



UNCONFIRMED MINUTES

OF THE

AUDIT AND RISK COMMITTEE MEETING

20 APRIL 2023

These minutes were confirmed at a meeting held and signed below by the Presiding Person, at the meeting these minutes were confirmed.

Signed:

SHIRE OF BROOME
AUDIT AND RISK COMMITTEE MEETING
THURSDAY 20 APRIL 2023
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**MINUTES OF THE AUDIT AND RISK COMMITTEE MEETING OF THE SHIRE OF BROOME,
HELD IN THE COUNCIL CHAMBERS, CORNER WELD AND HAAS STREETS, BROOME,
ON THURSDAY 20 APRIL 2023, COMMENCING AT 9:00AM.**

1. OFFICIAL OPENING

The Chair welcomed Councillors and Officers and declared the meeting open at 9:05AM.

2. ATTENDANCE AND APOLOGIES

ATTENDANCE

Members:	Cr D Male Cr C Mitchell Cr P Taylor	Shire President, Chair Deputy President Deputy Member
Apologies:	Cr B Rudeforth	
Leave of Absence:	Nil	
Officers:	Mr S Mastrolembo Mr J Watt Mr J Hall Mr K Williams Ms L French Mr D Cerbino	Chief Executive Officer Director Corporate Services Director Infrastructure Director Development Manager Finance Coordinator Financial Services

3. DECLARATIONS OF FINANCIAL INTEREST / IMPARTIALITY

Committee Member	Item No	Item	Nature of Interest
Cr D Male	5.2	3 rd Quarter Finance and Costing Review 2022-23	Proposed budget amendment relates to the Broome Turf Club who are clients of my business

4. CONFIRMATION OF MINUTES

COMMITTEE RESOLUTION:

Minute No. AR/0423/001

Moved: Cr D Male

Seconded: Cr C Mitchell

That the Minutes of the Audit and Risk Committee held on 14 February 2023, as published and circulated, be confirmed as a true and accurate record of that meeting.

CARRIED UNANIMOUSLY 3/0

5. REPORTS OF OFFICERS

5.1 ANNUAL FINANCIAL REPORT AND AUDIT REPORT 2021/22

LOCATION/ADDRESS:	Nil
APPLICANT:	Nil
FILE:	FRE02
AUTHOR:	Manager Financial Services
CONTRIBUTOR/S:	Nil
RESPONSIBLE OFFICER:	Director Corporate Services
DISCLOSURE OF INTEREST:	Nil

SUMMARY:

The Audit and Risk Committee is requested to consider and recommend to Council, the adoption of the annual financial report, examine the audit and management reports, and review the report prepared by the Chief Executive Officer.

BACKGROUND

Previous Considerations

ARC 14 February 2023 Item 5.3

Under section 7.9 of the *Local Government Act 1995* (the Act), an Auditor is required to examine the accounts and annual financial report submitted by a local government for audit. The Auditor is required to prepare a report by 31 December following the financial year to which the accounts and report relate and forward a copy of that report to:

- (a) The Mayor or President;
- (b) The Chief Executive Officer (CEO); and
- (c) The Minister.

Furthermore, under Regulation 10(4) of the *Local Government (Audit) Regulations 1996* (Audit Regulations), where it is considered appropriate to do so, the Auditor may prepare a Management Report to accompany the Auditor's Report, which is also to be forwarded to the persons specified in section 7.9 of the Act.

Upon finalisation of the Shire's 2021/22 audit, the Auditors presented their initial findings to the Shire President (who also holds the role of Chair of the Audit and Risk Committee) and the Acting CEO for consideration at an informal briefing session held 6 April 2023.

The Audit and Risk Committee (the Committee) is required to examine the reports of the Auditor after receiving a report from the CEO on the matters reported 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 Committee is also required to review a 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 copy of the report 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 relevant.

An analysis of the 2021/22 operating result is provided in this report along with a comparison to the forecast outcomes of the Shire's adopted Integrated Planning and Reporting Framework.

The Strategic Community Plan 2021-2032 (SCP), Corporate Business Plan 2021-2025 (CBP) and the 2021-2025 Long Term Financial Plan (LTFP) were received and adopted by Council at the December 2020 OMC. These plans informed the 2021/22 annual budget process.

The Shire's Infrastructure Asset Management Plan (AMP) was finalised and presented to Council at the December 2020 OMC. The AMP is continuously reviewed as part of the mandated Integrated Planning and Reporting Framework and was used to inform the 2021/22 annual budget process.

The Committee is requested to consider and recommend adoption of the annual financial report to Council.

COMMENT

Financial Highlights of the Annual Financial Report (Attachment 1)

- Net Comprehensive Income (net accounting profit) of \$12,380,131 for the year ended 30 June 2022.

Changes in the asset revaluation surplus are the main contributing factors to this net profit figure; the fair value of land, buildings, and infrastructure is determined at least every five years and the significant valuation changes include Recreation Areas (\$20M), Drainage (\$11M), Buildings (\$6M), and a decrease in Footpaths, Carparks and Bridges (\$19M).

- Net decrease in cash of \$651,725 from \$44M to \$43.4M. A contributing factor to this decrease is deferral of the self-supporting loan for the Surf Club redevelopment to 2022/23 due to timing of construction projects.
- Net Surplus of Municipal Funds of \$2,891,583. The details of the surplus are explained in the table below.

Chief Executive Officer's Report to the Audit and Risk Committee

Following is the CEO's report to the Committee on matters arising from the audit and management reports.

Independent Auditors Report (Attachment 2)

Under section 7.12A of the Act, Council must prepare a report addressing any matters identified as significant by the auditor in the audit report, and state what action Council has taken or intends to take with respect to each of those matters. The report is to be provided to the Audit and Risk Committee and Council for endorsement, with a copy provided to the Minister within 3 months of the audit report being received by Council.

The Independent Auditors Report contains an "Emphasis of matter – Restatement of comparative balances" which is in relation to the restatement of the 30 June 2021 financial report, the outcome of an independent review of prior years financials was presented to the Audit and Risk Committee (14 February 2023 Item 5.3).

The Audited Annual Financial Report and Independent Auditors Report are attached (Attachment 1 and 2 respectively). There were no matters of statutory non-compliance reported.

Audit Management Report

The Audit Management Report (Confidential Attachment 3) provides an overview of the approach undertaken in respect of the annual Audit process and the associated outcomes of the audit. The Management Report also identifies any findings that, whilst generally not material in relation to the overall audit of the financial report, are considered relevant to the day-to-day operations of the Shire. The findings do not impact the outcome of the annual financial audit however they do provide guidance to strengthen internal controls, policies, and procedures.

Matters Identified

There were 36 issues identified with 19 new issues identified during the 2021/22 audit along with 17 prior year issues. 8 significant matters were identified, compared to 10 in the 2020/21 audit, with 3 identified as new issues during the 2021-22 audit.

The Audit Management Report details identified risks relating to operational controls within the Shire and includes comment from Management on each issue, inclusive of details on how these matters will be mitigated. Details contained within the report are considered confidential as releasing them publicly would increase the likelihood that identified risks could be the target of fraudulent or illegal activities. Complete details of each matter raised are contained in the full report at Confidential Attachment 3.

The majority of items have been identified for completion by June 2023 however 2 items will require more work and have been earmarked for completion by December 2023. 13 items were addressed prior to the finalisation of the 2021/22 audit process. It is worthwhile noting that the Audit Management Report attached is a draft; the final report will be tabled with Council through the Audit and Risk Committee once received. Outstanding items will be presented at each ensuing Audit and Risk Committee meeting until they have been resolved.

Audit Adjustments

The auditors identified several non-material errors and misstatements in the financial statements which remain unadjusted. Items listed below are included in the Management Representation Letter (Attachment 4) as required by Auditing Standard ASA 320 'Materiality and Audit Adjustments'.

1. \$147,869 prior year WANDRRA Grant road repairs and maintenance invoice incorrectly recognised as expense in 2021/22.
2. \$68,952 overpayment made to the Shire (Debtors credit balance) which was repaid through Creditors.
3. \$153,666 adjustment identified for PAYG Liability at 30 June based on supporting documentation reviewed.
4. \$53,665 duplicate Debtors invoice which was corrected in the following financial year.
5. \$180,856 capital grant which should have been recognised in prior year to match the timing of the associated expenditure.
6. \$48,757 error identified in provision for doubtful debt calculations.
7. \$382,209 relating to reconciling items in bank at 30 June - identified corrections to reconciling items, and items that should not be recorded in payables.
8. \$53,085 portion of Roads to Recovery grant unspent reflected as revenue rather than contract liability.
9. \$61,294 LRCI Phase 1 should have been contract asset and \$74,039 contract liability for LRCI Phase 2.
10. \$145,053 contract asset not recognised for Broome SLSC revenue, associated with completed works.

Other Matters

There were no identified matters of fraud to report and there were no disagreements with management about significant accounting matters.

2021/22 Operating Result

The Audited Financial Report for the year ended 30 June 2022 received audit signoff on 13 April 2023.

Given the delays in the audit process and time elapsed since the end of the financial year, officers presented a report to the 14 February 2023 Audit and Risk Committee Meeting titled "Carry Over Budgets for 2022/23 and Review of Closing Financial Position" (February Report). The report was considered necessary to provide:

1. Council approval for budget amendments specifically relating to 2021-22 carry over projects;
2. Transparency to Council, following the findings of an external review of prior year opening and closing positions. The amended positions presented in the table below reflect the adjustment to the treatment of contract liabilities over the 3 year period:

Note the figures below were presented in the February Report and have subsequently changed through the finalisation of the Audit.

	Audited Closing Position	Adjusted Closing Position	Variance
2020 Actual	4,188,392	2,828,740	(1,359,652)
2021 Actual	4,839,446	4,535,688	(303,758)
2022 Actual	* 4,145,052	2,963,867	(1,181,185)

**2022 Budgeted closing position. The Adjusted closing position has been reflected in the current financials presented to OAG.*

The closing position adjustments have effectively identified discrepancies in the Shire's financial position over this period and therefore it has become apparent that recommendations and decisions have been made to allocate surplus funds to Reserve, which were not available. A review of these Reserve transfers was undertaken, and through the February 2023 OMC, Council resolved to immediately reduce the deficit by reversing \$397,211 in transfers to the Public Open Space Reserve being:

- (a) Reversal of the \$350,830 2020/21 net surplus transferred to POS Reserve, accepting that there was no surplus available; and
- (b) Reversal of the \$46,381 transfer to POS Reserve as budgeted in 2021/22 which was not specifically allocated;

Maintaining commitments from 2021/22 (income and expenditure budget carry overs) and utilising advanced FAGS supporting the 2022/23 budget resulted in a closing position deficit of \$715,622.

Subsequent to the February Report, it was identified that a cash transfer from the Leave Reserve to offset termination payments within the financial year did not apply to the closing position as intended. The impact on the Rate Setting Statement was a cash flow in from Reserves, but also an adjustment to Leave Liability, increasing the Non-cash amounts excluded from operating activities, and essentially reducing the cash impact to \$0.

Subsequent to this adjustment the Audited Financial Report identifies a deficit/closing position for the year ended 30 June 2022 of **\$2,891,583**. The audited closing position differs to the position presented in the February Report by \$72,284, resulting in a final net deficit of \$787,906.

The breakdown is summarised as follows:

	Budgeted Position 30/06/22	Closing Audited Position 30/06/22
Expenditure budget carry over	9,706,606	9,682,820
Income budget carry over	(7,099,034)	(7,540,811)
Advanced FAGS carry over	1,537,480	1,537,480
Net deficit		(787,906)
Closing Position	4,145,052	2,891,583

The itemised carry over list has been scrutinised by the Executive Management Group to ensure every project is critical to keep. These are either grant or reserve funded projects, committed projects, or asset management plan (AMP) renewal (any expenditure committed through AMP renewal would transfer to the appropriate reserve for use in a future year). There are no changes proposed to the carry over list approved by Council in February 2023.

The Net deficit of \$787,906 has increased \$72,284 since the February Report (\$715,622). In that report Council adopted the officer recommendation to immediately reduce the deficit by reversing \$397,211 of transfers which at the time were believed to be surplus funds from the Public Open Space (POS) Reserve, and to remediate the remaining untied deficit within the 3rd Quarter Finance and Costing Review (FACR) process.

ADJUSTMENTS TO PRIOR YEARS ANNUAL REPORTS

The adjustments required to prior year reports are contained within the Rate Setting Statement and Note 31 of the Annual Financial Report.

CONSULTATION

Office of the Auditor General (OAG)

STATUTORY ENVIRONMENT

Local Government Act 1995

6.4 Financial report

7.9 Audit to be conducted

Local Government (Audit) Regulations 1996

Local Government (Financial Management) Regulations 1996

Local governments are required to present to Council an audited annual financial report for the preceding financial year, within specified timeframes as prescribed.

The Office of the Auditor General advised that the audit report would not be received by 31 December 2022 as prescribed. Officers wrote to Department of Local Government, Sport and Cultural Industries to advise that the legislative timeframe could not be met.

POLICY IMPLICATIONS

Nil.

FINANCIAL IMPLICATIONS

The net deficit of \$715,622 was identified in the February 2023 ARC report. Council adopted the officer recommendation to immediately reduce the deficit by transferring \$397,211 from the Public Open Space (POS) Reserve, and to remediate the remaining untied deficit of \$318,411 within the Finance and Costing Review (FACR) process. The \$72,284 identified as additional deficit through the finalisation of the annual financial report has been referred through the Finance and Costing Review (FACR) Quarter 3, contained within this agenda.

RISK

Officers assessed the risks associated with delaying a Council resolution and the outcome was to present the findings to the Audit and Risk Committee in February 2023. It was noted within the report recommendation that any variances to the outcome would be addressed through the Quarter 3 Finance and Costing Review process.

Should Council not endorse the officer recommendation there is a high risk of delay of holding the Annual Electors Meeting.

STRATEGIC ASPIRATIONS

Performance - We will deliver excellent governance, service & value for everyone.

Outcome 13 - Value for money from rates and long term financial sustainability

Objective 13.1 Plan effectively for short- and long-term financial sustainability

Outcome 14 - Excellence in organisational performance and service delivery

Objective 14.3 Monitor and continuously improve performance levels.

VOTING REQUIREMENTS

Absolute Majority

COMMITTEE RESOLUTION:

(REPORT RECOMMENDATION)

Minute No. AR/0423/002

Moved: Cr C Mitchell

Seconded: Cr P Taylor

That the Audit and Risk Committee recommends that Council:

- 1. Receive the Chief Executive Officer's report relating to the audit.**
- 2. Recognise the final adjusted 2021/22 closing position of \$2,891,583 and final net deficit position of \$787,906, noting that the deficit has been offset by the reversal of \$397,211 from Public Open Space Reserve and the identification of \$273,137 in**

operational savings through the 3rd Quarter Finance and Costing Review, resulting in a forecast net deficit position of \$117,558 at 30 June 2023;

- 3. Receive the:**
 - (a) Audited Annual Financial Report as per Attachment 1;**
 - (b) Audit Opinion Letter as per Attachment 2;**
 - (c) Draft Audit Management Report as per Confidential Attachment 3, noting that the final report will be tabled through the Audit and Risk Committee to Council once finalised; and**
 - (d) Management Representation Letter as per Attachment 4.**
- 4. Adopt the Audited Annual Financial Report dated 13 April 2023 for the year ended 30 June 2022 as per Attachment 1.**

CARRIED UNANIMOUSLY BY ABSOLUTE MAJORITY 3/0

Attachments

1. Annual Financial Report - 30 June 2023
2. Audit Opinion Letter & Independent Auditors Report
3. Draft Audit Management Report (*Confidential to Councillors and Directors Only*)
This attachment is confidential in accordance with section 5.23(2) of the Local Government Act 1995 section 5.23(2)((f)(i)) as it contains “a matter that if disclosed, could be reasonably expected to impair the effectiveness of any lawful method of procedure for preventing, detecting, investigating or dealing with any contravention or possible contravention of the law”.
4. Management Representation Letter

SHIRE OF BROOME
FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2022

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The SHIRE OF BROOME conducts the operations of a local government with the following community vision:

Broome - a future, for everyone

Principal place of business:
27 Weld Street
BROOME WA 6725

**SHIRE OF BROOME
FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2022**

*Local Government Act 1995
Local Government (Financial Management) Regulations 1996*

STATEMENT BY CHIEF EXECUTIVE OFFICER

The attached financial report of the SHIRE OF BROOME for the financial year ended 30 June 2022 is based on proper accounts and records to present fairly the financial position of the SHIRE OF BROOME at 30 June 2022 and the results of the operations for the financial year then ended in accordance with the Local Government Act 1995 and, to the extent that they are not inconsistent with the Act, the Australian Accounting Standards.

Signed on the 13th day of April 2023



Chief Executive Officer

Salvatore Mastrolemba

Name of Chief Executive Officer

SHIRE OF BROOME
STATEMENT OF COMPREHENSIVE INCOME
BY NATURE OR TYPE
FOR THE YEAR ENDED 30 JUNE 2022

	NOTE	2022 Actual	2022 Budget	2021 Actual
		\$	\$	\$
Revenue				
Rates	26(a),2(a)	23,902,635	23,992,547	23,282,829
Operating grants, subsidies and contributions	2(a)	3,281,048	1,943,852	3,920,623
Fees and charges	25(c),2(a)	9,248,594	12,078,532	9,711,973
Interest earnings	2(a)	419,247	335,984	408,171
Other revenue	2(a)	989,801	1,182,519	1,009,207
		37,841,325	39,533,434	38,332,803
Expenses				
Employee costs		(16,813,230)	(17,141,230)	(15,789,253)
Materials and contracts		(8,059,965)	(10,467,153)	(8,687,789)
Utility charges		(2,359,931)	(2,144,443)	(2,100,053)
Depreciation	10(a)	(14,277,414)	(12,629,134)	(12,525,339)
Finance costs	2(b)	(242,307)	(122,688)	(138,797)
Insurance		(720,985)	(768,853)	(767,166)
Other expenditure	2(b)	(1,019,519)	(2,196,837)	(1,577,698)
		(43,493,351)	(45,470,338)	(41,586,095)
		(5,652,026)	(5,936,904)	(3,253,292)
Capital grants, subsidies and contributions	2(a)	8,583,402	8,226,226	26,883,370
Profit on asset disposals	10(b)	34,267	100,568	11,822
Loss on asset disposals	10(b)	(48,227)	(165,955)	(436,769)
Loss on revaluation of Infrastructure Others	9(a)	(8,383,982)	0	0
		185,460	8,160,839	26,458,423
Net result for the period	25(b)	(5,466,566)	2,223,935	23,205,131
Other comprehensive income for the period				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Changes in asset revaluation surplus	17	17,846,697	0	601,628
Total other comprehensive income for the period	17	17,846,697	0	601,628
Total comprehensive income for the period		12,380,131	2,223,935	23,806,759

This statement is to be read in conjunction with the accompanying notes.



SHIRE OF BROOME
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2022

	NOTE	2022 \$	2021 \$
CURRENT ASSETS			
Cash and cash equivalents	3	43,413,804	44,065,529
Trade and other receivables	5	2,015,721	3,101,366
Inventories	6	31,520	65,150
Other assets	7	225,940	230,253
TOTAL CURRENT ASSETS		45,686,985	47,462,298
NON-CURRENT ASSETS			
Trade and other receivables	5	48,671	34,652
Other financial assets	4	1,347,255	1,342,259
Property, plant and equipment	8	86,054,785	77,802,109
Infrastructure	9	332,051,620	326,972,446
TOTAL NON-CURRENT ASSETS		419,502,331	406,151,466
TOTAL ASSETS		465,189,316	453,613,764
CURRENT LIABILITIES			
Trade and other payables	12	5,824,127	7,341,078
Other liabilities	13	4,329,941	5,176,832
Borrowings	14	444,162	859,957
Employee related provisions	15	2,783,876	2,244,467
Other provisions	16	91,147	700,158
TOTAL CURRENT LIABILITIES		13,473,253	16,322,492
NON-CURRENT LIABILITIES			
Borrowings	14	6,786,745	5,430,907
Employee related provisions	15	267,558	193,039
Other provisions	16	3,098,070	2,483,767
TOTAL NON-CURRENT LIABILITIES		10,152,373	8,107,713
TOTAL LIABILITIES		23,625,626	24,430,205
NET ASSETS		441,563,690	429,183,559
EQUITY			
Retained surplus		155,253,553	162,665,877
Reserve accounts	29	32,792,021	30,846,263
Revaluation surplus	17	253,518,116	235,671,419
TOTAL EQUITY		441,563,690	429,183,559

This statement is to be read in conjunction with the accompanying notes.



SHIRE OF BROOME
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2022

	NOTE	RETAINED SURPLUS \$	RESERVE ACCOUNTS \$	REVALUATION SURPLUS \$	TOTAL EQUITY \$
Balance as at 1 July 2020		138,434,050	31,872,959	235,069,791	405,376,800
Comprehensive income for the period					
Net result for the period		23,205,131	0	0	23,205,131
Other comprehensive income for the period	17	0	0	601,628	601,628
Total comprehensive income for the period		23,205,131	0	601,628	23,806,759
Transfers from reserves	29	4,206,993	(4,206,993)	0	0
Transfers to reserves	29	(3,180,297)	3,180,297	0	0
Balance as at 30 June 2021		162,665,877	30,846,263	235,671,419	429,183,559
Comprehensive income for the period					
Net result for the period		(5,466,566)	0	0	(5,466,566)
Other comprehensive income for the period	17	0	0	17,846,697	17,846,697
Total comprehensive income for the period		(5,466,566)	0	17,846,697	12,380,131
Transfers from reserves	29	3,541,907	(3,541,907)	0	0
Transfers to reserves	29	(5,487,665)	5,487,665	0	0
Balance as at 30 June 2022		155,253,553	32,792,021	253,518,116	441,563,690

This statement is to be read in conjunction with the accompanying notes.



SHIRE OF BROOME
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2022

	NOTE	2022 Actual \$	2022 Budget \$	2021 Actual \$
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts				
Rates		24,093,197	23,992,547	23,355,813
Operating grants, subsidies and contributions		3,288,853	1,943,852	7,365,254
Fees and charges		9,055,083	12,078,532	9,771,141
Interest received		419,247	335,984	298,812
Goods and services tax received		3,171,331	0	0
Other revenue		989,801	1,182,519	1,005,974
		41,017,512	39,533,434	41,796,994
Payments				
Employee costs		(16,602,430)	(17,141,230)	(15,955,750)
Materials and contracts		(9,135,633)	(10,467,153)	(7,686,318)
Utility charges		(2,359,931)	(2,144,443)	(2,100,053)
Finance costs		(242,307)	(122,688)	(88,320)
Insurance paid		(720,985)	(768,853)	(767,166)
Goods and services tax paid		(2,846,940)	0	(728,268)
Other expenditure		(1,024,515)	(2,196,837)	(1,577,698)
		(32,932,741)	(32,841,204)	(28,903,573)
Net cash provided by (used in) operating activities	18(b)	8,084,771	6,692,230	12,893,421
CASH FLOWS FROM INVESTING ACTIVITIES				
Payments for remediations related expenses	16	(118,562)	0	(121,117)
Payments for financial assets at amortised cost - self supporting loans		0	(300,000)	0
Payments for purchase of property, plant & equipment		(3,624,205)	(7,438,318)	(9,496,603)
Payments for construction of infrastructure	9(a)	(14,655,205)	(15,270,067)	(26,122,834)
Non-operating grants, subsidies and contributions		8,470,388	8,926,384	22,184,375
Proceeds from financial assets at amortised cost - self supporting loans		0	393,483	0
Proceeds from sale of property, plant & equipment	10(b)	251,046	694,000	219,715
Net cash provided by (used in) investing activities		(9,676,538)	(12,994,518)	(13,336,464)
CASH FLOWS FROM FINANCING ACTIVITIES				
Repayment of borrowings	28(a)	(859,958)	(1,011,664)	(854,091)
Advances to community groups	28(a)	0	0	(1,250,000)
Proceeds from new borrowings	28(a)	1,800,000	2,100,000	3,035,000
Net cash provided by (used in) financing activities		940,042	1,088,336	930,909
Net increase (decrease) in cash held		(651,725)	(5,213,952)	487,866
Cash at beginning of year		44,065,529	42,478,719	43,577,663
Cash and cash equivalents at the end of the year	18(a)	43,413,804	37,264,767	44,065,529

This statement is to be read in conjunction with the accompanying notes.

SHIRE OF BROOME
RATE SETTING STATEMENT
FOR THE YEAR ENDED 30 JUNE 2022

NOTE	2022 Actual	2022 Budget	2021 Actual - as Restated	Adjustments*	2021 Actual - as Previously Reported	
	\$	\$	\$			
NET CURRENT ASSETS - At start of financial year - surplus/(deficit)	27(c)	4,535,688	5,492,969	2,828,740	(1,359,652)	4,188,392
OPERATING ACTIVITIES						
Revenue from operating activities (excluding general rate)						
Operating grants, subsidies and contributions		3,281,048	1,943,852	3,920,623	0	3,920,623
Fees and charges		9,248,594	12,078,532	9,711,973	0	9,711,973
Interest earnings		419,247	335,984	408,171	0	408,171
Other revenue		989,801	1,182,519	1,009,207	0	1,009,207
Profit on asset disposals	10(b)	34,267	100,568	11,822	0	11,822
		13,972,957	15,641,455	15,061,796	0	15,061,796
Expenditure from operating activities						
Employee costs		(16,813,230)	(17,141,230)	(15,789,253)	0	(15,789,253)
Materials and contracts		(8,059,965)	(10,467,153)	(8,687,789)	0	(8,687,789)
Utility charges		(2,359,931)	(2,144,443)	(2,100,053)	0	(2,100,053)
Depreciation		(14,277,414)	(12,629,134)	(12,525,339)	0	(12,525,339)
Finance costs		(242,307)	(122,688)	(138,797)	0	(138,797)
Insurance		(720,985)	(768,853)	(767,166)	0	(767,166)
Other expenditure		(1,019,519)	(2,196,837)	(1,577,698)	0	(1,577,698)
Loss on asset disposals	10(b)	(48,227)	(165,955)	(436,769)	0	(436,769)
Loss on revaluation of non-current assets		(8,383,982)	0	0	0	0
		(51,925,560)	(45,636,293)	(42,022,864)	0	(42,022,864)
Non-cash amounts excluded from operating activities	27(a)	22,751,821	12,694,521	9,621,389	(1,387,768)	11,009,157
Amount attributable to operating activities		(15,200,782)	(17,300,317)	(17,339,679)	(1,387,768)	(15,951,911)
INVESTING ACTIVITIES						
Non-operating grants, subsidies and contributions		8,583,402	8,226,226	26,883,370	0	26,883,370
Proceeds from disposal of assets	10(b)	251,046	694,000	219,715	0	219,715
Proceeds from financial assets at amortised cost - self supporting loans	28(a)	0	300,000	0	0	0
Payments for financial assets at amortised cost - self supporting loans		0	(300,000)	0	0	0
Payments for remediation related expenses		0	0	0	121,117	(121,117)
Purchase of property, plant and equipment	8(a)	(3,817,999)	(7,438,318)	(9,496,603)	0	(9,496,603)
Purchase and construction of infrastructure	9(a)	(14,593,559)	(15,270,067)	(26,122,834)	0	(26,122,834)
Payments for site remediation costs	16	0	(700,158)	0	0	0
		(9,577,110)	(14,488,317)	(8,516,352)	121,117	(8,637,469)
Non-cash amounts excluded from investing activities	27(b)	236,868	0	2,322,545	2,322,545	0
Amount attributable to investing activities		(9,340,242)	(14,488,317)	(6,193,807)	2,443,662	(8,637,469)
FINANCING ACTIVITIES						
Repayment of borrowings	28(a)	(859,958)	(1,011,664)	(854,091)	0	(854,091)
Proceeds from borrowings	28(a)	1,800,000	2,100,000	3,035,000	0	3,035,000
Advances to community groups	5	0	0	(1,250,000)	0	(1,250,000)
Repayment of self-supporting loans by community groups		0	93,483	0	0	0
Transfers to reserves (restricted assets)	29	(5,487,665)	(2,441,206)	(3,180,297)	0	(3,180,297)
Transfers from reserves (restricted assets)	29	3,541,907	3,562,505	4,206,993	0	4,206,993
Amount attributable to financing activities		(1,005,716)	2,303,118	1,957,605	0	1,957,605
Surplus/(deficit) before imposition of general rates		(21,011,052)	(23,992,547)	(18,747,141)	(303,758)	(18,443,383)
Total amount raised from general rates	26(a)	23,902,635	23,992,547	23,282,829	0	23,282,829
Surplus/(deficit) after imposition of general rates	27(c)	2,891,583	0	4,535,688	(303,758)	4,839,446

*Refer to Note 31 for information on the adjustments made.

This statement is to be read in conjunction with the accompanying notes.

Cr D Male declared a financial interest in item 5.2, the reason being “Proposed budget amendment relates to the Broome Turf Club who are clients of my business”.

Cr Male did not participate in the consideration of the item.

Cr Mitchell assumed the role of Chair.

A typographical error was identified in the Agenda and has been corrected administratively within the Minutes.

5.2 3RD QUARTER FINANCE AND COSTING REVIEW 2022-23

LOCATION/ADDRESS:	Nil
APPLICANT:	Nil
FILE:	FRE02
AUTHOR:	Manager Financial Services
CONTRIBUTOR/S:	Nil
RESPONSIBLE OFFICER:	Director Corporate Services
DISCLOSURE OF INTEREST:	Nil

SUMMARY:

The Audit and Risk Committee is requested to consider results of the 3rd Quarter Finance and Costing Review (FACR) of the Shire's budget for the period ended 31 March 2023, including forecast estimates and budget recommendations to 30 June 2023.

BACKGROUND

Previous Considerations

SMC 5 July 2022	Item 5.4.1
OMC 15 December 2022	Item 13.1
OMC 23 February 2023	Item 10.1

The Shire of Broome has carried out its 3rd Quarter Finance and Costing Review (FACR) for the 2022-23 financial year. This review of the 2022-23 Annual Budget is based on actuals and commitments for the first 9 months of the year from 1 July 2022 to 31 March 2023, and forecasts for the remainder of the financial year.

This process aims to highlight over and under expenditure of funds and over and under achievement of income targets for the benefit of Executive and Responsible Officers to ensure good fiscal management of their projects and programs.

Once this process is completed, a report is compiled identifying budgets requiring amendments to be adopted by Council. Additionally, a summary provides the financial impact of all proposed budget amendments to the Shire of Broome's adopted end-of-year forecast, to assist Council to make an informed decision.

It should be noted that the 2022-23 annual budget was adopted at the Special Meeting of Council on 5 July 2022 as a balanced budget.

The Quarter 3 FACR commenced on 3 April 2023. At the start of the Q3 FACR, a net deficit of \$277,233 was forecast arising from past budget amendments adopted by Council, including the Q1 and Q2 FACR's. Significant amendments approved through the FACR processes to date included:

- a \$213,549 reduction in budgeted Western Australian Local Government Grant Commission Road Grants (Local Roads component of FAGS);
- a \$209,424 increase in expenses relating to the omission of several capital projects previously approved through the budget development process.
- a further \$185,000 increase in interest revenue through higher than anticipated interest rates
- a \$180,000 reduction in property valuation expenses as revaluations were completed in 2021/22;
- a \$157,023 reduction of income identified within the Kimberley Regional Office budget due to a double up of budgeted income;
- \$150,000 savings in the Skatepark project;
- a \$100,000 increase in revenue from Discovery Parks Broome.

Adjusted 2021-22 Closing Position

The 2021-22 Closing Position was also adjusted at the February Ordinary Council Meeting to reflect the identification of the mistreatment of contract liabilities in the 2019-20 and 2020-21 financial years. The adjusted closing position deficit of \$318,411 was included in the Q2 FACR and is contained within the Q2 FACR deficit position of \$277,233.

During the finalisation of the 2021/22 Audit it was identified that a \$72,284 adjustment to the Leave Reserve intended to offset termination payments from the 2021/22 financial year and reduce the net deficit position did not reduce the final closing position figure as intended. As a result the adjusted closing position deficit of \$318,411 included in the Q2 FACR (and within the Q2 FACR deficit position of \$277,233) has increased to \$390,695.

At the February 23 OMC Council requested that the CEO attempt to remediate the untied deficit.

COMMENT

The Q3 FACR identifies a cumulative net deficit forecast of **\$117,588**.

The above figure represents a budget forecast should all expenditure and income occur as expected. It does not represent the actual end-of-year position which can only be determined as part of the normal annual financial processes at the end of the financial year.

While officers make every effort to ensure the net impact of each FACR is minimal, the net deficit forecast mainly relates to the following proposed amendments:

- \$242,000 saving in materials and contracts across various works maintenance accounts
- \$267,879 in increased interest revenue due to higher than anticipated interest rates
- \$123,000 saving in materials and contracts across various parks and reserves maintenance accounts.

A comprehensive list of accounts (refer to Attachment 1) has been included for perusal by the committee, summarised by Directorate.

Quarter 3 FACR Result

A summary of the Q3 FACR results is as follows:

SHIRE OF BROOME SUMMARY REPORT				
BUDGET IMPACT				
	2022/23 Adopted Budget (Inc) / Exp	YTD Adopted Budget Amendments (Inc) / Exp	FACR Q3 Overall (Inc) / Exp	YTD Overall Position
Office of the CEO	\$0	\$11,200	\$158,885	\$170,085
Corporate Services	\$0	-\$263,194	-\$168,777	-\$431,971
Development Services	\$0	\$51,563	\$83,000	\$134,563
Infrastructure Services	\$0	-\$64,171	-\$560,525	-\$624,696
Council approved budget amendments	\$0	\$14,000	\$255,459	\$269,459
Prior year adjustments for Capital Projects	\$0	\$209,424	\$0	\$209,424
2021-22 Adjusted Closing Position Deficit	\$0	\$318,411	\$72,284	\$390,695
	0,000*	\$277,233	-\$159,675	\$117,588

CONSULTATION

All amendments have been proposed after consultation with Executive and Responsible Officers at the Shire.

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

Nil.

It should be noted that according to the materiality threshold set at the budget adoption, should a deficit achieve 1% of Shire’s operating revenue (\$402,749) the Shire must formulate an action plan to remedy the over expenditure.

FINANCIAL IMPLICATIONS

The overall result of the Quarter 3 FACR estimates a total budget deficit position of **\$117,588** to 30 June 2023.

RISK

The Finance and Costing Review (FACR) seeks to provide a best estimate of the end-of-year position for the Shire of Broome at 30 June 2023. Contained within the report are recommendations of amendments to budgets which have financial implications on the estimate of the end-of-year position.

The review does not, however, seek to make amendments below the materiality threshold unless strictly necessary. The materiality thresholds are set at \$10,000 for operating budgets and \$20,000 for capital budgets. Should a number of accounts exceed their budget within these thresholds, it poses a risk that the predicted final end-of-year position may be understated.

In order to mitigate this risk, the CEO enacted the FACRs to run quarterly and Executive examine each job and account to ensure compliance. In addition, the monthly report provides variance reporting highlighting any discrepancies against budget.

It should also be noted that should Council decide not to adopt the recommendations, it could lead to some initiatives being delayed or cancelled in order to offset the additional expenditure associated with running the Shire's operations.

STRATEGIC ASPIRATIONS

Performance – We will deliver excellent governance, service and value, for everyone.

Outcome Eleven – Effective leadership, advocacy and governance:

11.2 Deliver best practice governance and risk management.

Outcome Thirteen - Value for money from rates and long term financial sustainability:

13.1 Plan effectively for short and long term financial sustainability.

VOTING REQUIREMENTS

Absolute Majority

COMMITTEE RESOLUTION:

(REPORT RECOMMENDATION)

Minute No. AR/0423/003

Moved: Cr C Mitchell

Seconded: Cr P Taylor

That the Audit and Risk Committee recommends that Council:

- 1. Receives the Quarter 3 Finance and Costing Review Report for the period ended 31 March 2023;**
- 2. Adopts the operating and capital budget amendment recommendations for the year ended 30 June 2023 as attached;**
- 3. Notes a forecast end-of-year deficit position to 30 June 2023 of \$117,588.**

CARRIED UNANIMOUSLY BY ABSOLUTE MAJORITY 2/0

Attachments

1. Quarter 3 Finance and Costing Review

6. MATTERS BEHIND CLOSED DOORS

Nil

7. MEETING CLOSURE

There being no further business the Chair declared the meeting closed at 10:44 AM.