Staff:	
Chief Executive Officer	F James
Executive Director Works & Services	K Ketterer (6:02 PM)
Executive Director Planning & Development Services	G Bride
Acting ED Corporate & Community Services (Manager Finance)	P Wignall
Executive Manager Business Governance	S Jamieson (Minutes)
Apologies/Leave of Absence:	
Executive Director Corporate & Community Services	WP Madigan

2.0 CONFIRMATION OF MINUTES OF PREVIOUS MEETING

ITEM 2.0 –COMMITTEE RECOMMENDATION

**MOVED: COUNCILLOR LEAVESLEY
SECONDED: COUNCILLOR MATLA**

The minutes of the Audit Committee meeting held on 1 February 2011, as previously distributed, be confirmed as a true and accurate record of proceedings (Attachment A).

CARRIED 3-0

3.0 DISCLOSURE OF INTEREST

Nil

4.0 ITEMS FOR DISCUSSION

4.1 DRAFT MEMORANDUM OF AGREEMENT (MOA) - ALBANY ENTERTAINMENT CENTRE (AEC).

- Reporting Officer: Chief Executive Officer

Status: At the 15 Feb 2011 OCM, Council resolved: *“Further negotiations be conducted with the Great Southern Development Commission (GSDC) in order to finalise the Memorandum of Agreement (MOA) between the City of Albany and the State Government that defines operation of the Albany Entertainment Centre (AEC) and City of Albany Town Hall”.*

Update: GSDC, Perth Theatre Trust (PTT), reviewed the City’s previous request and proposed the following amendment:

The review of the latest Albany Waterfront Agreement 2010, received on 14 Feb, has been initiated and is currently with the CEO.

CEO advised Committee that a meeting will be held with GSDC, Mr Bruce Manning to discuss suggested changes to the MOU. Two issues have emerged - Agreement with Perth Theatre Trust (PTT) out till 30 Jun 2012, and longer term ownership and control of AEC. The later issue needs to be raised with State Government, particularly Departments of Culture and Arts and Treasury.

Action: Mayor and CEO to organise meeting with government to discuss issues post June 2012.

EDWS entered the meeting at 6:02 PM.

Councillor Hammond entered the meeting at 6:07 PM

4.2 REPORT ON ALAC OPERATIONS

- Reporting Officer: CEO.

Status: At the 1 Feb 2011 Audit Committee, resolved:

“The report on the Albany Leisure and Aquatic Centre Operations be REFERRED to an Elected members’ workshop with the intent of having a committee recommendation presented to the April 2011 ordinary meeting of Council.”

Reason: Additional time is required to make an informed recommendation to Council.

“A feasibility study be INITIATED to investigate the potential of implementing Geothermal technology and or other Energy Alternatives to reduce heating and cooling cost for the Albany Leisure and Aquatic Centre.”

Reason: Increasing electricity costs will have a significant impact on the affordability of running the centre and it is imperative that alternative energy sources are explored to reduce costs.

Item 4.2 continued.

Update: Committee advised that a comprehensive report on all aspects of ALAC operations will be referred back to OCM April meeting.

The review of energy costs will proceed, but CEO advised that while this may provide options for some cost savings there may also be a capital expenditure need to implement energy saving infrastructure.

Committee raised concern that negative feedback has been received in regards to Team Booking Sheets from the Basketball and Netball associations.

Actions required:

- Staff to review processes in regards to investigating complaints in regards to the current process of administering Team Booking Sheets.
- Staff advised they will have a report on the operations of the ALAC to Council by no later than April 2011.

4.3 LIQUID WASTE TENDER (CITY OF ALBANY & WATERCORPORATION)

- Reporting Officer: EDWS

Status: At the 1 Feb 2011 Audit Committee, Councillor Wellington requested the status of the awarding of the tender.

Update: EDWS provided an update on the awarding of the tender and response from Water Corporation to City of Albany enquiries.

Actions required:

- CEO to draft a follow up letter to the Water Corporation requesting specific information and documents in support of the appropriateness of the tender process.
- Water Corporation response to be circulated to all Councillors, once received.

Councillor Dufty and CEO left the meeting at 6.36 PM.

4.4 GSDC GRANT (\$200,000 ALLOCATED TO PADRE WHITE LOOKOUT IMPROVEMENTS)

- Reporting Officer: ED Works & Services.

Status: At the 15 Feb 2011 OCM, Council resolved:

“That the CEO undertake further investigation of the Padre White Lookout project, including a detailed budget analysis for project scope and provide further advice to Council at the March 2011 OCM.”

At the 1 Feb 2011 Audit Committee, the Committee were advised that:

“That the Deputy Mayor, Councillor Dennis Wellington, meet with the Chief Executive Officer of the Great Southern Development Commission, Mr Bruce Manning, in order to ascertain the rationale why the funds could not be applied to other elements of the Mount Clarence project and report back to Council.”

Item 4.4 continued.

Update:

- EDWS provided an update on the proposal to complete elements of the Padre White Lookout Project.
- Councillor Wellington gave an update on discussions held with the CEO of the Great Southern Development Commission (GSDC).

Actions:

- Staff advised they will liaise with the GSDC regarding scope of the Padre White Lookout Project.
- Staff to report back to the next meeting.

4.5 BUDGET - STATUS OF THE EBA AGREEMENT NEGOTIATIONS

- Reporting Officer: EMBG.

Update:

- On behalf of the CEO, EMBG advised the Committee that the CEO has met with the Staff EBA Inside Workers Staff Committee and negotiations have recommenced.

4.6 COLLATERALISED DEBT OBLIGATION (CDO) SALES

- Reporting Officer: Acting ED Corporate & Community Services

Status: At the 1 Feb 2011 Audit Committee, Manager Finance advised Committee:

- Mediation meeting was rescheduled for 23 and 24 February, with a trial date set for 28 February.
- Manager Finance advised Committee that bids are still coming in for CDOs.

Update: Acting EDCCS advised Committee that the City has not been formally notified of an outcome of the mediation meeting.

Action: Staff to continue to monitor and advise Audit Committee of outcome.

4.7 INTERNAL AUDIT

- Reporting Officer: EM Business Governance.

Status:

At the 1 Feb 2011 Audit Committee, EMBG advised:

An internal audit is scheduled to be conducted by Grant Thornton in April 2011 and complimented by an ISO9001 audit in April 2011.

Update:

- EMBG advised the Committee that the surveillance audit has been conducted and the results will be reported to the next meeting.
- The next stage of the ISO9001 Audit will commence shortly, noting that two elements identified for review being financial and governance processes.

4.8 EISTEDDFOD AGREEMENT

- Reporting Officer: ED Corporate & Community Services.

Status: At the 15 February OCM Council resolved:

“THAT Council DEFER consideration of the manner in which the City of Albany Eisteddfod is conducted until the 2011/2012 City of Albany Budget Considerations.”

Update: EMBG advised committee that the CEO has reviewed the Memorandum of Understanding (MOU) and will meet with the Eisteddfod Committee to discuss.

Actions:

- Staff to review the Community Financial Event Program Policy and the moratorium placed on financial assistance.
- Outcome of meeting with Eisteddfod to be communicated to Council.

4.9 GREAT SOUTHERN COMMUNITY HOUSING ASSOCIATION (GSCHA) UPDATE

- Reporting Officer: Acting ED Corporate & Community Services

Status: At the 1 Feb 2011 Audit Committee, Acting ED Corporate & Community Services advised that a letter had been received from the GSCHA requesting that the 26 properties owned outright by the Association be exempt from rates.

The GSHA has not responded to the refusal for their request for a rate exemption, as there has been no change in Council’s position, that is, that the principles applied to disallow rates exemption for Department of Housing owned properties will also be applied to GSCHA owned properties.

Action: Report to be prepared for Council decision.

4.10 UPDATE OF AUDIT COMMITTEE TERMS OF REFERENCE

- **Reporting Officer:** EM Business Governance

ITEM 4.10 – RESPONSIBLE OFFICER RECOMMENDATION

That the terms of reference for the audit committee are amended to read:

Audit Committee Terms of Reference

- The objective of the Audit Committee (Committee) is to provide independent assurance and assistance to the City of Albany on risk management, control, governance, and external accountability responsibilities in addition to the legislated requirement to review the annual financial statements with the external auditor prior to Council adoption of annual accounts.
- Membership: Minimum of five elected members.
- Meeting schedule: Committee to meet at a minimum of 4 times per financial year.

Item 4.10 continued.

Background

The current endorsed terms of reference for the audit committee reads:

“To review annual results of the external auditor prior to Council adoption of annual accounts”.

Discussion

The Act and Regulations prescribe the scope of the external audit of the annual financial statements of a local government.

The Audit Committee is established under section 7.1A of the *Local Government Act 1995*, being:

7.1A. Audit committee

(1) A local government is to establish an audit committee of 3 or more persons to exercise the powers and discharge the duties conferred on it.

(2) The members of the audit committee of a local government are to be appointed by the local government and at least 3 of the members, and the majority of the members, are to be council members.*

*** Absolute majority required.**

(3) A CEO is not to be a member of an audit committee and may not nominate a person to be a member of an audit committee or have a person to represent him or her as a member of an audit committee.

(4) An employee is not to be a member of an audit committee.

Based on a recommendation and request from the Minister, Council resolved to increase the Audit Committee membership to five elected members.

Applicable legislation:

The *Local Government (Audit) Regulations 1996, Reg 16, defines the function of the Audit Committee, as:*

An Audit Committee:

- (a) is to provide guidance and assistance to the local government:
 - (i) as to the carrying out of its functions in relation to audits carried out under Part 7 of the Act; and
 - (ii) as to the development of a process to be used to select and appoint a person to be an auditor; and
- (b) may provide guidance and assistance to the local government as to:
 - (i) matters to be audited;
 - (ii) the scope of audits;
 - (iii) its functions under Part 6 of the Act; and
 - (iv) the carrying out of its functions relating to other audits and other matters related to financial management.

Item 4.10 continued.

Recommendation

That the terms of reference are amended to reflect the functions and objectives of the Audit Committee:

From:

To review annual results of the external auditor prior to Council adoption of annual accounts.

To:

The objective of the Audit Committee (Committee) is to provide independent assurance and assistance to the City of Albany on risk management, control, governance, and external accountability responsibilities in addition to the legislated requirement to review the annual financial statements with the external auditor prior to Council adoption of annual accounts. (Statutory requirement)

Committee discussed the proposed terms of reference for the Audit Committee and requested staff to recommend the most appropriate forum to discuss and critique: service delivery, risk analysis and budget allocation prior to the budget build.

ITEM 4.10 COMMITTEE RECOMMENDATION

**MOVED: COUNCILLOR LEAVESLEY
SECONDED: MAYOR EVANS**

(i) That the terms of reference for the audit committee be amended to read:

Audit Committee Terms of Reference

- **The objective of the Audit Committee (Committee) is to provide independent assurance and assistance to the City of Albany on risk management, control, governance, and external accountability responsibilities in addition to the legislated requirement to review the annual financial statements with the external auditor prior to Council adoption of annual accounts.**
- **Membership: Minimum of five elected members.**
- **Meeting schedule: Committee to meet at a minimum of four times per financial year.**

(ii) That Council call for nominations for additional member/s of the Audit Committee.

CARRIED 4-0

Actions required:

- Staff to review Committee Terms of Reference for the Finance Strategy Advisory Committee (FSAC), similar to the review of the Audit Committee Terms of Reference in order to ascertain the appropriate forum to review budget allocation and long term service delivery financial implications.

5 ITEMS TO BE DISCUSSED AT NEXT MEETING

- **Review of Service Delivery.**

6 ACTION LIST UPDATE

- **Anonymous Fraud ‘Dob In’ Line.** This will not be progressed as the Public Interest Disclosure Act 2003 and City of Albany Policy facilitates this.
- **Internal Audit.** EMBG advised committee that no specific areas of concern have been highlighted by the committee.

7 DATE OF NEXT MEETING: Tuesday 12 April 2011 at 7.00 PM.

Committee advised of CEO’s recommendation to have the FSAC and Audit Committee conducted on the same day. The proposed timing being:

- Finance Strategy Advisory Committee (FSAC) at 5.30 PM, and
- Audit Committee at 7.00 PM.

Committee members present agreed in principal to this proposal.

8 CLOSURE OF MEETING: The Chair declared the meeting closed at 7.11 PM.

Attachment:

- A. Minutes of the 01 February 2011 Audit Committee

ACTION LIST

Item	Actions
4.1	Draft MOA AEC. Mayor and CEO to organise meeting with government to discuss issues post June 2012.
4.2	Albany Leisure & Aquatic Centre Operations Report. Report to be reported back to Council’s April 2011 ordinary meeting.
4.3	Liquid Waste Tender. CEO to draft CEO to draft a follow up letter to the Water Corporation requesting specific information and documents in support of thee appropriateness of the tender process and Water Corporation response to be circulated to all Councillors, once received.
4.4	GSDC Grant (Padre White Lookout). Staff advised they will liaise with the GSDC and report back to the next meeting.
4.5	Audit Committee Terms of Reference. Committee recommendation to be presented to Council for adoption.