



11 NOVEMBER 2024

Shire of Esperance

NOTICE OF MEETING AND AGENDA

An Audit Committee meeting of the Shire of Esperance will be held at Council Chambers on 12 November 2024 commencing at 2:00pm to consider the matters set out in the attached agenda.

S Burge

Chief Executive Officer

DISCLAIMER

No responsibility whatsoever is implied or accepted by the Shire of Esperance for any act, omission or statement or intimation occurring during Council or Committee meetings. The Shire of Esperance disclaims any liability for any loss whatsoever and howsoever caused arising out of reliance by any person or legal entity on any such act, omission or statement or intimation occurring during Council or Committee meetings. Any person or legal entity who acts or fails to act in reliance upon any statement, act or omission made in a Council or Committee meeting does so at that person's or legal entity's own risk.

In particular and without derogating in any way from the broad disclaimer above, in any discussion regarding any planning application or application for a licence, any statement or intimation of approval made by a member or officer of the Shire of Esperance during the course of any meeting is not intended to be and is not to be taken as notice of approval from the Shire of Esperance. The Shire of Esperance warns that anyone who has any application lodged with the Shire of Esperance must obtain and should only rely on written confirmation of the outcome of the application, and any conditions attaching to the decision made by the Shire of Esperance in respect of the application.

ETHICAL DECISION MAKING AND CONFLICTS OF INTEREST

Council is committed to a code of conduct and all decisions are based on an honest assessment of the issue, ethical decision-making and personal integrity. Councillors and staff adhere to the statutory requirements to declare financial, proximity and impartiality interests and once declared follow the legislation as required.

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SHIRE OF ESPERANCE

AGENDA

**AUDIT COMMITTEE MEETING
TO BE HELD IN COUNCIL CHAMBERS ON 12 NOVEMBER 2024
COMMENCING AT 2:00PM**

1. OFFICIAL OPENING

2. ATTENDANCE

Members

Cr S McMullen	Shire of Esperance (Presiding Member)
Cr S Flanagan	Shire of Esperance
Pres R Chambers	Shire of Esperance
Cr G Johnston	Shire of Esperance

Shire Officers

Mr S Burge	Chief Executive Officer
Ms R Hamilton	Manager Financial Services
Mrs F Baxter	Director Corporate & Community Services

Guests

Jay Teichert	Office of the Auditor General (via TEAMS)
Wen-Shien Chai	Moore Australia (via TEAMS)
Hayley Platt	Moore Australia (via TEAMS)

Members of the Public & Press

3. APOLOGIES & NOTIFICATION OF GRANTED LEAVE OF ABSENCE

Mr K Mills	Community Representative
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4. DEPUTATIONS, PRESENTATIONS, INSPECTIONS, PETITIONS

5. DECLARATION OF MEMBERS INTERESTS

- 5.1 Declarations of Financial Interests – Local Government Act Section 5.60a**
- 5.2 Declarations of Proximity Interests – Local Government Act Section 5.60b**
- 5.3 Declarations of Impartiality Interests – Admin Regulations Section 34c**

6. CONFIRMATION OF MINUTES

That the Minutes of the Audit Committee Meeting of the 7 August 2024 be confirmed as a true and correct record.

7. NEW BUSINESS OF AN URGENT NATURE

Nil

8. MATTERS REQUIRING A DETERMINATION OF COMMITTEE

Item: 8.1

Audit Report 2023-24

Author/s	Roselyn Hamilton	Manager Financial Services
Authorisor/s	Felicity Baxter	Director Corporate and Community Services

File Ref: D24/31157

Applicant

Corporate and Community Services

Location/Address

Internal

Executive Summary

To present to the Audit Committee the 2023-24 Annual Financial Report and Audit Report prepared by Carly Meagher from the Office of Auditor General (OAG).

Recommendation in Brief

That the Audit Committee

1. Receive the 2023-24 Annual Financial Report including the Audit Report as attached as Attachment A.
2. Recommends the Annual Financial Report and Audit Report for the 2023-24 financial year to Council for adoption.
3. Recommends the changes to the 2024-25 budget as a result of movements in actuals to Council for adoption.

Background

Council is required to prepare a financial report and present it to the Council's auditor by 30 September each year. This has been completed and Annual Financial Report and Audit Report are presented at Attachment A.

The Local Government Act (1995) requires that the audit report be examined by the local government to determine if any matters raised in the report require action to be taken. After considering the audit report the local government is to prepare a report on any actions to be taken in response to the audit report and is to forward a copy of that report to the Minister for Local Government.

Officer's Comment

The Council has received an unqualified or "clean" audit report from the Office of the Auditor General. The auditor's opinion states that

"In my opinion, the financial report is:

- based on proper accounts and records
- presents fairly, in all material respects, the results of the operations of the Shire for the year ended 30 June 2024 and its financial position at the end of that period
- in accordance with the *Local Government Act 1995* (the Act) and, to the extent that they are not inconsistent with the Act, the Australian Accounting Standards."

It is a legislative requirement for a separate report to be presented to the Audit Committee and Council when significant matters are raised in the Audit Report. See below section of the Act.

Section 7.12A (4) of the *Local Government Act (1995)* states:

A local government must –

- a) prepare a report addressing any matters identified as significant by the auditor in the audit report, and stating what action the local government has taken or intends to take with respect to each of those matters; and
- b) give a copy of that report to the Minister within 3 months after the audit report is received by the local government.

Within 14 days after a local government gives a report to the Minister under subsection (4)(b), the CEO must publish a copy of the report on the local government's official website.

There were no significant matters raised in the Audit Report therefore a separate report to the Minister will not be required.

Two observations were noted in the Audit Concluding Report (Attachment B)

1. Improvements in Work in Progress (WIP) Reporting

During our audit, it was observed that all WIP, irrespective of whether related it pertains to property, plant and equipment or infrastructure, has been recorded within infrastructure WIP account and presented as such in the financial report. While the impact of the classification was not material for the audit, it is recommended that the Shire revisits the process of categorising and reporting of WIP going forward. Ensuring that WIP pertaining to property, plant and equipment and infrastructure are appropriately segregated will improve the accuracy and clarity of the Shire's financial report.

Finance is looking at refreshing the asset system during 2024-25 and this matter is being considered as part of the project.

2. Review of Wylie Bay Rehabilitation Provision

The current methodology for deriving the Shire's Wylie Bay waste facility rehabilitation provision has not been updated since 2018. Given the long-term nature and potential financial impact of these obligations, we recommend that management undertakes a comprehensive exercise to ensure that the provision accurately reflects the most current cost estimates. This will be a key focus in our audit for the upcoming financial year.

Asset Management have informed Finance that they are undertaking a review of the rehabilitation of Wylie Bay in 2024-25 which should provide an accurate update to the expected costs.

Changes to budget post Audit

The 2023-24 surplus closing position has changed from when the budget was adopted in August from \$3,221,226 to \$4,219,909 for the following reason.

Recognition of Contract Asset in 2023-24 (AASB15)

During the finalisation of the annual financials, the treatment of a budgeted carryover in the roads program was reassessed as a contract asset for recognition in 2023-24.

The majority of expenditure for the road project was incurred in 2023-24 but as a condition of the associated grant the Shire had not yet received the related grant funds as the project had not yet finalised. On assessment of the related contract, it became clear that the Shire had a right to recognise the grant income related to the project in the 2023-24 Statements. The value of the contract expenditure completed in 2023-24 was \$998,683 and a correction to recognise the equivalent grant income could then offset the related cost.

The result of this movement was an increase to surplus in 2023-24 of \$998,683 and reduction to budgeted income in 2024-25. The movement is purely related to the timing of recognition of the income and does not affect the net cash inflow that is expected in 2024-25. Given that the movement is an accounting movement only, it has a net zero impact on the final budgeted deficit of \$44,458.

A breakdown of the proposed amended budget (including previous council approved movements) is below.

	Council Ref	Original	Amended
2023/24 Closing Surplus		\$3,221,226	\$4,219,909
Original Budgeted Movement		(\$3,265,684)	(\$3,265,684)
Esperance Indoor Stadium	S0824-125		(\$1,280,000)
Insurance Claim (EIS)	S0824-125		\$1,393,000
Building Maintenance Reserve	S0824-125		(\$113,000)
Capital Grants, subsidies & contributions	TBD		(\$998,683)
Budgeted 2024/25 Surplus/(Deficit)		(\$44,458)	(\$44,458)

Consultation

Moore Australia
Office of the Auditor General (OAG).

Financial Implications

Impact to closing surplus for 2023-24 as above with an overall net zero effect on the budgeted closing surplus for 2024-25.

Asset Management Implications

Nil

Statutory Implications

The statutory implications associated with this item are *Local Government Act (1995)* Section 7.12A which details duties with respect to audits.

Policy Implications

Nil

Strategic Implications

Council Plan 2022 – 2032
Leadership

A financially sustainable and supportive organisation achieving operational excellence

Environmental Considerations

Nil

Attachments

- A. 2023-24 Annual Financial Report
- B. Auditor's Opinion - 30 June 2024
- C. Audit Concluding Report - 30 June 2024

Officer's Recommendation

That the Audit Committee;

- 1. Receive the 2023-24 Annual Financial Report incorporating the Audit Report as attached at Attachment A.**
- 2. Recommends the Annual Financial Report and Audit Report for the 2023-24 financial year to Council for adoption.**
- 3. Recommends the changes to the 2024-25 budget as a result of movements in actuals to Council for adoption.**

Voting Requirement

Simple Majority

**SHIRE OF ESPERANCE
FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2024**

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

STATEMENT BY CEO

The accompanying financial report of the Shire of Esperance has been prepared in compliance with the provisions of the *Local Government Act 1995* from proper accounts and records to present fairly the financial transactions for the reporting period ended 30 June 2024 and the financial position as at 30 June 2024.

At the date of signing this statement the particulars included in the financial report are not misleading or inaccurate.

Signed on the 30th day of October 2024



Chief Executive Officer
Shane Burge

**SHIRE OF ESPERANCE
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2024**

	NOTE	2024 Actual \$	2024 Budget \$	2023 Actual \$
Revenue				
Rates	2(a),24	25,432,406	25,336,630	23,635,371
Grants, subsidies and contributions	2(a)	13,304,012	7,829,652	16,162,013
Fees and charges	2(a)	11,203,001	10,129,753	10,952,081
Interest revenue	2(a)	2,583,229	1,355,000	1,526,936
Other revenue	2(a)	982,800	757,894	1,003,835
		53,505,448	45,408,929	53,280,236
Expenses				
Employee costs	2(b)	(21,378,606)	(21,411,309)	(21,083,657)
Materials and contracts		(12,980,360)	(16,068,990)	(12,556,334)
Utility charges		(1,368,941)	(1,293,221)	(1,323,897)
Depreciation		(22,658,326)	(25,435,663)	(21,492,577)
Finance costs		(84,036)	(87,700)	(98,521)
Insurance		(887,856)	(949,260)	(885,765)
Other expenditure	2(b)	(1,326,971)	(1,028,890)	(597,449)
		(60,685,096)	(66,275,033)	(58,038,200)
		(7,179,648)	(20,866,104)	(4,757,964)
Capital grants, subsidies and contributions	2(a)	15,394,282	24,857,455	8,245,196
Profit on asset disposals		503,134	672,538	1,572,415
Loss on asset disposals		(24,539)	(130,124)	(56,443)
		15,872,877	25,399,869	9,761,168
Net result for the period	23(b)	8,693,229	4,533,765	5,003,204
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	-	-	168,416,513
Total other comprehensive income for the period	17	-	-	168,416,513
Total comprehensive income for the period		8,693,229	4,533,765	173,419,717

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



9. ELECTED MEMBERS

10. SHIRE OFFICERS

11. CLOSURE