



Shire of Menzies

AUDIT & RISK COMMITTEE AGENDA

Friday 10 December 2021

Commencing at 2:00 pm

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1 DECLARATION OF OPENING

The Shire President declared the meeting open at _____ pm.

1.1 Election of Chairperson

In accordance with Division 1 of Schedule 2.3 of the *Local Government Act 1995* the election of the Chairperson will be undertaken by the Shire President.

1.2 Election of Deputy Chairperson

In accordance with Division 2 of Schedule 2.3 of the *Local Government Act 1995* the election of the Deputy Chairperson will be undertaken by the newly elected Chairperson.

2 ANNOUNCEMENT OF VISITORS

2.1 Audit Exit Meeting

RSM Australia was engaged by the Office of the Auditor General (OAG) Western Australia to perform the audit of the Shire of Menzies for the year ending 30 June 2020. RSM will present its findings.

3 RECORD OF ATTENDANCE

Councillors: Cr G Dwyer, Shire President
 Cr I Baird
 Cr J Dwyer
 Cr S Sudhir

Staff: Mr B Joiner, Chief Executive Officer
 Ms E Reitmajer, Executive Officer (Minutes)

4 DECLARATIONS OF INTEREST

5 CONFIRMATION/RECEIVAL OF MINUTES

CONFIRMATION of the Minutes of the Audit & Risk Committee Meeting held on 24 September 2021.
(*Provided under Separate Cover*)

OFFICER RECOMMENDATION

That the Minutes of the Audit & Risk Committee Meeting held on 24 September 2021 be confirmed as a true and correct record.

COMMITTEE DECISION:

Committee Resolution Number	
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Moved		Seconded	
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Carried	
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6 REPORTS OF OFFICERS

6.1	Audit report, findings and financial statement FY 20/21	
LOCATION	Shire of Menzies	
APPLICANT	Internal	
DOCUMENT REF	NAM528	
DATE OF REPORT	29 November 2021	
AUTHOR	Chief Executive Officer, Brian Joiner	
RESPONSIBLE OFFICER	Chief Executive Officer, Brian Joiner	
DISCLOSURE OF INTEREST	Nil	
ATTACHMENT	<ol style="list-style-type: none"> 1. Opinion - Shire of Menzies - 30 June 2021 client [6.1.1 - 4 pages] 2. D 21 28788 Final Management Letter Attachment - Shire of Menzies - 30 June 2021 [6.1.2 - 11 pages] 3. Menzies 2020-21 AFS V 2.3 [6.1.3 - 53 pages] 	

SUMMARY:

The audited Financial Statements and Audit Findings have been provided by the independent auditors. This paper provides the audit committee with the documents for review.

BACKGROUND:

Local governments are subject to annual audits by agents appointed by the Office of the Auditor General (OAG).

The 2020/21 audit was conducted by RSM through site visits and via external means.

The Regulations require that the audit be completed and presented to the Audit & Risk Committee and Council prior to 31st December 2021.

An exit brief was conducted with staff and Councillors attending the Audit & Risk Committee held on 10 December 2021 via a video conference with the OAG and RSM.

COMMENT:

The Audited Financial Statements are presented to Council upon recommendation of the Audit Committee. The Audited Financial Statements will then be incorporated into the Annual Report to be presented at an Annual Electors Meeting.

CONSULTATION:

Office of the Auditor General.
RSM.
Moore Australia, consultants.
Antonio Giometti, Chief Financial Officer.

STATUTORY AUTHORITY:

Local Government Act 1995 s7.9 and s7.12(A).
Local Government (Audit) Regulations r10.

POLICY IMPLICATIONS:

There are no policy implications resulting from the recommendation of this report.

FINANCIAL IMPLICATIONS:

There are no financial implications resulting from the recommendation of this report.

RISK ASSESSMENT:

Risk Statement	Level of Risk	Risk Mitigation Strategy
N/A		

STRATEGIC IMPLICATIONS:

4.2 An efficient and effective organisation.

4.2.1 Maintain a high level of corporate governance, responsibility and accountability.

VOTING REQUIREMENTS:

Absolute Majority

OFFICER RECOMMENDATION:

That the Audit & Risk Committee recommends Council adopts the 2020/2021 Audited Financial Statement.

COMMITTEE DECISION:

Committee Resolution Number	
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Moved		Seconded	
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Carried	
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Auditor General

INDEPENDENT AUDITOR'S REPORT 2021 Shire of Menzies

To the Councillors of the Shire of Menzies

Report on the audit of the annual financial report

Opinion

I have audited the financial report of the Shire of Menzies (Shire) which comprises:

- the Statement of Financial Position at 30 June 2021, the Statement of Comprehensive Income by Nature or Type, Statement of Comprehensive Income by Program, Statement of Changes in Equity, Statement of Cash Flows and Rate Setting Statement for the year then ended
- Notes comprising a summary of significant accounting policies and other explanatory information
- the Statement by the Chief Executive Officer.

In my opinion the financial report of the Shire of Menzies:

- is based on proper accounts and records
- fairly represents, in all material respects, the results of the operations of the Shire for the year ended 30 June 2021 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, Australian Accounting Standards.

Basis for opinion

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under those standards are further described in the Auditor's responsibilities section below. I am independent of the Shire in accordance with the *Auditor General Act 2006* and the relevant ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to my audit of the financial report. I have also fulfilled my other ethical responsibilities in accordance with the Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Responsibilities of the Chief Executive Officer and Council for the financial report

The Chief Executive Officer (CEO) of the Shire is responsible for the preparation and fair presentation of the financial report in accordance with the requirements of the Act, the Regulations and Australian Accounting Standards. The CEO is also responsible for managing internal control (as required by the CEO) to ensure the financial report is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the CEO is responsible for assessing the Shire's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the State Government has made decisions affecting the continued existence of the Shire.

The Council is responsible for overseeing the Shire's financial reporting process.

Auditor's responsibility for the audit of the financial report

As required by the *Auditor General Act 2006*, my responsibility is to express an opinion on the financial report. The objectives of my audit are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

A further description of my responsibilities for the audit of the financial report is located on the Auditing and Assurance Standards Board website. This description forms part of my auditor's report and can be found at https://www.auasb.gov.au/auditors_responsibilities/ar4.pdf.

Report on other legal and regulatory requirements

In accordance with the Local Government (Audit) Regulations 1996 I report that:

- (i) The following material matter indicating non-compliance with Part 6 of the Act, the Regulations or applicable financial controls of any other relevant written law were identified during the course of my audit:
 - a) There is no evidence that the ordering of goods was approved prior to ordering as purchase orders were dated on or after the suppliers' invoices were received.
 - b) There was insufficient documentation to indicate that the required number of quotations had been obtained and evaluated. This practice increased the likelihood of not receiving value for money in procurement and/or pricing change between quotation and invoicing.
- (ii) All required information and explanations were obtained by me.
- (iii) All audit procedures were satisfactorily completed.
- (iv) In my opinion, the Asset Consumption Ratio and the Asset Renewal Funding Ratio included in the financial report were supported by verifiable information and reasonable assumptions.

Other information

The other information is the information in the entity's annual report for the year ended 30 June 2021, but not the financial report and my auditor's report. The CEO is responsible for the preparation and the Council for overseeing the other information.

My opinion does not cover the other information and, accordingly, I do not express any form of assurance conclusion thereon.

Matters relating to the electronic publication of the audited financial report

This auditor's report relates to the financial report of the Shire of Menzies for the year ended 30 June 2021 included on the Shire's website. The Shire's management is responsible for the integrity of the Shire's website. This audit does not provide assurance on the integrity of the Shire's website. The auditor's report refers only to the financial report described above. It does not provide an opinion on any other information which may have been hyperlinked to/from this financial report. If users of the financial report are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited financial report to confirm the information contained in this website version of the financial report.

Nayna Raniga
Senior Director Financial Audit
Delegate of the Auditor General for Western Australia
Perth, Western Australia
December 2021

ATTACHMENT

SHIRE OF MENZIES

PERIOD OF AUDIT: 1 JULY 2020 TO 30 JUNE 2021

FINDINGS IDENTIFIED DURING THE AUDIT

INDEX OF FINDINGS	RATING		
	Significant	Moderate	Minor
Current year issues:			
1. Purchase orders are raised / approved after services or goods are received	✓		
2. No evidence of credit card reconciliation review		✓	
3. No evidence of management review of property values input into SynergySoft		✓	
4. No evidence of daily petty cash reconciliations		✓	
5. Non-compliance with <i>Local Government Act 1995</i> – annual and primary returns		✓	
6. Unrecorded liabilities		✓	
7. Accounting for credit card transactions			✓
Prior year issues:			
8. Procurement – obtaining quotes	✓		
9. Non-compliance with Local Government (Financial Management) Regulations 1996 - assets		✓	

KEY TO RATINGS

The Ratings in this management letter are based on the audit team's assessment of risks and concerns with respect to the probability and/or consequence of adverse outcomes if action is not taken. We give consideration to these potential adverse outcomes in the context of both quantitative impact (for example financial loss) and qualitative impact (for example inefficiency, non-compliance, poor service to the public or loss of public confidence).

- Significant** - Those findings where there is potentially a significant risk to the entity should the finding not be addressed by the entity promptly. A significant rating may be reported as a matter of non-compliance in the audit report in the current year, or in a subsequent reporting period if not addressed. However, even if the issue is not likely to impact the audit report, it should be addressed promptly.
- Moderate** - Those findings which are of sufficient concern to warrant action being taken by the entity as soon as practicable.
- Minor** - Those findings that are not of primary concern but still warrant action being taken.

ATTACHMENT

SHIRE OF MENZIES

PERIOD OF AUDIT: 1 JULY 2020 TO 30 JUNE 2021

FINDINGS IDENTIFIED DURING THE AUDIT

1. Purchase Orders Are Raised / Approved After Services or Goods Are Received

Finding:

From a sample of 30 purchase transactions from the period of 1 July 2020 to 31 March 2021, six instances (20%) were identified where purchase orders were raised after the supplier invoice was received.

Purchase orders act as an internal approval and control mechanism to proceed with a purchase.

Rating: Significant

Implication:

Purchases made without authorised purchase orders may increase the risk of unauthorised expenditure occurring and going undetected.

Recommendation:

The Shire should ensure all procurements are supported by dual authorised purchase orders which should be raised and issued prior to goods or services being received. They should contain all necessary details for matching with final invoices subsequently received from suppliers.

Management comment:

Purchase Orders (PO) are now raised upon the receipt of quotes, verbal or written. As specified in the Shire's Purchasing Policy. Standing POs are raised for purchases such as utilities or similar nature recurring procurements. Creditor Invoices are matched to POs and checked prior to payments.

Responsible position: Chief Financial Officer (CFO)

Completion Date: 31 December 2021

ATTACHMENT

SHIRE OF MENZIES

PERIOD OF AUDIT: 1 JULY 2020 TO 30 JUNE 2021

FINDINGS IDENTIFIED DURING THE AUDIT

2. No Evidence of Credit Card Reconciliation Review

Findings

During our audit procedures, it was noted that the Shire has one active credit card issued to the Chief Executive Officer (CEO). The monthly credit card statements are to be reviewed by Deputy CEO, independent of the initial reconciliation by the CEO. This practice accords with the recommendations of the Western Australian Auditor General's Report Controls Over Corporate Credit Cards issued 7 May 2018.

During our procedures it was found that for the month of December 2020 there was no evidence of the credit card reconciliation being reviewed by the Deputy CEO.

Rating: Moderate

Implication:

Failure to review monthly credit card statements increases the Shire's risk of fraud or misuse of the corporate credit card.

Recommendation:

Corporate credit card reconciliations should be reviewed and signed by a senior employee independent of the preparer in a timely manner.

Management comment:

Every month, current procedures are that the Credit Card statement transactions are checked, confirmed and then the statement is executed by the CEO. The Credit Card purchases, and statement are then checked and reviewed by Accounting staff as a part of Month End Reconciliations and Reporting, Final review/confirmation is undertaken by CFO each month prior to tabling at the monthly OCM.

Any issues/concerns are raised and clarified/rectified with the CEO prior to CFO confirmation and tabling at the OCM.

Responsible position: Chief Financial Officer (CFO)

Completion Date: 31 December 2021

ATTACHMENT

SHIRE OF MENZIES

PERIOD OF AUDIT: 1 JULY 2020 TO 30 JUNE 2021

FINDINGS IDENTIFIED DURING THE AUDIT

3. No Evidence of Management Review of Property Values Input into SynergySoft

Findings

In current financial year, the Local Government issued initial rate notices for the 30 June 2021 financial year based on preliminary valuation reports received from Landgate. Rates are calculated, in part, by referring to the property values stored in the Shire's automated SynergySoft financial management platform. Subsequently, the Shire received several revised property valuation reports from Landgate. The revised property values were manually input by the Rates and Records Officer into SynergySoft and updated rates notices were issued to ratepayers.

However, during the audit, it was noted that there was no evidence of management review of the reconciliation between the rating verification and Landgate report completed by the Rates and Records Officer. We did not identify any errors between the two systems.

Rating: Moderate**Implication:**

Failure to perform an independent review of the revised valuation reports or to complete a reconciliation between the Landgate valuation reports and SynergySoft, may lead to inaccuracies in both the interim rates charged and ultimately the rates revenue recognised in the financial statements.

Recommendation:

The Shire should implement a formal review process for the Landgate valuation reports to verify that the information is consistent with the data held in SynergySoft.

Management comment:

A rolling valuation reconciliation is now being kept, and this is reconciled with LandGate information received and accesses on the LandGate portal, this is done monthly, post receipt of information from LandGate.

Responsible position: Chief Financial Officer (CFO)

Completion Date: 31 December 2021

ATTACHMENT

SHIRE OF MENZIES

PERIOD OF AUDIT: 1 JULY 2020 TO 30 JUNE 2021

FINDINGS IDENTIFIED DURING THE AUDIT

4. No Evidence of Daily Petty Cash Reconciliations

Finding:

Regulation 11 of the Local Government (Financial Management) Regulations 1996 requires the Shire to develop procedures for proper control over petty cash.

During our audit we noted that there was no evidence of independent review of the Shire's daily petty cash count. Further, on observation of a cash count performed by the Shire, the petty cash balance was \$255 less than the recorded balance. This discrepancy was unable to be explained by the Shire.

Rating: Moderate

Implication:

Failure to establish appropriate controls over cash floats increases the risk of not complying with the Local Government (Financial Management) Regulations 1996 and the risk of fraud.

Recommendation:

The Shire should develop and implement a system of control over petty cash.

Management comment:

Shire unable to provide information in relation to discrepancy due to unreconciled petty cash. Finance Management Team is reviewing and action will be taken with cash count and will update petty cash reconciliation for Admin and CRC cash float.

Responsible position: Chief Financial Officer (CFO)

Completion date: 30 June 2022

ATTACHMENT

SHIRE OF MENZIES

PERIOD OF AUDIT: 1 JULY 2020 TO 30 JUNE 2021

FINDINGS IDENTIFIED DURING THE AUDIT

5. Compliance with *Local Government Act 1995* – Annual and Primary Returns**Finding**

Section 5.75 of the *Local Government Act 1995* requires that elected members and designated employees (relevant person) must lodge with the Chief Executive Officer (CEO) a primary return in the prescribed form within three months of the start day.

In addition, section 5.76 of the *Local Government Act 1995* requires that relevant persons must disclose changes that have occurred to the status of information disclosed in a previous return and any new interests obtained during the return period must be disclosed in the annual return.

During our review of the primary and annual returns of relevant persons, three annual returns and one primary return were not able to be located by the Shire.

Rating: Moderate**Implication:**

Non-compliance with sections 5.75 and 5.76 of the *Local Government Act 1995*.

Recommendation:

The Shire should design and implement a system to ensure:

- (a) All relevant persons lodge a primary return in the prescribed form within 3 months of the start date with the CEO. The CEO must lodge with the Shire president.
- (b) All relevant persons lodge an annual return in the prescribed form by 31 August of that year with the CEO. The CEO must lodge with the Shire president.
- (c) In accordance with section 5.77, the CEO or Shire president should give the person submitting the return written acknowledgement of having received the return.

Management comment:

Shire of Menzies is aware of the requirements of Council members and designated employees to disclose personal financial information in primary and annual returns. It outlines these requirements to Council members upon election and at the end of each financial year, and designated employees when they become a designated employee, and again, at the end of each financial year.

Shire of Menzies has a process and timeline for requesting lodgement of financial interest returns, which includes an initial request, two follow-up requests and a final reminder the day the return is due, with a statement outlining the consequences of non-compliance. It provides the forms, instructions on completing the forms and a copy of the Department Guidelines on Primary and Annual Returns.

Shire of Menzies acknowledges the lack of response from some council members and former staff. Upon refusal of elected members or a designated employee to comply with the requirements, the CEO reports the breach to the Department and Corruption and Crime Commission in accordance with the Corruption, Crime and Misconduct Act 2003.

Responsible position: Chief Executive Officer (CEO)

Completion date: 30 June 2022

ATTACHMENT

SHIRE OF MENZIES

PERIOD OF AUDIT: 1 JULY 2020 TO 30 JUNE 2021

FINDINGS IDENTIFIED DURING THE AUDIT

6. Unrecorded Liabilities

Finding:

During our audit procedures, it was noted that invoices that are received late are recorded in the month of receipt instead of the month in which the transactions has occurred. These invoices are therefore not recognised as a liability in the period in which they were incurred. For such unrecorded invoices for the month of June 2021, an adjustment of \$246,339.87 was recorded to properly accrue the liability and procurement as at 30 June 2021.

Rating: Moderate

Implication:

Failure to recognise a liability for invoices in the correct period increases the risk of understating liabilities and the associated procurement accounts.

Recommendation:

Invoices should be entered into the accounting system and dated according to the period they relate to, instead of when the invoices are received.

Management comment:

Finance Management Teams with CFO supervision will be reviewing and controlling of end of year transactions to reduce risk of liabilities and capitalised expenditure being understated.

Responsible position: Chief Financial Officer (CFO)

Completion date: 30 June 2022

ATTACHMENT

SHIRE OF MENZIES

PERIOD OF AUDIT: 1 JULY 2020 TO 30 JUNE 2021

FINDINGS IDENTIFIED DURING THE AUDIT

7. Accounting for credit card transactions

Finding:

During our audit procedures, it was noted that the Shire records transactions, incurred through credit cards, in the following month, when the credit card balance is automatically paid. This results in transactions being recorded in the incorrect period.

The credit card balance as at 30 June 2021 was \$3,633.91, and liabilities were therefore understated by this amount. This has been deemed immaterial and no adjustment has been posted to recognise this balance.

Credit card transactions should be recorded at the time of purchase and should be recorded as a payable balance until the time of payment.

Rating: Minor

Implication:

Failure to record expenses in the month in which they are incurred increases the risk of understatement of payables and expenses.

Recommendation:

The Shire should ensure that each month the respective credit card transactions are accrued for as part of month end procedures.

Management comment:

*Management noted that Credit card transaction currently processing through Direct debit following with posting period as per date of deduction.
Finance Management Teams with CFO supervision will be reviewing and will update processing credit card transaction to address risk of payable and expenses under recorded.*

Responsible position: Chief Financial Officer (CFO)

Completion date: 30 June 2022

ATTACHMENT

SHIRE OF MENZIES

PERIOD OF AUDIT: 1 JULY 2020 TO 30 JUNE 2021

FINDINGS IDENTIFIED DURING THE AUDIT

Prior Year Issues

8. Procurement – Obtaining Quotes

Findings 2021:

Prior year issue was not satisfactorily resolved as during our procurement testing, from a sample of 30 purchases made during the period 1 July 2020 to 31 March 2021, we noted 2 (6%) instances where there was insufficient documentation to indicate that the requisite number of quotations had been obtained and evaluated.

Findings 2020:

Prior year issue was not satisfactorily resolved as during our procurement testing, from a sample of 30 purchases made during the period 1 July 2019 to 31 March 2020, we noted 4 (13%) instances where there was insufficient documentation to indicate that the requisite number of quotations had been obtained and evaluated.

Section 4.2 *Purchasing and Tenders* of the Shire's purchasing policy requires that purchases within prescribed price ranges meet certain conditions in order to comply with the *Local Government Act 1995* and accompanying regulations.

Findings 2019:

During our procurement testing, from a sample of 30 purchases made during the period 1 July 2018 to 31 March 2019, we noted 1 (3%) instance where there was insufficient documentation to indicate that the requisite number of quotations had been obtained and evaluated.

Rating: Significant (2020 and 2019: Moderate)**Implication:**

Non-compliance with the internal purchasing policy increases the risk of breaching Part 4 of the Local Government (Functions and General) Regulations 1996 and regulation 11A (3)(b) of the Local Government (Finance and General ledger) Regulations. There is a further risk of not achieving the objectives of 'Value for Money' as stated in Policy 4 *Value for Money* of the Shire's purchasing policy.

Recommendation:

The requirement for full compliance with the Shire's purchasing policy must be communicated to all staff and be closely monitored by management.

If instances arise where the Shire is unable to obtain the requisite number of quotations, the reasons should be recorded and attached to the purchase order at the time of the purchase being made.

Management comment

Procedures and process have been reviewed post the completion of the previous annual audit (circa mid-June 2021) and following the commencement of new CFO, Purchase Order requests present to the CEO and CFO must be in alignment with Shire's Purchasing and Delegations policies. All relevant information, such as quotes requested, obtained, assessed, OCM approvals where relevant, are checked prior to payments being made and attached to the final EFT payments held on file.

Responsible position: Chief Financial Officer (CFO)

Completion Date: 31 December 2021

ATTACHMENT

SHIRE OF MENZIES

PERIOD OF AUDIT: 1 JULY 2020 TO 30 JUNE 2021

FINDINGS IDENTIFIED DURING THE AUDIT

9. Non-Compliance with The Local Government (Financial Management) Regulations 1996 – Assets

Findings 2021:

Effective from 1 July 2018, regulation 17A (5) of the Local Government (Financial Management) Regulations 1996 (Financial Management Regulations) provides that an asset is to be excluded from the assets of a local government if the fair value of the asset as at the date of acquisition by the local government is under \$5,000.

During our audit we noted that five (5) assets with a total net book value of \$10,040, were recorded on the fixed assets register with acquired cost of less than \$5,000 each. Management has advised that the fixed asset register is being reviewed and assets with a cost less than \$5,000 will be expensed during the 30 June 2021 financial year.

Furthermore, we were unable to obtain an attractive item register.

Findings 2020:

During our audit we noted six (6) assets, with a total net book value of \$12,777, were recorded on the fixed assets register with acquired cost of less than \$5,000 each. Management has advised that the fixed asset register is being reviewed and assets with a cost less than \$5,000 will be expensed.

Findings 2019:

During our audit, we noted that 17 assets were still recorded on the fixed assets register with acquired cost of less than \$5,000 with net book value of \$19,800.

Subsequent to audit, these assets were expensed in the current financial year.

Rating: Moderate (2020 and 2019: Moderate)

Implication:

Non-compliance with regulation 17A(5) of the Financial Management Regulations. In addition, fixed assets balances may be overstated, and expenses understated.

Recommendation:

The Shire should:

- Review the fixed asset register to ensure all items acquired for less than \$5,000 have been expensed; and
- Consider monitoring the assets excluded from the fixed asset register by including all or some of these assets in 'attractive items register'

ATTACHMENT

SHIRE OF MENZIES

PERIOD OF AUDIT: 1 JULY 2020 TO 30 JUNE 2021

FINDINGS IDENTIFIED DURING THE AUDIT

Management comment:

The Shire had previously kept an Attractive Assets Register until the change to the new accounting software. For some reason, staff stopped using the manual system as they found it too difficult to track in the new system.

On 15 June 2021, the Administration and Finance Officer/Asset Management was provided with a copy of the procedures to use the Module "Minor Tools" in the SynergySoft program, which is designed for this purpose a few years ago.

In order to resolve this situation, I make the following recommendations:

- *This task be reassessed at the Annual Audit*
- *Staff are to extract the GL data from the BM and BO Jobs held in Synergysoft*
- *The extract is to be reviewed to identify any purchases as per the below – Portable and Attractive items are non-consumable items that:*
 - *have a value below the capitalisation threshold (eg is between \$500 and \$5,000); and*
 - *are susceptible to theft or loss due to their portable nature and attractiveness for personal use or resale.*

<i>Category</i>	<i>Threshold ex GST</i>
<i>Information technology / electronic devices</i> <ul style="list-style-type: none"> - <i>cameras, video & audio equipment</i> - <i>mobile phones</i> - <i>laptop computer, tablets, printers etc</i> - <i>GPS devices</i> - <i>other items as determined by the CEO</i> 	<i>\$500 to less than \$5,000</i>
<i>General equipment and items</i> <ul style="list-style-type: none"> - <i>power tools, chainsaws etc</i> - <i>trade equipment</i> - <i>floating plant / loose tools</i> - <i>other items as determined by the CEO</i> 	<i>\$1,000 to less than \$5,000</i>

A list of Attractive Assets has been extracted from SynergySoft for items greater than \$500 and less than \$5,000.

A check of the item's location/are they still held is to be undertaken and the register formalised in SynergySoft Records and General Ledger – Balance Sheet items.

Responsible position: Chief Financial Officer (CFO)

Completion Date: 31 December 2021

SHIRE OF MENZIES
FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2021

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COMMUNITY VISION

The Shire will endeavour to provide the community services and facilities to meet the needs of the community and enable them to enjoy a pleasant and healthy way of life.

Principal place of business:
 124 Shenton Street
 Menzies WA 6436

**SHIRE OF MENZIES
FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2021**

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

STATEMENT BY CHIEF EXECUTIVE OFFICER

The attached financial report of the Shire of Menzies for the financial year ended 30 June 2021 is based on proper accounts and records to present fairly the financial position of the Shire of Menzies at 30 June 2021 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 _____ day of _____ 2021

Chief Executive Officer

Brian Joiner

SHIRE OF MENZIES
STATEMENT OF COMPREHENSIVE INCOME
BY NATURE OR TYPE
FOR THE YEAR ENDED 30 JUNE 2021

	NOTE	2021 Actual \$	2021 Budget \$	2020 Actual \$
Revenue				
Rates	24(a)	3,512,250	3,562,400	3,352,627
Operating grants, subsidies and contributions	2(a)	3,032,239	1,515,687	2,690,890
Fees and charges	2(a)	220,054	192,830	257,335
Interest earnings	2(a)	133,258	211,640	252,350
Other revenue	2(a)	96,158	23,050	98,911
		6,993,959	5,505,607	6,652,113
Expenses				
Employee costs		(1,505,877)	(2,020,866)	(1,966,860)
Materials and contracts		(1,680,127)	(2,307,568)	(1,867,224)
Utility charges		(90,660)	(80,588)	(93,809)
Depreciation on non-current assets	10(b)	(2,120,345)	(2,225,431)	(2,242,127)
Interest expenses	2(b)	(95)	0	(529)
Insurance expenses		(150,908)	(129,692)	(122,358)
Other expenditure		(319,620)	(580,435)	(278,405)
		(5,867,632)	(7,344,580)	(6,571,312)
		1,126,327	(1,838,973)	80,801
Non-operating grants, subsidies and contributions	2(a)	1,454,744	2,241,861	3,564,550
Profit on asset disposals	10(a)	7,977	0	1,417
(Loss) on asset disposals	10(a)	0	0	(35,329)
Fair value adjustments to financial assets at fair value through profit or loss		18,452	0	0
		1,481,173	2,241,861	3,530,638
Net result for the period		2,607,500	402,888	3,611,439
Other comprehensive income				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Changes in asset revaluation surplus	12	0	0	1,883,862
Total other comprehensive income for the period		0	0	1,883,862
Total comprehensive income for the period		2,607,500	402,888	5,495,301

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

SHIRE OF MENZIES
STATEMENT OF COMPREHENSIVE INCOME
BY PROGRAM
FOR THE YEAR ENDED 30 JUNE 2021

	NOTE	2021 Actual \$	2021 Budget \$	2020 Actual \$
Revenue				
Governance	2(a)	24,285	100	6,634
General purpose funding		6,418,401	4,974,022	5,558,933
Law, order, public safety		18,476	11,462	10,686
Health		0	300	450
Housing		50,459	65,700	88,687
Community amenities		17,277	25,630	27,964
Recreation and culture		0	800	16,730
Transport		182,985	198,034	643,435
Economic services		223,577	207,359	246,923
Other property and services		58,499	22,200	51,671
		6,993,959	5,505,607	6,652,113
Expenses				
Governance	2(b)	(975,699)	(746,054)	(881,861)
General purpose funding		(213,909)	(421,679)	(264,419)
Law, order, public safety		(103,456)	(75,511)	(110,478)
Health		(32,074)	(46,337)	(38,541)
Housing		(176,936)	(270,951)	(194,735)
Community amenities		(295,838)	(326,485)	(379,856)
Recreation and culture		(789,023)	(767,059)	(805,794)
Transport		(1,970,866)	(2,820,848)	(2,318,875)
Economic services		(925,070)	(1,258,356)	(921,397)
Other property and services		(384,666)	(611,300)	(654,827)
		(5,867,537)	(7,344,580)	(6,570,783)
Finance Costs				
Governance	2(b)	(95)	0	0
Other property and services		0	0	(529)
		(95)	0	(529)
		1,126,327	(1,838,973)	80,801
Non-operating grants, subsidies and contributions	2(a)	1,454,744	2,241,861	3,564,550
Profit on disposal of assets	10(a)	7,977	0	1,417
(Loss) on disposal of assets	10(a)	0	0	(35,329)
Fair value adjustments to financial assets at fair value through profit or loss		18,452	0	0
		1,481,173	2,241,861	3,530,638
Net result for the period		2,607,500	402,888	3,611,439
Other comprehensive income				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Changes in asset revaluation surplus	12	0	0	1,883,862
Total other comprehensive income for the period		0	0	1,883,862
Total comprehensive income for the period		2,607,500	402,888	5,495,301

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

SHIRE OF MENZIES
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2021

	NOTE	2021 \$	2020 \$
CURRENT ASSETS			
Cash and cash equivalents	3	15,838,467	12,901,851
Trade and other receivables	5	477,636	673,083
Inventories	6	15,211	13,623
Other assets	7(a)	12,797	17,642
TOTAL CURRENT ASSETS		16,344,111	13,606,199
NON-CURRENT ASSETS			
Other assets	7(b)	18,452	0
Property, plant and equipment	8	10,222,623	10,565,699
Infrastructure	9	119,026,520	118,875,551
Right-of-use assets	11(a)	2,430	6,340
TOTAL NON-CURRENT ASSETS		129,270,025	129,447,590
TOTAL ASSETS		145,614,136	143,053,789
CURRENT LIABILITIES			
Trade and other payables	13	381,708	392,694
Lease liabilities	14(a)	2,363	3,985
Employee related provisions	16	192,238	197,107
TOTAL CURRENT LIABILITIES		576,309	593,786
NON-CURRENT LIABILITIES			
Lease liabilities	14(a)	0	2,363
Employee related provisions	16	14,362	41,675
TOTAL NON-CURRENT LIABILITIES		14,362	44,038
TOTAL LIABILITIES		590,671	637,824
NET ASSETS		145,023,465	142,415,965
EQUITY			
Retained surplus		20,894,053	18,733,641
Reserves - cash backed	4	12,303,243	11,856,155
Revaluation surplus	12	111,826,169	111,826,169
TOTAL EQUITY		145,023,465	142,415,965

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

SHIRE OF MENZIES
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2021

	NOTE	RETAINED SURPLUS \$	RESERVES CASH BACKED \$	REVALUATION SURPLUS \$	TOTAL EQUITY \$
Balance as at 1 July 2019		18,481,111	8,497,246	109,942,307	136,920,664
Comprehensive income					
Net result for the period		3,611,439	0	0	3,611,439
Other comprehensive income	12	0	0	1,883,862	1,883,862
Total comprehensive income		3,611,439	0	1,883,862	5,495,301
Transfers from reserves	4	277,292	(277,292)	0	0
Transfers to reserves	4	(3,636,201)	3,636,201	0	0
Balance as at 30 June 2020		18,733,641	11,856,155	111,826,169	142,415,965
Comprehensive income					
Net result for the period		2,607,500	0	0	2,607,500
Total comprehensive income		2,607,500	0	0	2,607,500
Transfers from reserves	4	758,358	(758,358)	0	0
Transfers to reserves	4	(1,205,446)	1,205,446	0	0
Balance as at 30 June 2021		20,894,053	12,303,243	111,826,169	145,023,465

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

SHIRE OF MENZIES
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2021

	NOTE	2021 Actual \$	2021 Budget \$	2020 Actual \$
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts				
Rates		3,712,489	3,562,400	3,317,435
Operating grants, subsidies and contributions		3,056,360	1,515,687	2,684,013
Fees and charges		127,690	192,830	257,335
Interest received		133,258	211,640	252,350
Goods and services tax received		308,889	0	552,567
Other revenue		96,158	23,050	98,911
		7,434,844	5,505,607	7,162,611
Payments				
Employee costs		(1,520,315)	(2,020,866)	(1,973,197)
Materials and contracts		(1,736,211)	(2,307,568)	(2,324,012)
Utility charges		(90,660)	(80,588)	(93,809)
Interest expenses		(95)	0	(529)
Insurance paid		(150,908)	(129,692)	(122,358)
Goods and services tax paid		(210,282)	0	(483,157)
Other expenditure		(319,620)	(580,435)	(278,405)
		(4,028,091)	(5,119,149)	(5,275,467)
Net cash provided by (used in) operating activities	17	3,406,753	386,458	1,887,144
CASH FLOWS FROM INVESTING ACTIVITIES				
Payments for purchase of property, plant & equipment	8(a)	(786,962)	(2,084,500)	(1,134,117)
Payments for construction of infrastructure	9(a)	(1,146,661)	(4,091,000)	(2,248,588)
Non-operating grants, subsidies and contributions	2(a)	1,454,744	2,241,861	3,564,550
Proceeds from sale of property, plant & equipment	10(a)	12,727	0	233,001
Net cash provided by (used in) investment activities		(466,152)	(3,933,639)	414,846
CASH FLOWS FROM FINANCING ACTIVITIES				
Payments for principal portion of lease liabilities	14(b)	(3,985)	0	(33,906)
Net cash provided by (used in) financing activities		(3,985)	0	(33,906)
Net increase (decrease) in cash held		2,936,616	(3,547,181)	2,268,084
Cash at beginning of year		12,901,851	12,703,555	10,633,767
Cash and cash equivalents at the end of the year	3	15,838,467	9,156,374	12,901,851

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

**SHIRE OF MENZIES
RATE SETTING STATEMENT
FOR THE YEAR ENDED 30 JUNE 2021**

	NOTE	2021 Actual \$	2021 Budget \$	2020 Actual \$
OPERATING ACTIVITIES				
Net current assets at start of financial year - surplus/(deficit)	25 (b)	1,357,349	811,748	1,994,974
		1,357,349	811,748	1,994,974
Revenue from operating activities (excluding rates)				
Governance		42,737	100	6,634
General purpose funding		2,906,151	1,411,622	2,206,306
Law, order, public safety		18,476	11,462	10,686
Health		0	300	450
Housing		50,459	65,700	88,687
Community amenities		17,277	25,630	27,964
Recreation and culture		0	800	16,730
Transport		190,962	198,034	644,852
Economic services		223,577	207,359	246,923
Other property and services		58,499	22,200	51,671
		3,508,138	1,943,207	3,300,903
Expenditure from operating activities				
Governance		(975,794)	(746,054)	(881,861)
General purpose funding		(213,909)	(421,679)	(264,419)
Law, order, public safety		(103,456)	(75,511)	(110,478)
Health		(32,074)	(46,337)	(38,541)
Housing		(176,936)	(270,951)	(194,735)
Community amenities		(295,838)	(326,485)	(379,856)
Recreation and culture		(789,023)	(767,059)	(805,794)
Transport		(1,970,866)	(2,820,848)	(2,354,204)
Economic services		(925,070)	(1,258,356)	(921,397)
Other property and services		(384,666)	(611,300)	(655,356)
		(5,867,632)	(7,344,580)	(6,606,641)
Non-cash amounts excluded from operating activities	25(a)	2,066,280	2,225,431	2,293,455
Amount attributable to operating activities		1,064,135	(2,364,194)	982,691
INVESTING ACTIVITIES				
Non-operating grants, subsidies and contributions	2(a)	1,454,744	2,241,861	3,564,550
Proceeds from disposal of assets	10(a)	12,727	0	233,001
Purchase of property, plant and equipment	8(a)	(786,962)	(2,084,500)	(1,134,117)
Purchase and construction of infrastructure	9(a)	(1,146,661)	(4,091,000)	(2,248,588)
		(466,152)	(3,933,639)	414,846
Amount attributable to investing activities		(466,152)	(3,933,639)	414,846
FINANCING ACTIVITIES				
Payments for principal portion of lease liabilities	14(b)	(3,985)	0	(33,906)
Transfers to reserves (restricted assets)	4	(1,205,446)	(100,000)	(3,636,201)
Transfers from reserves (restricted assets)	4	758,358	2,835,433	277,292
Amount attributable to financing activities		(451,073)	2,735,433	(3,392,815)
Surplus/(deficit) before imposition of general rates		146,910	(3,562,400)	(1,995,278)
Total amount raised from general rates	24(a)	3,512,250	3,562,400	3,352,627
Surplus/(deficit) after imposition of general rates	25(b)	3,659,160	0	1,357,349

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

SHIRE OF MENZIES
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FOR THE YEAR ENDED 30 JUNE 2021

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SHIRE OF MENZIES
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2021

1. BASIS OF PREPARATION

The financial report comprises general purpose financial statements which have been prepared in accordance with Australian Accounting Standards (as they apply to local governments and not-for-profit entities) and Interpretations of the Australian Accounting Standards Board, and the *Local Government Act 1995* and accompanying regulations.

The *Local Government Act 1995* and accompanying Regulations take precedence over Australian Accounting Standards where they are inconsistent.

The *Local Government (Financial Management) Regulations 1996* specify that vested land is a right-of-use asset to be measured at cost. All right-of-use assets (other than vested improvements) under zero cost concessionary leases are measured at zero cost rather than at fair value. The exception is vested improvements on concessionary land leases such as roads, buildings or other infrastructure which continue to be reported at fair value, as opposed to the vested land which is measured at zero cost. The measurement of vested improvements at fair value is a departure from AASB 16 which would have required the Shire to measure any vested improvements at zero cost.

Accounting policies which have been adopted in the preparation of this financial report have been consistently applied unless stated otherwise. Except for cash flow and rate setting information, the financial report has been prepared on the accrual basis and is based on historical costs, modified, where applicable, by the at fair value of selected non-current assets, financial assets and liabilities.

THE LOCAL GOVERNMENT REPORTING ENTITY

All funds through which the Shire controls resources to carry on its functions have been included in the financial statements forming part of this financial report.

In the process of reporting on the local government as a single unit, all transactions and balances between those funds (for example, loans and transfers between funds) have been eliminated.

INITIAL APPLICATION OF ACCOUNTING STANDARDS

During the current year, the Shire adopted all of the new and revised Australian Accounting Standards and Interpretations which were compiled, became mandatory and which were applicable to its operations.

These were:

- AASB 1059 *Service Concession Arrangements: Grantors*
- AASB 2018-7 *Amendments to Australian Accounting Standards - Definition of Materiality*

The adoption of these standards had no material impact on the financial report.

NEW ACCOUNTING STANDARDS FOR APPLICATION IN FUTURE YEARS

The following new accounting standards will have application to local government in future years:

- AASB 2020-1 *Amendments to Australian Accounting Standards - Classification of Liabilities as Current or Non-current*
- AASB 2020-3 *Amendments to Australian Accounting Standards - Annual Improvements 2018-2020 and Other Amendments*
- AASB 2021-2 *Amendments to Australian Accounting Standards - Disclosure of Accounting Policies or Definition of Accounting Estimates*

It is not expected these standards will have an impact on the financial report.

CRITICAL ACCOUNTING ESTIMATES

The preparation of a financial report in conformity with Australian Accounting Standards requires management to make judgements, estimates and assumptions that effect the application of policies and reported amounts of assets and liabilities, income and expenses.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances; the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

SHIRE OF MENZIES
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2021

2. REVENUE AND EXPENSES

(a) Grant revenue

Grants, subsidies and contributions are included as both operating and non-operating revenues in the Statement of Comprehensive Income:

	2021 Actual \$	2021 Budget \$	2020 Actual \$
Operating grants, subsidies and contributions			
General purpose funding	2,759,447	1,197,422	1,943,165
Law, order, public safety	10,436	6,522	5,406
Transport	180,613	196,034	621,410
Economic services	81,743	115,709	120,909
	3,032,239	1,515,687	2,690,890
Non-operating grants, subsidies and contributions			
General purpose funding	489,788	0	0
Recreation and culture	10,328	200,000	20,242
Transport	954,628	1,494,406	3,423,720
Economic services	0	547,455	120,588
	1,454,744	2,241,861	3,564,550
Total grants, subsidies and contributions	4,486,983	3,757,548	6,255,440
Fees and charges			
General purpose funding	9,763	6,500	13,810
Law, order, public safety	100	800	710
Health	0	300	450
Housing	50,359	65,700	81,098
Community amenities	17,277	25,630	27,964
Recreation and culture	0	500	0
Economic services	141,834	91,300	126,537
Other property and services	721	2,100	6,766
	220,054	192,830	257,335

There were no changes to the amounts of fees or charges detailed in the original budget.

SIGNIFICANT ACCOUNTING POLICIES

Grants, subsidies and contributions

Operating grants, subsidies and contributions are grants, subsidies or contributions that are not non-operating in nature.

Non-operating grants, subsidies and contributions are amounts received for the acquisition or construction of recognisable non-financial assets to be controlled by the local government.

Fees and Charges

Revenue (other than service charges) from the use of facilities and charges made for local government services, sewerage rates, rentals, hire charges, fee for service, photocopying charges, licences, sale of goods or information, fines, penalties and administration fees.

SHIRE OF MENZIES
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2021

2. REVENUE AND EXPENSES (Continued)

(a) Revenue (Continued)

**Contracts with customers and transfers
for recognisable non-financial assets**

Revenue from contracts with customers and transfers to enable the acquisition or construction of recognisable non-financial assets to be controlled by the Shire was recognised during the year for the following nature or types of goods or services:

	2021 Actual \$	2021 Budget \$	2020 Actual \$
Fees and charges	212,762	192,830	0
Other revenue	2,372	0	0
Non-operating grants, subsidies and contributions	1,454,744	2,241,861	3,564,550
	1,669,878	2,434,691	3,564,550

Revenue from contracts with customers and transfers to enable the acquisition or construction of recognisable non-financial assets to be controlled by the Shire is comprised of:

Revenue from contracts with customers recognised during the year	215,134	192,830	0
Revenue from transfers intended for acquiring or constructing recognisable non financial assets during the year	1,454,744	2,241,861	3,564,550
	1,669,878	2,434,691	3,564,550

Information about receivables, contract assets and contract liabilities from contracts with customers along with financial assets and associated liabilities arising from transfers to enable the acquisition or construction of recognisable non financial assets is:

Trade and other receivables from contracts with customers	0	0	30,803
---	---	---	--------

No assets associated with contracts with customers are considered to be impaired. Contract liabilities for contracts with customers primarily relate to grants with performance obligations received in advance, for which revenue is recognised over time as the performance obligations are met. Information is not provided about remaining performance obligations for contracts with customers that had an original expected duration of one year or less. Consideration from contracts with customers is included in the transaction price. Performance obligations in relation to contract liabilities from transfers for recognisable non financial assets are satisfied as project milestones are met or completion of construction or acquisition of the asset. All associated performance obligations are expected to be met over the next 12 months.

SHIRE OF MENZIES
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2021

2. REVENUE AND EXPENSES (Continued)

(a) Revenue (Continued)

Revenue from statutory requirements

Revenue from statutory requirements was recognised during the year for the following nature or types of goods or services:

General rates

Other revenue

Reimbursements and recoveries

Other

Interest earnings

Interest on reserve funds

Rates instalment and penalty interest (refer Note 24(b))

Other interest earnings

Note	2021 Actual \$	2021 Budget \$	2020 Actual \$
	3,512,250	3,562,400	3,352,627
	3,512,250	3,562,400	3,352,627
	85,346	23,050	50,160
	10,812	0	48,751
	96,158	23,050	98,911
	57,387	100,000	132,870
	65,667	96,640	99,706
	10,204	15,000	19,774
	133,258	211,640	252,350

SIGNIFICANT ACCOUNTING POLICIES

Interest earnings

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

Interest earnings (continued)

Interest income is presented as finance income where it is earned from financial assets that are held for cash management purposes.

(b) Expenses

Auditors remuneration

- Audit of the Annual Financial Report

Interest expenses (finance costs)

Lease liabilities

Other expenditure

Reduction in allowance for impairment of receivables

Sundry expenses

	48,000	45,000	74,000
	48,000	45,000	74,000
14(b)	95	0	529
	95	0	529
	(92,364)	0	0
	411,984	580,435	278,405
	319,620	580,435	278,405

SHIRE OF MENZIES

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2021

2. REVENUE AND EXPENSES (continued)

REVENUE RECOGNITION POLICY

Recognition of revenue is dependant on the source of revenue and the associated terms and conditions associated with each source of revenue and recognised as follows:

Revenue Category	Nature of goods and services	When obligations typically satisfied	Payment terms	Returns/Refunds/Warranties	Determination of transaction price	Allocating transaction price	Measuring obligations for returns	Timing of revenue recognition
Rates - general rates	General rates	Over time	Payment dates adopted by council during the year	None	Adopted by council annually	When taxable event occurs	Not applicable	When rates notice is issued
Service charges	Charge for specific service	Over time	Payment dates adopted by council during the year	Refund in event monies are unspent	Adopted by council annually	When taxable event occurs	Not applicable	When rates notice is issued
Grant contracts with customers	Community events, minor facilities, research, design, planning evaluation and services	Over time	Fixed terms transfer of funds based on agreed milestones and reporting	Contract obligation if project not complete	Set by mutual agreement with the customer	Based on the progress of works to match performance obligations	Returns limited to repayment of transaction price of terms breached	Output method based on project milestones and/or completion date matched to performance obligations as inputs are shared
Grants, subsidies or contributions for the construction of non-financial assets	Construction or acquisition of recognisable non-financial assets to be controlled by the local government	Over time	Fixed terms transfer of funds based on agreed milestones and reporting	Contract obligation if project not complete	Set by mutual agreement with the funding body	Based on the progress of works to match performance obligations	Returns limited to repayment of transaction price of terms breached	Output method based on project milestones and/or completion date matched to performance obligations
Grants, subsidies or contributions with no contractual commitments	General appropriations and contributions with no reciprocal commitment	No obligations	Not applicable	Not applicable	Cash received	On receipt of funds	Not applicable	When assets are controlled
Fees and charges - licences, registrations, approvals	Building, planning, development and animal management, having the same nature as a licence regardless of naming	Single point in time	Full payment prior to issue	None	Set by State legislation or limited by legislation to the cost of provision	Based on timing of issue of the associated rights	No refunds	On payment of the licence, registration or approval
Fees and charges - inspections	Regulatory food, health and safety	Single point in time	Full payment prior to inspection	None	Set by State legislation or limited by legislation to the cost of provision	Applied fully on timing of inspection	Not applicable	Revenue recognised after inspection event occurs
Fees and charges - waste management collections	Kerbside collection service	Over time	Payment on an annual basis in advance	None	Adopted by council annually	Apportioned equally across the collection period	Not applicable	Output method based on regular weekly and fortnightly period as proportionate to collection service
Fees and charges - waste management entry fees	Waste treatment, recycling and disposal service at disposal sites	Single point in time	Payment in advance at gate or on normal trading terms if credit provided	None	Adopted by council annually	Based on timing of entry to facility	Not applicable	On entry to facility
Fees and charges - property hire and entry	Use of halls and facilities	Single point in time	In full in advance	Refund if event cancelled within 7 days	Adopted by council annually	Based on timing of entry to facility	Returns limited to repayment of transaction price	On entry or at conclusion of hire
Fees and charges - memberships	Gym and pool membership	Over time	Payment in full in advance	Refund for unused portion on application	Adopted by council annually	Apportioned equally across the access period	Returns limited to repayment of transaction price	Output method over 12 months matched to access right
Fees and charges for other goods and services	Cemetery services, library fees, reinstatements and private works	Single point in time	Payment in full in advance	None	Adopted by council annually	Applied fully based on timing of provision	Not applicable	Output method based on provision of service or completion of works
Fees and charges - sale of stock	Aviation fuel, kiosk and visitor centre stock	Single point in time	In full in advance, on 15 day credit	Refund for faulty goods	Adopted by council annually, set by mutual agreement	Applied fully based on timing of provision	Returns limited to repayment of transaction price	Output method based on goods
Fees and charges - fines	Fines issued for breaches of local laws	Single point in time	Payment in full within defined time	None	Adopted by council through local law	When taxable event occurs	Not applicable	When fine notice is issued
Other revenue - commissions	Commissions on licencing and ticket sales	Over time	Payment in full on sale	None	Set by mutual agreement with the customer	On receipt of funds	Not applicable	When assets are controlled
Other revenue - reimbursements	Insurance claims	Single point in time	Payment in arrears for claimable event	None	Set by mutual agreement with the customer	When claim is agreed	Not applicable	When claim is agreed

SHIRE OF MENZIES
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2021

3. CASH AND CASH EQUIVALENTS

	NOTE	2021 \$	2020 \$
Cash at bank and on hand		15,838,467	9,647,641
Term deposits		0	3,254,210
Total cash and cash equivalents		15,838,467	12,901,851
Restrictions			
The following classes of assets have restrictions imposed by regulations or other externally imposed requirements which limit or direct the purpose for which the resources may be used:			
- Cash and cash equivalents		12,303,243	11,856,155
		12,303,243	11,856,155
The restricted assets are a result of the following specific purposes to which the assets may be used:			
Reserves - cash backed	4	12,303,243	11,856,155
Total restricted assets		12,303,243	11,856,155

SIGNIFICANT ACCOUNTING POLICIES

Cash and cash equivalents

Cash and cash equivalents include cash on hand, cash at bank, deposits available on demand with banks and other short term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value and bank overdrafts. Bank overdrafts are reported as short term borrowings in current liabilities in the statement of financial position.

Restricted assets

Restricted asset balances are not available for general use by the local government due to externally imposed restrictions. Externally imposed restrictions are specified in an agreement, contract or legislation. This applies to reserves, unspent grants, subsidies and contributions and unspent loans that have not been fully expended in the manner specified by the contributor, legislation or loan agreement.

SHIRE OF MENZIES
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2021

4. RESERVES - CASH BACKED	2021 Actual Opening Balance	2021 Actual Transfer to	2021 Actual Transfer (from)	2021 Actual Closing Balance	2021 Budget Opening Balance	2021 Budget Transfer to	2021 Budget Transfer (from)	2021 Budget Closing Balance	2020 Actual Opening Balance	2020 Actual Transfer to	2020 Actual Transfer (from)	2020 Actual Closing Balance
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
(a) Leave reserve	205,074	993	0	206,067	204,689	1,724	0	206,413	201,642	3,432	0	205,074
(b) Building reserve	2,795,090	1,161,596	(494,427)	3,462,259	2,777,045	23,774	(1,098,433)	1,702,386	2,298,078	599,304	(102,292)	2,795,090
(c) Plant reserve	1,946,393	9,422	(32,840)	1,922,975	1,957,365	16,370	(72,000)	1,901,735	1,395,073	551,320	0	1,946,393
(d) Road reserves	2,755,425	13,336	(36,113)	2,732,648	2,752,496	23,183	(600,000)	2,175,679	1,529,390	1,226,035	0	2,755,425
(e) Main Street reserve	140,456	677	0	141,133	140,192	1,181	0	141,373	138,105	2,351	0	140,456
(f) Staff Amenities reserve	575,564	2,782	(181,100)	397,246	574,565	4,847	(420,000)	159,412	74,299	501,265	0	575,564
(g) TV reserve	17,889	87	0	17,976	18,712	150	0	18,862	17,590	299	0	17,889
(h) Caravan Park reserve	431,416	2,090	(4,000)	429,506	430,584	3,626	(150,000)	284,210	434,027	7,389	(10,000)	431,416
(i) Bitumen reserve	603,847	2,921	0	606,768	603,087	5,079	0	608,166	397,087	206,760	0	603,847
(j) Rates creditors reserve	51,144	247	0	51,391	50,875	428	0	51,303	50,119	1,025	0	51,144
(k) Niagara Dam reserve	1,252,493	6,061	(9,878)	1,248,676	1,249,909	10,525	(85,000)	1,175,434	1,349,520	22,973	(120,000)	1,252,493
(l) Water reserve	299,813	1,452	0	301,265	299,625	2,524	0	302,149	98,143	201,670	0	299,813
(m) Waste Management reserve	59,515	287	0	59,802	59,319	499	0	59,818	102,766	1,749	(45,000)	59,515
(n) Former Post Office reserve	418,406	2,025	0	420,431	417,624	3,517	(410,000)	11,141	411,407	6,999	0	418,406
(o) Commercial Enterprise reserve	101,210	488	0	101,698	100,000	857	0	100,857	0	101,210	0	101,210
(p) Land Purchase reserve	202,420	982	0	203,402	200,000	1,716	0	201,716	0	202,420	0	202,420
	11,856,155	1,205,446	(758,358)	12,303,243	11,836,087	100,000	(2,835,433)	9,100,654	8,497,246	3,636,201	(277,292)	11,856,155

All reserves are supported by cash and cash equivalents and are restricted within equity as Reserves - cash backed.

In accordance with Council resolutions or adopted budget in relation to each reserve account, the purpose for which the reserves are set aside and their anticipated date of use are as follows:

Name of Reserve	Anticipated date of use	Purpose of the reserve
(a) Leave reserve	Perpetual	To be used to fund annual and long service leave requirements.
(b) Building reserve	Perpetual	To be used for the acquisition of future building and renovation of existing buildings.
(c) Plant reserve	Perpetual	To be used for the purchase of major plant.
(d) Road reserves	Perpetual	To be used to fund major road works.
(e) Main Street reserve	Perpetual	Established for the beautification of the main street.
(f) Staff Amenities reserve	Perpetual	Established for the purpose of providing staff housing and amenities.
(g) TV reserve	Perpetual	To be used to fund upgrades to the rebroadcasting equipment.
(h) Caravan Park reserve	Perpetual	Established for the purpose of upgrading the caravan park.
(i) Bitumen reserve	Perpetual	Established to fund future resealing of roads.
(j) Rates creditors reserve	Perpetual	Established for future rates claims.
(k) Niagara Dam reserve	Perpetual	Established for ongoing upgrade of Niagara Dam valve workings and other maintenance.
(l) Water reserve	Perpetual	Established to provide a water park.
(m) Waste Management reserve	Perpetual	To provide for the statutory reinstatement and development of the reserve.
(n) Former Post Office reserve	Perpetual	To provide for the restoration and maintenance of the Former Post Office.
(o) Commercial Enterprise reserve	Perpetual	To fund an activity or purchase with a view to producing a profit.
(p) Land Purchase reserve	Perpetual	To be used for purchase of selective properties with development potential.

SHIRE OF MENZIES
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2021

5. TRADE AND OTHER RECEIVABLES

Current

Rates receivable
Trade and other receivables
GST receivable
Allowance for impairment of receivables

2021	2020
\$	\$
663,136	863,375
6,682	30,803
128,630	192,081
(320,812)	(413,176)
477,636	673,083

SIGNIFICANT ACCOUNTING POLICIES

Trade and other receivables

Trade and other receivables include amounts due from ratepayers for unpaid rates and service charges and other amounts due from third parties for goods sold and services performed in the ordinary course of business.

Trade receivables are recognised at original invoice amount less any allowances for uncollectible amounts (i.e. impairment). The carrying amount of net trade receivables is equivalent to fair value as it is due for settlement within 30 days.

Impairment and risk exposure

Information about the impairment of trade receivables and their exposure to credit risk and interest rate risk can be found in Note 26.

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Classification and subsequent measurement

Receivables expected to be collected within 12 months of the end of the reporting period are classified as current assets. All other receivables are classified as non-current assets.

Trade receivables are held with the objective to collect the contractual cashflows and therefore measures them subsequently at amortised cost using the effective interest rate method.

Due to the short term nature of current receivables, their carrying amount is considered to be the same as their fair value. Non-current receivables are indexed to inflation, any difference between the face value and fair value is considered immaterial.

SHIRE OF MENZIES
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2021

6. INVENTORIES

Current

Fuel and materials
 Stock

	2021	2020
	\$	\$
Fuel and materials	13,623	13,623
Stock	1,588	0
	15,211	13,623
Balance at beginning of year	13,623	10,706
Inventories expensed during the year	(84,294)	(107,117)
Additions to inventory	85,882	110,034
Balance at end of year	15,211	13,623

The following movements in inventories occurred during the year:

Balance at beginning of year

Inventories expensed during the year

Additions to inventory

Balance at end of year

SIGNIFICANT ACCOUNTING POLICIES

General

Inventories are measured at the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

SHIRE OF MENZIES
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2021

7. OTHER ASSETS

(a) Other assets - current

Prepayments
 Accrued income

(b) Other assets - non current

Financial assets at fair value through profit and loss

Financial assets at fair value through profit and loss

Units in Local Government House Trust

	2021	2020
	\$	\$
	0	9,284
	12,797	8,358
	12,797	17,642
	18,452	0
	18,452	0
	18,452	0
	18,452	0

SIGNIFICANT ACCOUNTING POLICIES

Other current assets

Other non-financial assets include prepayments which represent payments in advance of receipt of goods or services or that part of expenditure made in one accounting period covering a term extending beyond that period.

Financial assets at fair value through profit and loss

The Shire classifies the following financial assets at fair value through profit and loss:

- debt investments which do not qualify for measurement at either amortised cost or fair value through other comprehensive income.
- equity investments which the Shire has not elected to recognise fair value gains and losses through other comprehensive income.

SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment and risk

Information regarding impairment and exposure to risk can be found at Note 26.

SHIRE OF MENZIES
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2021

8. PROPERTY, PLANT AND EQUIPMENT

(a) Movements in Balances

Movement in the balances of each class of property, plant and equipment between the beginning and the end of the current financial year.

	Land	Buildings - non- specialised	Buildings - specialised	Total land and buildings	Furniture and equipment	Plant and equipment	Work in progress	Total property, plant and equipment
	\$	\$	\$	\$	\$	\$	\$	\$
Balance at 1 July 2019	684,000	2,104,053	4,521,354	7,309,407	87,270	1,983,900	0	9,380,577
Additions	0	0	23,698	23,698	0	746,688	363,731	1,134,117
(Disposals)	0	0	0	0	0	(266,913)	0	(266,913)
Revaluation increments / (decrements) transferred to revaluation surplus	(127,500)	168,477	1,169,547	1,210,524	0	0	0	1,210,524
Depreciation (expense)	0	(122,530)	(273,599)	(396,129)	(16,082)	(504,755)	0	(916,966)
Transfers	0	0	0	0	0	24,360	0	24,360
Balance at 30 June 2020	556,500	2,150,000	5,441,000	8,147,500	71,188	1,983,280	363,731	10,565,699
Comprises:								
Gross balance amount at 30 June 2020	556,500	2,150,000	5,441,000	8,147,500	87,270	2,449,949	363,731	11,048,450
Accumulated depreciation at 30 June 2020	0	0	0	0	(16,082)	(466,669)	0	(482,751)
Balance at 30 June 2020	556,500	2,150,000	5,441,000	8,147,500	71,188	1,983,280	363,731	10,565,699
Additions	0	411,993	304,978	716,971	17,713	51,278	1,000	786,962
(Disposals)	0	0	0	0	0	(4,750)	0	(4,750)
Depreciation (expense)	0	(99,399)	(268,298)	(367,697)	(11,200)	(402,760)	0	(781,657)
Transfers	0	0	20,100	20,100	0	0	(363,731)	(343,631)
Balance at 30 June 2021	556,500	2,462,594	5,497,780	8,516,874	77,701	1,627,048	1,000	10,222,623
Comprises:								
Gross balance amount at 30 June 2021	556,500	2,561,993	5,766,078	8,884,571	104,983	2,484,226	1,000	11,474,780
Accumulated depreciation at 30 June 2021	0	(99,399)	(268,298)	(367,697)	(27,282)	(857,178)	0	(1,252,157)
Balance at 30 June 2021	556,500	2,462,594	5,497,780	8,516,874	77,701	1,627,048	1,000	10,222,623

SHIRE OF MENZIES
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2021

8. PROPERTY, PLANT AND EQUIPMENT (Continued)

(b) Carrying Value Measurements

Asset Class	Fair Value Hierarchy	Valuation Technique	Basis of Valuation	Date of Last Valuation	Inputs Used
(i) Fair Value					
Land and buildings					
Land	2	Market approach using recent market data for similar properties	Independent Registered Valuer	June 2020	Price per hectare
Buildings - non-specialised	2 & 3	Market approach using recent market data for similar properties	Independent Registered Valuer and Management Valuation	June 2020	Improvements to land using construction costs (Level 2) and current condition, residual values and remaining useful life assessments (Level 3) inputs.
Buildings - specialised	2 & 3	Market approach using recent market data for similar properties	Independent Registered Valuer and Management Valuation	June 2020	Improvements to land using construction costs (Level 2) and current condition, residual values and remaining useful life assessments (Level 3) inputs.
Level 3 inputs are based on assumptions with regards to future values and patterns of consumption utilising current information. If the basis of these assumptions were varied, they have the potential to result in a significantly higher or lower fair value measurement.					
During the period there were no changes in the valuation techniques used by the local government to determine the fair value of property, plant and equipment using either level 2 or level 3 inputs.					
(ii) Cost					
Furniture and equipment		Cost	Cost		Purchase cost
Plant and equipment		Cost	Cost		Purchase cost
Work in progress		Cost	Cost		Purchase cost

Following a change to Local Government (Financial Management) Regulation 17A, plant and equipment type assets (being plant and equipment and furniture and equipment) are to be measured under the cost model, rather than at fair value. This change was effective from 1 July 2019 and represented a change in accounting policy. Revaluations carried out previously were not reversed as it was deemed fair value approximated cost at the date of change.

SHIRE OF MENZIES
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2021

9. INFRASTRUCTURE

(a) Movements in Balances

Movement in the balances of each class of infrastructure between the beginning and the end of the current financial year.

	Infrastructure - roads	Infrastructure - other	Infrastructure - footpaths	Infrastructure - parks and ovals	Work in progress	Total Infrastructure
	\$	\$	\$	\$	\$	\$
Balance at 1 July 2019	112,987,368	3,905,956	115,118	260,790	0	117,269,232
Additions	2,099,900	127,328	0	16,815	4,545	2,248,588
Revaluation increments / (decrements) transferred to revaluation surplus	0	0	673,338	0	0	673,338
Depreciation (expense)	(1,143,735)	(156,642)	(8,363)	(6,867)	0	(1,315,607)
Balance at 30 June 2020	113,943,533	3,876,642	780,093	270,738	4,545	118,875,551
Comprises:						
Gross balance at 30 June 2020	116,229,005	4,178,642	893,336	284,473	4,545	121,590,001
Accumulated depreciation at 30 June 2020	(2,285,472)	(302,000)	(113,243)	(13,735)	0	(2,714,450)
Balance at 30 June 2020	113,943,533	3,876,642	780,093	270,738	4,545	118,875,551
Additions	985,170	104,154	31,373	0	25,964	1,146,661
Depreciation (expense)	(1,146,290)	(159,172)	(21,608)	(7,708)	0	(1,334,778)
Transfers from Property, Plant & Equipment	0	343,631	0	0	0	343,631
Transfer to Statement of Financial Position	0	0	0	0	(4,545)	(4,545)
Balance at 30 June 2021	113,782,413	4,165,255	789,858	263,030	25,964	119,026,520
Comprises:						
Gross balance at 30 June 2021	117,214,175	4,626,427	924,709	284,473	25,964	123,075,748
Accumulated depreciation at 30 June 2021	(3,431,762)	(461,172)	(134,851)	(21,443)	0	(4,049,228)
Balance at 30 June 2021	113,782,413	4,165,255	789,858	263,030	25,964	119,026,520

Prior year works in progress was identified as not reaching the \$5,000 limit under *Financial Management Reg 17A (5)* and has been expensed within the 2020-21 year.

SHIRE OF MENZIES
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2021

9. INFRASTRUCTURE (Continued)

(b) Carrying Value Measurements

Asset Class	Fair Value Hierarchy	Valuation Technique	Basis of Valuation	Date of Last Valuation	Inputs Used
(i) Fair Value					
Infrastructure - roads	2 & 3	Cost approach using depreciated replacement cost	Management Valuation	June 2018	Construction costs (Level 2) and current conditions, residual values and remaining useful life assessments (Level 3) inputs.
Infrastructure - other	2 & 3	Cost approach using depreciated replacement cost	Management Valuation	June 2018	Construction costs (Level 2) and current conditions, residual values and remaining useful life assessments (Level 3) inputs.
Infrastructure - footpaths	2 & 3	Cost approach using depreciated replacement cost	Management Valuation	June 2020	Construction costs (Level 2) and current conditions, residual values and remaining useful life assessments (Level 3) inputs.
Infrastructure - parks and ovals	2 & 3	Cost approach using depreciated replacement cost	Management Valuation	June 2018	Construction costs (Level 2) and current conditions, residual values and remaining useful life assessments (Level 3) inputs.
Work in progress		Cost	Cost		Purchase cost

Level 3 inputs are based on assumptions with regards to future values and patterns of consumption utilising current information. If the basis of these assumptions were varied, they have the potential to result in a significantly higher or lower fair value measurement.

During the period there were no changes in the valuation techniques used to determine the fair value of infrastructure using level 3 inputs.

SHIRE OF MENZIES
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2021

10. FIXED ASSETS

SIGNIFICANT ACCOUNTING POLICIES

Fixed assets

Each class of fixed assets within either plant and equipment or infrastructure, is carried at cost or fair value as indicated less, where applicable, any accumulated depreciation and impairment losses.

Initial recognition and measurement between mandatory revaluation dates

Assets for which the fair value as at the date of acquisition is under \$5,000 are not recognised as an asset in accordance with *Financial Management Regulation 17A (5)*. These assets are expensed immediately.

Where multiple individual low value assets are purchased together as part of a larger asset or collectively forming a larger asset exceeding the threshold, the individual assets are recognised as one asset and capitalised.

In relation to this initial measurement, cost is determined as the fair value of the assets given as consideration plus costs incidental to the acquisition. For assets acquired at zero cost or otherwise significantly less than fair value, cost is determined as fair value at the date of acquisition. The cost of non-current assets constructed by the Shire includes the cost of all materials used in construction, direct labour on the project and an appropriate proportion of variable and fixed overheads.

Individual assets that are land, buildings and infrastructure acquired between initial recognition and the next revaluation of the asset class in accordance with the mandatory measurement framework, are recognised at cost and disclosed as being at fair value as management believes cost approximates fair value. They are subject to subsequent revaluation at the next anniversary date in accordance with the mandatory measurement framework.

Revaluation

The fair value of land, buildings and infrastructure is determined at least every five years in accordance with the regulatory framework. This includes buildings and infrastructure items which were pre-existing improvements (i.e. vested improvements) on vested land acquired by the Shire.

AUSTRALIAN ACCOUNTING STANDARDS - INCONSISTENCY Revaluation (Continued)

At the end of each period the valuation is reviewed and where appropriate the fair value is updated to reflect current market conditions. This process is considered to be in accordance with *Local Government (Financial Management) Regulation 17A (2)* which requires land, buildings, infrastructure and vested improvements to be shown at fair value.

Increases in the carrying amount arising on revaluation of assets are credited to a revaluation surplus in equity. Decreases that offset previous increases of the same class of asset are recognised against revaluation surplus directly in equity. All other decreases are recognised in profit or loss.

Land under roads from 1 July 2019

As a result of amendments to the *Local Government (Financial Management) Regulations 1996*, effective from 1 July 2019, vested land, including land under roads, is treated as right-of-use assets measured at zero cost. Therefore, the previous inconsistency with AASB 1051 in respect of non-recognition of land under roads acquired on or after 1 July 2008 has been removed, even though measurement at zero cost means that land under roads is still not included in the statement of financial position.

Vested improvements from 1 July 2019

The measurement of vested improvements at fair value in accordance with *Local Government (Financial Management) Regulation 17A(2)(iv)* is a departure from AASB 16 which would have required the Shire to measure the vested improvements as part of the related right-of-use assets at zero cost.

Refer to Note 11 that details the significant accounting policies applying to leases (including right-of-use assets).

SHIRE OF MENZIES
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2021

10. FIXED ASSETS

(a) Disposals of Assets

	2021 Actual Net Book Value	2021 Actual Sale Proceeds	2021 Actual Profit	2021 Actual Loss	2021 Budget Net Book Value	2021 Budget Sale Proceeds	2021 Budget Profit	2021 Budget Loss	2020 Actual Net Book Value	2020 Actual Sale Proceeds	2020 Actual Profit	2020 Actual Loss
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Plant and equipment	4,750	12,727	7,977	0	0	0	0	0	266,913	233,001	1,417	(35,329)
	4,750	12,727	7,977	0	0	0	0	0	266,913	233,001	1,417	(35,329)

The following assets were disposed of during the year.

	2021 Actual Net Book Value	2021 Actual Sale Proceeds	2021 Actual Profit	2021 Actual Loss
Plant and Equipment				
Transport				
Sale of Volkswagen Amarok	4,750	12,727	7,977	0
	4,750	12,727	7,977	0

SHIRE OF MENZIES
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2021

10. FIXED ASSETS

(b) Depreciation

	2021 Actual	2021 Budget	2020 Actual
	\$	\$	\$
Buildings - non-specialised	99,399	121,194	122,530
Buildings - specialised	268,298	270,614	273,599
Furniture and equipment	11,200	15,907	16,082
Plant and equipment	402,760	517,059	504,755
Infrastructure - roads	1,146,290	1,131,261	1,143,735
Infrastructure - other	159,172	154,933	156,642
Infrastructure - footpaths	21,608	7,670	8,363
Infrastructure - parks and ovals	7,708	6,793	6,867
Right-of-use assets - plant and equipment	0	0	5,644
Right of use assets - furniture and equipment	3,910	0	3,910
	2,120,345	2,225,431	2,242,127

SIGNIFICANT ACCOUNTING POLICIES

Depreciation

The depreciable amount of all fixed assets including buildings but excluding freehold land and vested land, are depreciated on a straight-line basis over the individual asset's useful life from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful life of the improvements.

The assets residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the statement of comprehensive income in the period in which they arise.

Depreciation rates

Typical estimated useful lives for the different asset classes for the current and prior years are included in the table below:

Asset Class	Useful life
Buildings	20 to 50 years
Furniture and equipment	4 to 10 years
Plant and equipment	4 to 15 years
Sealed roads and streets formation	not depreciated
pavement	25 to 100 years
seal	25 to 100 years
- bituminous seals	20 - 100 years
- asphalt surfaces	25 - 100 years
Gravel roads formation	not depreciated
pavement	25 to 100 years
Footpaths	25 to 50 years
Parks and Ovals	20 to 50 years
Infrastructure Other	4 to 50 years
Right of use	Based on the remaining lease

Depreciation on revaluation

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is treated in one of the following ways:

(a) The gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset. For example, the gross carrying amount may be restated by reference to observable market data or it may be restated proportionately to the change in the carrying amount. The accumulated depreciation at the date of the revaluation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset after taking into account accumulated impairment losses; or

(b) Eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

SHIRE OF MENZIES
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2021

11. LEASES

(a) Right-of-Use Assets

Movement in the balance of each class of right-of-use asset between the beginning and the end of the current financial year.

	Right-of-use assets - plant and equipment \$	Right of use assets - furniture and equipment \$	Right-of-use assets Total
Balance at 1 July 2019	30,004	10,250	40,254
Transfer of right of use asset to plant and equipment	(24,360)	0	(24,360)
Depreciation (expense)	(5,644)	(3,910)	(9,554)
Balance at 30 June 2020	0	6,340	6,340
Depreciation (expense)	0	(3,910)	(3,910)
Balance at 30 June 2021	0	2,430	2,430

The following amounts were recognised in the statement of comprehensive income during the period in respect of leases where the entity is the lessee:

	2021 Actual \$	2020 Actual \$
Depreciation expense on lease liabilities	(3,910)	(9,554)
Interest expense on lease liabilities	(95)	(529)
Total amount recognised in the statement of comprehensive income	(4,005)	(10,083)
Total cash outflow from leases	(4,080)	(34,435)

SIGNIFICANT ACCOUNTING POLICIES

Leases

At inception of a contract, the Shire assesses if the contract contains or is a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

At the commencement date, a right-of-use asset is recognised at cost and lease liability at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Shire uses its incremental borrowing rate.

All contracts that are classified as short-term leases (i.e. a lease with a remaining term of 12 months or less) and leases of low value assets are recognised as an operating expense on a straight-line basis over the term of the lease.

Leases for right-of-use assets are secured over the asset being leased.

Right-of-use assets - valuation

Right-of-use assets are measured at cost. This means that all right-of-use assets (other than vested improvements) under zero cost concessionary leases are measured at zero cost (i.e. not included in the statement of financial position). The exception is vested improvements on concessionary land leases such as roads, buildings or other infrastructure which are reported at fair value.

Refer to Note 10 for details on the significant accounting policies applying to vested improvements.

Right-of-use assets - depreciation

Right-of-use assets are depreciated over the lease term or useful life of the underlying asset, whichever is the shortest. Where a lease transfers ownership of the underlying asset, or the cost of the right-of-use asset reflects that the Shire anticipates to exercise a purchase option, the specific asset is amortised over the useful life of the underlying asset.

SHIRE OF MENZIES
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2021

12. REVALUATION SURPLUS

	2021 Opening Balance	2021 Revaluation Increment	2021 Revaluation (Decrement)	Total Movement on Revaluation	2021 Closing Balance	2020 Opening Balance	2020 Change in Accounting Policy	2020 Revaluation Increment	2020 Revaluation (Decrement)	Total Movement on Revaluation	2020 Closing Balance
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revaluation surplus - Land - freehold land	552,943	0	0	0	552,943	680,443	0	0	(127,500)	(127,500)	552,943
Revaluation surplus - Buildings - non-specialised	3,419,463	0	0	0	3,419,463	3,250,986	0	168,477	0	168,477	3,419,463
Revaluation surplus - Buildings - specialised	1,387,003	0	0	0	1,387,003	217,456	0	1,169,547	0	1,169,547	1,387,003
Revaluation surplus - Plant and equipment	0	0	0	0	0	1,343,109	(1,343,109)	0	0	0	0
Revaluation surplus - Infrastructure - roads	105,024,948	0	0	0	105,024,948	105,024,948	0	0	0	0	105,024,948
Revaluation surplus - Infrastructure - other	768,474	0	0	0	768,474	768,474	0	0	0	0	768,474
Revaluation surplus - Infrastructure - footpaths	673,338	0	0	0	673,338	0	0	673,338	0	673,338	673,338
	111,826,169	0	0	0	111,826,169	111,285,416	(1,343,109)	2,011,362	(127,500)	1,883,862	111,826,169

Movements on revaluation of property, plant and equipment (including infrastructure) are not able to be reliably attributed to a program as the assets were revalued by class as provided for by AASB 116 Aus 40.1. Vested land is no longer required to be recognised at fair value. Land under golf courses, show grounds, race courses or any other sporting or recreational facility of state or regional significance should be recognised at zero cost.

SHIRE OF MENZIES
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2021

13. TRADE AND OTHER PAYABLES

Current

Sundry creditors
Accrued salaries and wages
ATO liabilities
Bonds and deposits held
Other payables
Rates in advance

2021	2020
\$	\$
256,381	311,055
5,297	22,709
35,156	0
12,713	2,523
45,840	30,086
26,321	26,321
381,708	392,694

SIGNIFICANT ACCOUNTING POLICIES

Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the Shire prior to the end of the financial year that are unpaid and arise when the Shire becomes obliged to make future payments in respect of the purchase of these goods and services.

The amounts are unsecured, are recognised as a current liability and are normally paid within 30 days of recognition

Prepaid rates

Prepaid rates are, until the taxable event has occurred (start of the next financial year), refundable at the request of the ratepayer. Rates received in advance are initially recognised as a financial liability. When the taxable event occurs, the financial liability is extinguished and the Shire recognises revenue for the prepaid rates that have not been refunded.

SHIRE OF MENZIES
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2021

14. LEASE LIABILITIES

(a) Lease Liabilities

	2021	2020
	\$	\$
Current	2,363	3,985
Non-current	0	2,363
	2,363	6,348

(b) Movements in Carrying Amounts

Purpose	Lease Number	Institution	Lease Interest Rate	Lease Term	Actual Lease Principal 1 July 2020	30 June 2021 Actual Lease Principal Repayments	30 June 2021 Actual Lease Principal Outstanding	30 June 2021 Actual Lease Interest Repayments	Budget Lease Principal 1 July 2020	30 June 2021 Budget Lease Principal Repayments	30 June 2021 Budget Lease Principal Outstanding	30 June 2021 Budget Lease Interest Repayments	Actual Lease Principal 1 July 2019	30 June 2020 Actual Lease Principal Repayments	30 June 2020 Actual Lease Principal Outstanding	30 June 2020 Actual Lease Interest Repayments
					\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Other property and services																
Motor Vehicle	6224365	Fleet Management	2.40%	60 months	0	0	0	0	0		0	0	30,004	(30,004)	0	(351)
Smart Board	IE1338	Your payment solution	2.10%	48 months	6,348	(3,985)	2,363	(95)	0		0	0	10,250	(3,902)	6,348	(178)
					6,348	(3,985)	2,363	(95)	0		0	0	40,254	(33,906)	6,348	(529)

SHIRE OF MENZIES
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2021

15. INFORMATION ON BORROWINGS

	2021	2020
	\$	\$
Undrawn Borrowing Facilities		
Credit Standby Arrangements		
Credit card limit	25,000	25,000
Credit card balance at balance date	(3,634)	(1,174)
Total amount of credit unused	21,366	23,826
Loan facilities		
Lease liabilities - current	2,363	3,985
Lease liabilities - non-current	0	2,363
Total facilities in use at balance date	2,363	6,348
Unused loan facilities at balance date	NIL	NIL

SIGNIFICANT ACCOUNTING POLICIES

Financial liabilities

Financial liabilities are recognised at fair value when the Shire becomes a party to the contractual provisions to the instrument.

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss.

Financial liabilities are derecognised where the related obligations are discharged, cancelled or expired. The difference between the carrying amount of the financial liability extinguished or transferred to another party and the fair value of the consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

Borrowing costs

Borrowing costs are recognised as an expense when incurred except where they are directly attributable to the acquisition, construction or production of a qualifying asset. Where this is the case, they are capitalised as part of the cost of the particular asset until such time as the asset is substantially ready for its intended use or sale.

Risk

Information regarding exposure to risk can be found at Note 26.

SHIRE OF MENZIES
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2021

16. EMPLOYEE RELATED PROVISIONS

(a) Employee Related Provisions

Opening balance at 1 July 2020

Current provisions
 Non-current provisions

Additional provision

Amounts used

Balance at 30 June 2021

Comprises

Current
 Non-current

	Provision for Annual Leave	Provision for Long Service Leave	Total
	\$	\$	\$
Opening balance at 1 July 2020			
Current provisions	120,398	76,709	197,107
Non-current provisions	0	41,675	41,675
	120,398	118,384	238,782
Additional provision	82,054	12,743	94,797
Amounts used	(95,927)	(31,052)	(126,979)
Balance at 30 June 2021	106,525	100,075	206,600
Comprises			
Current	106,525	85,713	192,238
Non-current	0	14,362	14,362
	106,525	100,075	206,600

Amounts are expected to be settled on the following basis:

Less than 12 months after the reporting date
 More than 12 months from reporting date
 Expected reimbursements from other WA local governments

	2021	2020
	\$	\$
Less than 12 months after the reporting date	132,272	197,107
More than 12 months from reporting date	73,758	48,354
Expected reimbursements from other WA local governments	570	(6,679)
	206,600	238,782

Timing of the payment of current leave liabilities is difficult to determine as it is dependent on future decisions of employees. Expected settlement timings are based on information obtained from employees and historical leave trends and assumes no events will occur to impact on these historical trends.

SIGNIFICANT ACCOUNTING POLICIES

Employee benefits

The Shire's obligations for employees' annual leave and long service leave entitlements are recognised as provisions in the statement of financial position.

Short-term employee benefits

Provision is made for the Shire's obligations for short-term employee benefits. Short-term employee benefits are benefits (other than termination benefits) that are expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related service, including wages, salaries and sick leave. Short-term employee benefits are measured at the (undiscounted) amounts expected to be paid when the obligation is settled.

The Shire's obligations for short-term employee benefits such as wages, salaries and sick leave are recognised as a part of current trade and other payables in the statement of financial position.

Other long-term employee benefits

Long-term employee benefits are measured at the present value of the expected future payments to be made to employees. Expected future payments incorporate anticipated future wage and salary levels, durations of service and employee departures and are discounted at

Other long-term employee benefits (Continued)

rates determined by reference to market yields at the end of the reporting period on government bonds that have maturity dates that approximate the terms of the obligations. Any remeasurements for changes in assumptions of obligations for other long-term employee benefits are recognised in profit or loss in the periods in which the changes occur.

The Shire's obligations for long-term employee benefits are presented as non-current provisions in its statement of financial position, except where the Shire does not have an unconditional right to defer settlement for at least 12 months after the end of the reporting period, in which case the obligations are presented as current provisions.

Provisions

Provisions are recognised when the Shire has a present legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

Provisions are measured using the best estimate of the amounts required to settle the obligation at the end of the reporting period.

SHIRE OF MENZIES
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2021

17. NOTES TO THE STATEMENT OF CASH FLOWS

Reconciliation of Cash

For the purposes of the Statement of Cash Flows, cash includes cash and cash equivalents, net of outstanding bank overdrafts. Cash at the end of the reporting period is reconciled to the related items in the Statement of Financial Position as follows:

	2021 Actual	2021 Budget	2020 Actual
	\$	\$	\$
Cash and cash equivalents	15,838,467	9,156,374	12,901,851
Reconciliation of Net Cash Provided By Operating Activities to Net Result			
Net result	2,607,500	402,888	3,611,439
Non-cash flows in Net result:			
Adjustments to fair value of financial assets at fair value through profit and loss	(18,452)	0	0
Depreciation on non-current assets	2,120,345	2,225,431	2,242,127
(Profit)/loss on sale of asset	(7,977)	0	33,912
Work in progress expensed	4,545	0	0
Changes in assets and liabilities:			
(Increase)/decrease in receivables	195,447	0	27,341
(Increase)/decrease in other assets	4,845	0	10,444
(Increase)/decrease in inventories	(1,588)	0	(2,917)
Increase/(decrease) in payables	(10,986)	0	(488,069)
Increase/(decrease) in employee provisions	(32,182)	0	17,417
Non-operating grants, subsidies and contributions	(1,454,744)	(2,241,861)	(3,564,550)
Net cash from operating activities	3,406,753	386,458	1,887,144

SHIRE OF MENZIES
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2021

18. TOTAL ASSETS CLASSIFIED BY FUNCTION AND ACTIVITY

	2021	2020
	\$	\$
Governance	2,430	8,140
General purpose funding	393,780	501,408
Law, order, public safety	81,493	86,455
Education and welfare	0	300,000
Housing	1,922,936	2,867,925
Community amenities	636,778	866,992
Recreation and culture	6,070,569	4,399,256
Transport	121,219,185	121,072,992
Economic services	5,461,221	5,408,693
Other property and services	4,875,578	6,913,673
Unallocated	4,950,166	628,255
	145,614,136	143,053,789

SHIRE OF MENZIES
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2021

19. CONTINGENT LIABILITIES

The Shire of Menzies has in compliance with the Contaminated Sites Act 2003 section 11 listed sites to be possible sources of contamination: - Memorial M995306 ML, Lot 8 on Plan 222795 as shown in the certificate of title 1096/558 known as Shenton Street, Menzies WA 6436. Until the Shire conducts an investigation to determine the presence and scope of 'contamination, assess the risk and degree with the Department of Water and Environment Regulation the need and criteria for remediation, the Shire is unable to accurately quantify its clean-up liabilities for potentially contaminated sites. The Shire is continuing to monitor the sites and will progressively undertake site investigations and remediation on a risk based approach. This approach is consistent with the Department of Water and Environment Regulation guidelines.

SHIRE OF MENZIES
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2021

20. LEASING COMMITMENTS

Operating Lease Commitments

Non-cancellable operating leases contracted for but not capitalised in the accounts (short term and low value leases).

Payable:

- not later than one year
- later than one year but not later than five years
- later than five years

2021	2020
\$	\$
1,810	23,282
0	0
0	0
1,810	23,282

SIGNIFICANT ACCOUNTING POLICIES

Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not legal ownership, are transferred to the Shire, are classified as finance leases.

Finance leases are capitalised recording an asset and a liability at the lower of the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leases (Continued)

Leased assets are depreciated on a straight line basis over the shorter of their estimated useful lives or the lease term.

Lease incentives under operating leases are recognised as a liability and amortised on a straight line basis over the life of the lease term.

SHIRE OF MENZIES
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2021

21. ELECTED MEMBERS REMUNERATION

	2021 Actual \$	2021 Budget \$	2020 Actual \$
Elected member - President			
President's annual allowance	19,864	19,864	19,864
Meeting attendance fees	19,410	19,410	19,410
Annual allowance for ICT expenses	1,100	1,100	1,100
Travel and accommodation expenses	8,969	9,000	10,977
	49,343	49,374	51,351
Elected member - Deputy President			
Deputy President's annual allowance	4,966	4,966	4,966
Meeting attendance fees	9,410	9,410	9,410
Annual allowance for ICT expenses	1,100	1,100	1,100
Travel and accommodation expenses	4,722	4,000	5,682
	20,198	19,476	21,158
Elected member - 1			
Meeting attendance fees	9,410	9,410	9,410
Annual allowance for ICT expenses	1,100	1,100	1,100
Travel and accommodation expenses	142	2,000	1,931
	10,652	12,510	12,441
Elected member - 2			
Meeting attendance fees	9,410	9,410	9,410
Annual allowance for ICT expenses	1,100	1,100	1,100
Travel and accommodation expenses	0	2,000	243
	10,510	12,510	10,753
Elected member - 3			
Meeting attendance fees	9,410	9,410	7,057
Annual allowance for ICT expenses	1,100	1,100	825
Travel and accommodation expenses	4,817	4,000	1,679
	15,327	14,510	9,561
Elected member - 4			
Meeting attendance fees	3,921	9,410	0
Annual allowance for ICT expenses	458	1,100	0
Travel and accommodation expenses	3,346	4,000	0
	7,725	14,510	0
Elected member - 5			
Meeting attendance fees	7,842	0	6,273
Annual allowance for ICT expenses	917	0	733
Travel and accommodation expenses	0	0	355
	8,759	0	7,361
Elected member - 6			
Meeting attendance fees	0	0	2,445
Annual allowance for ICT expenses	0	0	183
Travel and accommodation expenses	0	0	5,031
	0	0	7,659
Elected member - 7			
Meeting attendance fees	2,353	9,410	9,410
Annual allowance for ICT expenses	275	1,100	1,100
Travel and accommodation expenses	0	0	2,039
	2,628	10,510	12,549
	125,142	133,400	132,833

SHIRE OF MENZIES
 NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
 FOR THE YEAR ENDED 30 JUNE 2021

21. ELECTED MEMBERS REMUNERATION (Continued)

	2021 Actual	2021 Budget	2020 Actual
	\$	\$	\$
Fees, expenses and allowances to be paid or reimbursed to elected council members.			
President's allowance	19,864	19,864	19,864
Deputy President's allowance	4,966	4,966	4,966
Meeting attendance fees	71,166	75,870	72,825
Annual allowance for ICT expenses	7,150	7,700	7,241
Travel and accommodation expenses	21,996	25,000	27,937
	125,142	133,400	132,833

SHIRE OF MENZIES
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2021

22. RELATED PARTY TRANSACTIONS

Key Management Personnel (KMP) Compensation Disclosure

	2021 Actual	2020 Actual
The total of remuneration paid to KMP of the Shire during the year are as follows:	\$	\$
Short-term employee benefits	464,830	560,388
Post-employment benefits	46,449	100,187
Other long-term benefits	12,555	29,194
	523,834	689,769

Short-term employee benefits

These amounts include all salary, fringe benefits and cash bonuses awarded to KMP except for details in respect to fees and benefits paid to elected members which may be found above.

Post-employment benefits

These amounts are the current-year's estimated cost of providing for the Shire's superannuation contributions made during the year.

Other long-term benefits

These amounts represent long service benefits accruing during the year.

Transactions with related parties

Transactions between related parties and the Shire are on normal commercial terms and conditions, no more favourable than those available to other parties, unless otherwise stated.

	2021 Actual	2020 Actual
The following transactions occurred with related parties:	\$	\$
Sale of goods and services	6,297	7,398
Purchase of goods and services	0	39

Related Parties

The Shire's main related parties are as follows:

i. Key management personnel

Any person(s) having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any elected member, are considered key management personnel.

ii. Other Related Parties

An associate person of KMP was employed by the Shire under normal employment terms and conditions.

Any entity that is controlled by or over which KMP, or close family members of KMP, have authority and responsibility for planning, directing and controlling the activity of the entity, directly or indirectly, are considered related parties in relation to the Shire.

iii. Entities subject to significant influence by the Shire

An entity that has the power to participate in the financial and operating policy decisions of an entity, but does not have control over those policies, is an entity which holds significant influence. Significant influence may be gained by share ownership, statute or agreement.

SHIRE OF MENZIES
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2021

23. INVESTMENT IN ASSOCIATES AND JOINT ARRANGEMENTS

Share of joint operations

The Shire together with the City of Kalgoorlie Boulder, Shires of Coolgardie, Dundas, Esperance, Laverton, Leonora, Ngaanyatjaraku, Ravensthorpe and Wiluna have a joint arrangement, classified as a joint operation with regards to the provision of a Regional Records Service. Management have determined this as a joint operation.

The assets included in the joint venture are one tenth share as follows:-

Current assets
 Non current assets
 Total assets

Current liabilities
 Total liabilities

Net assets

Net increase/(decrease) in share of associate entity's net assets

- Share of associates profit/(loss) from ordinary activities
- Share of associates total comprehensive income arising during the period

Balance at 1 July

- Share of associates total comprehensive income arising during the period

Balance at 30 June

2021	2020
\$	\$
2,728	7,445
71,420	75,118
74,148	82,563
4,605	0
4,605	0
69,543	82,563
(13,020)	(373)
(10,206)	11,680
(10,206)	11,680
13,463	1,783
(10,206)	11,680
3,257	13,463

SIGNIFICANT ACCOUNTING POLICIES

Interests in joint arrangements

Joint arrangements represent the contractual sharing of control between parties in a business venture where unanimous decisions about relevant activities are required.

Separate joint arrangements providing joint ventures with an interest to net assets are classified as a joint venture and accounted for using the equity method. The equity method of accounting, whereby the investment is initially recognised at cost and adjusted thereafter for the post-acquisition change in the Shire's share of net assets of the associate. In addition, the Shire's share of the profit or loss of the associate is included in the Shire's profit or loss.

Interests in joint arrangements (Continued)

Joint operations represent arrangements whereby joint operators maintain direct interests in each asset and exposure to each liability of the arrangement. The Shire's interests in the assets, liabilities, revenue and expenses of joint operations are included in the respective line items of the financial statements.

SHIRE OF MENZIES
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2021

24. RATING INFORMATION

(a) Rates

RATE TYPE	Rate in \$	Number of Properties	2020/21 Actual Rateable Value	2020/21 Actual Rate Revenue	2020/21 Actual Interim Rates	2020/21 Actual Back Rates	2020/21 Actual Total Revenue	2020/21 Budget Rate Revenue	2020/21 Budget Interim Rate	2020/21 Budget Back Rate	2020/21 Budget Total Revenue	2019/20 Actual Total Revenue
Differential general rate / general rate			\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Gross rental valuations												
Vacant	0.0864	4	20,956	1,811	0	0	1,811	1,811	0	0	1,811	1,811
Residential	0.0862	32	2,500,428	215,537	0	0	215,537	214,694	0	0	214,694	214,694
Unimproved valuations												
Mining lease	0.1655	229	15,472,156	2,560,642	13,106	0	2,573,748	2,561,176	50,000	0	2,611,176	2,430,616
Exploration lease	0.1500	321	3,082,413	462,362	0	0	462,362	467,552	0	0	467,552	420,983
Prospecting lease	0.1477	195	463,848	68,510	0	0	68,510	63,039	0	0	63,039	53,882
Pastoral lease	0.0829	23	826,983	68,557	0	0	68,557	67,750	0	0	67,750	60,861
Other	0.0829	63	307,900	25,525	0	0	25,525	24,978	0	0	24,978	24,978
Sub-Total		867	22,674,684	3,402,944	13,106	0	3,416,050	3,401,000	50,000	0	3,451,000	3,207,825
Minimum payment	Minimum \$											
Gross rental valuations												
Vacant	200	200	41,081	40,000	0	0	40,000	40,000	0	0	40,000	40,000
Residential	200	8	5,537	1,600	0	0	1,600	2,200	0	0	2,200	3,487
Unimproved valuations												
Mining lease	200	54	40,548	10,800	0	0	10,800	12,000	0	0	12,000	19,020
Exploration lease	200	141	117,116	28,200	0	0	28,200	37,400	0	0	37,400	53,760
Prospecting lease	200	73	47,028	14,600	0	0	14,600	17,800	0	0	17,800	25,048
Pastoral lease	200	4	4,638	800	0	0	800	1,400	0	0	1,400	2,536
Other	200	1	100	200	0	0	200	600	0	0	600	951
Sub-Total		481	256,048	96,200	0	0	96,200	111,400	0	0	111,400	144,802
Total amount raised from general rate		1,348	22,930,732	3,499,144	13,106	0	3,512,250	3,512,400	50,000	0	3,562,400	3,352,627
							3,512,250				3,562,400	3,352,627

SIGNIFICANT ACCOUNTING POLICIES

Rates

Control over assets acquired from rates is obtained at the commencement of the rating period.

Prepaid rates are, until the taxable event has occurred (start of the next financial year), refundable at the request of the ratepayer. Rates received in advance are initially recognised as a financial liability. When the taxable event occurs, the financial liability is extinguished and the Shire recognises revenue for the prepaid rates that have not been refunded.

SHIRE OF MENZIES
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2021

24. RATING INFORMATION (Continued)

(b) Interest Charges & Instalments

Instalment Options	Date Due	Instalment Plan Admin Charge	Instalment Plan Interest Rate	Unpaid Rates Interest Rate
		\$	%	%
Option One				
Single full payment	27/08/2020	0	0.0%	8.0%
Option Two				
First instalment	27/08/2020	0	0.0%	8.0%
Second instalment	27/10/2020	10	5.5%	8.0%
Third instalment	11/01/2021	10	5.5%	8.0%
Fourth instalment	11/03/2021	10	5.5%	8.0%

	2021 Actual	2021 Budget	2020 Actual
	\$	\$	\$
Interest on unpaid rates	60,098	91,140	94,733
Interest on instalment plan	5,569	5,500	4,973
Charges on instalment plan	5,280	5,500	4,795
	70,947	102,140	104,501

SHIRE OF MENZIES
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2021

25. RATE SETTING STATEMENT INFORMATION

		2020/21 Budget	2019/20
		(30 June 2021)	(30 June 2020)
Note	2020/21 (30 June 2021 Carried Forward)	2020/21 Budget (30 June 2021 Carried Forward)	2019/20 (30 June 2020 Carried Forward)
	\$	\$	\$
(a) Non-cash amounts excluded from operating activities			
The following non-cash revenue or expenditure has been excluded from amounts attributable to operating activities within the Rate Setting Statement in accordance with <i>Financial Management Regulation 32</i> .			
Adjustments to operating activities			
Less: Profit on asset disposals	10(a)	(7,977)	0
Less: Fair value adjustments to financial assets at fair value through profit and loss		(18,452)	0
Infrastructure work in progress transferred to Statement of Comprehensive Income		4,545	0
Movement in employee benefit provisions		(32,181)	0
Add: Loss on disposal of assets	10(a)	0	35,329
Add: Depreciation on non-current assets	10(b)	2,120,345	2,242,127
Non cash amounts excluded from operating activities		2,066,280	2,293,455
(b) Surplus/(deficit) after imposition of general rates			
The following current assets and liabilities have been excluded from the net current assets used in the Rate Setting Statement in accordance with <i>Financial Management Regulation 32</i> to agree to the surplus/(deficit) after imposition of general rates.			
Adjustments to net current assets			
Less: Reserves - cash backed	4	(12,303,243)	(9,100,654)
Add: Current liabilities not expected to be cleared at end of year			
- Current portion of lease liabilities		2,363	3,985
- Employee benefit provisions		192,238	197,106
Total adjustments to net current assets		(12,108,642)	(11,655,064)
Net current assets used in the Rate Setting Statement			
Total current assets		16,344,111	13,606,199
Less: Total current liabilities		(576,309)	(593,786)
Less: Total adjustments to net current assets		(12,108,642)	(11,655,064)
Net current assets used in the Rate Setting Statement		3,659,160	1,357,349

SHIRE OF MENZIES
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2021

26. FINANCIAL RISK MANAGEMENT

This note explains the Shire's exposure to financial risks and how these risks could affect the Shire's future financial performance.

Risk	Exposure arising from	Measurement	Management
Market risk - interest rate	Long term borrowings at variable rates	Sensitivity analysis	Utilise fixed interest rate borrowings
Credit risk	Cash and cash equivalents, trade receivables, financial assets and	Aging analysis Credit analysis	Diversification of bank deposits, credit limits. Investment policy
Liquidity risk	Borrowings and other liabilities	Rolling cash flow forecasts	Availability of committed credit lines and borrowing facilities

The Shire does not engage in transactions expressed in foreign currencies and is therefore not subject to foreign currency risk.

Financial risk management is carried out by the finance area under policies approved by the Council. The finance area identifies, evaluates and manages financial risks in close co-operation with the operating divisions. Council have approved the overall risk management policy and provide policies on specific areas such as investment policy.

(a) Interest rate risk

Cash and cash equivalents

The Shire's main interest rate risk arises from cash and cash equivalents with variable interest rates, which exposes the Shire to cash flow interest rate risk. Short term overdraft facilities also have variable interest rates however these are repaid within 12 months, reducing the risk level to minimal.

Excess cash and cash equivalents are invested in fixed interest rate term deposits which do not expose the Shire to cash flow interest rate risk. At 30 June 2021 these funds were placed in a non interest bearing account for the short term. Cash and cash equivalents required for working capital are held in variable interest rate accounts and non-interest bearing accounts. Carrying amounts of cash and cash equivalents at the 30 June and the weighted average interest rate across all cash and cash equivalents are reflected in the table below.

	Weighted Average Interest Rate	Carrying Amounts	Fixed Interest Rate	Variable Interest Rate	Non Interest Bearing
	%	\$	\$	\$	\$
2021					
Cash and cash equivalents	0.01%	15,838,467	0	15,837,402	1,065
2020					
Cash and cash equivalents	1.22%	12,901,851	3,254,210	9,646,321	1,320

Sensitivity

Profit or loss is sensitive to higher/lower interest income from cash and cash equivalents as a result of changes in interest rates.

	2021	2020
	\$	\$
Impact of a 1% movement in interest rates on profit and loss and equity*	158,374	96,463

* Holding all other variables constant

Borrowings

Borrowings are subject to interest rate risk - the risk that movements in interest rates could adversely affect funding costs. The Shire manages this risk by borrowing long term and fixing the interest rate to the situation considered the most advantageous at the time of negotiation. The Shire does not consider there to be any interest rate risk in relation to borrowings. Details of interest rates applicable to each borrowing may be found at Note 14(b).

SHIRE OF MENZIES
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2021

26. FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit risk

Trade and Other Receivables

The Shire's major receivables comprise rates annual charges and user fees and charges. The major risk associated with these receivables is credit risk – the risk that the debts may not be repaid. The Shire manages this risk by monitoring outstanding debt and employing debt recovery policies. It also encourages ratepayers to pay rates by the due date through incentives.

Credit risk on rates and annual charges is minimised by the ability of the Shire to recover these debts as a secured charge over the land, that is, the land can be sold to recover the debt. Whilst the Shire was historically able to charge interest on overdue rates and annual charges at higher than market rates, which further encourage payment.

The level of outstanding receivables is reported to Council monthly and benchmarks are set and monitored for acceptable collection performance.

The Shire applies the AASB 9 simplified approach to measuring expected credit losses using a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, rates receivable are separated from other trade receivables due to the difference in payment terms and security for rates receivable.

The expected loss rates are based on the payment profiles of rates and fees and charges over a period of 36 months before 1 July 2020 or 1 July 2021 respectively and the corresponding historical losses experienced within this period. Historical credit loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors such as the ability of ratepayers and residents to settle the receivables. Housing prices and unemployment rates have been identified as the most relevant factor in repayment rates, and accordingly adjustments are made to the expected credit loss rate based on these factors.

The loss allowance as at 30 June 2021 for rates receivable was determined as follows:

	Current	More than 1 year past due	More than 2 years past due	More than 3 years past due	Total
30 June 2021					
Rates receivable					
Expected credit loss	0.00%	2.22%	35.51%	82.20%	
Gross carrying amount	5,925	218,828	95,088	343,295	663,136
Loss allowance	0	4,858	33,766	282,188	320,812
30 June 2020					
Rates receivable					
Expected credit loss	0.00%	5.70%	100.00%	100.00%	
Gross carrying amount	340,758	116,059	75,063	331,493	863,373
Loss allowance	0	6,620	75,063	331,493	413,176

No loss allowance was provided for trade and other receivables at 30 June 2021 and 30 June 2020 as it was deemed immaterial.

SHIRE OF MENZIES
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2021

26. FINANCIAL RISK MANAGEMENT (Continued)

(c) Liquidity risk

Payables

Payables are subject to liquidity risk – that is the risk that insufficient funds may be on hand to meet payment obligations as and when they fall due. The Shire manages this risk by monitoring its cash flow requirements and liquidity levels and maintaining an adequate cash buffer. Payment terms can be extended and overdraft facilities drawn upon if required and disclosed in Note 15.

The contractual undiscounted cash flows of the Shire's Payables are set out in the liquidity table below. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	Due within 1 year	Due between 1 & 5 years	Due after 5 years	Total contractual cash flows	Carrying values
	\$	\$	\$	\$	\$
2021					
Payables	381,708	0	0	381,708	381,708
Lease liabilities	2,363	0	0	2,363	2,363
	<u>384,071</u>	<u>0</u>	<u>0</u>	<u>384,071</u>	<u>384,071</u>
2020					
Payables	392,694	0	0	392,694	392,694
Lease liabilities	3,985	2,363	0	6,348	6,348
	<u>396,679</u>	<u>2,363</u>	<u>0</u>	<u>399,042</u>	<u>399,042</u>

SHIRE OF MENZIES
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2021

27. EVENTS OCCURRING AFTER THE END OF THE REPORTING PERIOD

Council did not have any events occurring after the end of the reporting period of consequence.

SHIRE OF MENZIES NOTES TO AND FORMING PART OF THE FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2021

28. OTHER SIGNIFICANT ACCOUNTING POLICIES

a) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

Receivables and payables are stated inclusive of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO is included with receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to, the ATO are presented as operating cash flows.

b) Current and non-current classification

The asset or liability is classified as current if it is expected to be settled within the next 12 months, being the Shire's operational cycle. In the case of liabilities where the Shire does not have the unconditional right to defer settlement beyond 12 months, such as vested long service leave, the liability is classified as current even if not expected to be settled within the next 12 months. Inventories held for trading are classified as current or non-current based on the Shire's intentions to release for sale.

c) Rounding off figures

All figures shown in this annual financial report, other than a rate in the dollar, are rounded to the nearest dollar. Amounts are presented in Australian Dollars.

d) Comparative figures

Where required, comparative figures have been adjusted to conform with changes in presentation for the current financial year.

When the Shire applies an accounting policy retrospectively, makes a retrospective restatement or reclassifies items in its financial statements that has a material effect on the statement of financial position, an additional (third) statement of financial position as at the beginning of the preceding period in addition to the minimum comparative financial statements is presented.

e) Budget comparative figures

Unless otherwise stated, the budget comparative figures shown in this annual financial report relate to the revised budget estimate for the relevant item of disclosure.

f) Superannuation

The Shire contributes to a number of Superannuation Funds on behalf of employees. All funds to which the Shire contributes are defined contribution plans.

g) Fair value of assets and liabilities

Fair value is the price that the Shire would receive to sell the asset or would have to pay to transfer a liability, in an orderly (i.e. unforced) transaction between independent, knowledgeable and willing market participants at the measurement date.

As fair value is a market-based measure, the closest equivalent observable market pricing information is used to determine fair value. Adjustments to market values may be made having regard to the characteristics of the specific asset or liability. The fair values of assets that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data.

To the extent possible, market information is extracted from either the principal market for the asset or liability (i.e. the market with the greatest volume and level of activity for the asset or liability) or, in the absence of such a market, the most advantageous market available to the entity at the end of the reporting period (i.e. the market that maximises the receipts from the sale of the asset after taking into account transaction costs and transport costs).

For non-financial assets, the fair value measurement also takes into account a market participant's ability to use the asset in its highest and best use or to sell it to another market participant that would use the asset in its highest and best use.

h) Fair value hierarchy

AASB 13 requires the disclosure of fair value information by level of the fair value hierarchy, which categorises fair value measurement into one of three possible levels based on the lowest level that an input that is significant to the measurement can be categorised into as follows:

Level 1

Measurements based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2

Measurements based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3

Measurements based on unobservable inputs for the asset or liability.

The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data. If all significant inputs required to measure fair value are observable, the asset or liability is included in Level 2. If one or more significant inputs are not based on observable market data, the asset or liability is included in Level 3.

Valuation techniques

The Shire selects a valuation technique that is appropriate in the circumstances and for which sufficient data is available to measure fair value. The availability of sufficient and relevant data primarily depends on the specific characteristics of the asset or liability being measured. The valuation techniques selected by the Shire are consistent with one or more of the following valuation approaches:

Market approach

Valuation techniques that use prices and other relevant information generated by market transactions for identical or similar assets or liabilities.

Income approach

Valuation techniques that convert estimated future cash flows or income and expenses into a single discounted present value.

Cost approach

Valuation techniques that reflect the current replacement cost of the service capacity of an asset.

Each valuation technique requires inputs that reflect the assumptions that buyers and sellers would use when pricing the asset or liability, including assumptions about risks. When selecting a valuation technique, the Shire gives priority to those techniques that maximise the use of observable inputs and minimise the use of unobservable inputs. Inputs that are developed using market data (such as publicly available information on actual transactions) and reflect the assumptions that buyers and sellers would generally use when pricing the asset or liability are considered observable, whereas inputs for which market data is not available and therefore are developed using the best information available about such assumptions are considered unobservable.

i) Impairment of assets

In accordance with Australian Accounting Standards the Shire's cash generating non-specialised assets, other than inventories, are assessed at each reporting date to determine whether there is any indication they may be impaired.

Where such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, to the asset's carrying amount.

Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in profit or loss, unless the asset is carried at a revalued amount in accordance with another Standard (e.g. AASB 116) whereby any impairment loss of a revalued asset is treated as a revaluation decrease in accordance with that other Standard.

For non-cash generating specialised assets that are measured under the revaluation model, such as roads, drains, public buildings and the like, no annual assessment of impairment is required. Rather AASB 116.31 applies and revaluations need only be made with sufficient regulatory to ensure the carrying value does not differ materially from that which would be determined using fair value at the end of the reporting period.

SHIRE OF MENZIES
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2021

SHIRE OF MENZIES
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2021

29. ACTIVITIES/PROGRAMS

Shire operations as disclosed in these financial statements encompass the following service orientated activities/programs.

PROGRAM NAME AND OBJECTIVES	ACTIVITIES
GOVERNANCE To provide a decision making process for the efficient allocation of scarce resources.	Includes the members of council and the administrative support available to the council for the provision of the governance of the district. Other costs relate to the task of assisting elected members and ratepayers on matters which do not concern specific council services.
GENERAL PURPOSE FUNDING To collect revenue to allow for the provision of services.	The reporting of the Shire's general rating income and the recognition of the Western Australian Grants Commission payment together with interest on investments and costs associated with the collection of funds.
LAW, ORDER, PUBLIC SAFETY To provide services to help ensure a safer and environmentally conscious community.	Supervision and enforcement of various local laws relating to fire prevention, animal control and other aspects of public safety including emergency services.
HEALTH To provide an operational framework for environmental and community health.	Inspection of food outlets and their control, provision of meat inspection services, noise control and waste disposal compliance.
EDUCATION AND WELFARE To provide services to disadvantaged persons, the elderly, children and youth.	Expenditure to assist in the education of the children and youth within the Shire.
HOUSING To provide and maintain housing.	Income and expenditure associated with the provision of housing to staff and others.
COMMUNITY AMENITIES To provide services required by the community.	Rubbish collection services, operation of rubbish disposal sites, litter control, construction and maintenance of urban storm water drains, protection of the environment and administration of town planning schemes, cemetery and public conveniences.
RECREATION AND CULTURE To establish and effectively manage infrastructure and resources which will help the social well being of the community.	The reporting of income and expenditure associated with the Town Hall, library and recreation area, oval and reserves operated by Council.
TRANSPORT To provide safe, effective and efficient transport services to the community.	Construction and maintenance of roads, grids, footpaths, depots, cycle ways, parking facilities and traffic control. Cleaning of streets and maintenance of street trees, street lighting and the maintenance of the Council's airstrips.
ECONOMIC SERVICES To help promote the Shire and its economic well being.	The reporting of income and expenditure including the operation of Council's caravan park and administration of the Building Code of Australia.
OTHER PROPERTY AND SERVICES To monitor and control Shire's overheads operating accounts.	Involves the expenditure and allocation of employee overheads and plant costs. Also included is the accounting for private works, salary and wages reconciliation and other incomes and expenditure not included elsewhere.

SHIRE OF MENZIES
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
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30. FINANCIAL RATIOS

	2021 Actual	2020 Actual	2019 Actual
Current ratio	10.86	4.41	3.26
Asset consumption ratio	0.96	0.98	0.98
Asset renewal funding ratio	2.43	2.78	N/A
Asset sustainability ratio	0.71	1.41	2.79
Debt service cover ratio	N/A	N/A	N/A
Operating surplus ratio	0.29	0.01	0.19
Own source revenue coverage ratio	0.68	0.59	0.64

The above ratios are calculated as follows:

Current ratio	$\frac{\text{current assets minus restricted assets}}{\text{current liabilities minus liabilities associated with restricted assets}}$
Asset consumption ratio	$\frac{\text{depreciated replacement costs of depreciable assets}}{\text{current replacement cost of depreciable assets}}$
Asset renewal funding ratio	$\frac{\text{NPV of planned capital renewal over 10 years}}{\text{NPV of required capital expenditure over 10 years}}$
Asset sustainability ratio	$\frac{\text{capital renewal and replacement expenditure}}{\text{depreciation}}$
Debt service cover ratio	$\frac{\text{annual operating surplus before interest and depreciation}}{\text{principal and interest}}$
Operating surplus ratio	$\frac{\text{operating revenue minus operating expenses}}{\text{own source operating revenue}}$
Own source revenue coverage ratio	$\frac{\text{own source operating revenue}}{\text{operating expense}}$

SHIRE OF MENZIES

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2021

CROSS CHECK

ANNUAL FINANCIAL REPORT CHECKLIST FOR THE YEAR ENDED 30 JUNE 2021

NOTE: The Cross Check contained within the Shire of Somewhere Manual should be completed manually against the printed Financial Statements as this is an initial cross check to aid completion of the Financial Report

		2021 Actual \$	2021 Budget \$	2020 Actual \$
Statements require final manual cross check		0.00	0.00	0.00
Table of Contents	· Check page numbers are correct.			
Statement by Chief Executive Officer	· Check correct Council and CEO name are inserted.			
Statement of Comprehensive Income – By Nature or Type	· Check all note numbers are relevant (i.e. not changed/deleted) and adjacent totals tie up to totals contained in the relevant note.			
	· Interest Earnings to agree to Note 2.(a) (i)	0.00	0.00	0.00
	· Depreciation to agree to total of Depreciation			
	- Rate Setting Statement	0.00	0.00	0.00
	- Note 2.(a) (i)	0.00		0.00
	· Interest Expenses to agree to:			
	- Borrowing Costs total in Statement of Comprehensive Income – By Program	0.00	0.00	0.00
	- Note 2.(a)	0.00		0.00
	· Rates Revenue - Actual and Budget total to agree to Note 24.	0.00	0.00	
	· Grants, Subsidies and Contributions, operating agrees to Note 2.	0.00		0.00
	· Grants, Subsidies and Contributions, non-operating agrees to:			
	- Statement of Comprehensive Income by program	0.00	0.00	0.00
	- Note 2.	0.00		0.00
	· Profit on Asset Disposals less Loss on Asset Disposals to agree to:			
	- Statement of Comprehensive Income by program	0.00	0.00	0.00
	- Rate Setting Statement	0.00	0.00	0.00
	- Note 17.	0.00	0.00	
	- Note 10.(a)	0.00	0.00	
	· Service Charges to agree to Note 24.(b)	0.00	0.00	
	· Fees & Charges to agree to Note 2.	0.00		0.00
Statement of Comprehensive Income – By Program	· Net Result to agree to:			
	- Statement of Comprehensive Income – by Program	0.00	0.00	0.00
Statement of Financial Position	- Statement of Changes in Equity	0.00		0.00
	- Note 17.	0.00	0.00	0.00
Statement of Changes in Equity	· Revenue items should agree to:			
	- corresponding revenue totals per Statement of Comprehensive Income - by Program	0.00	0.00	0.00
Statement of Cash Flows _ Appendix 1	- revenue total plus amount required to be raised from rates per Rate Setting Statement.	0.00	0.00	0.00
	· Expense items should agree to:			
Statement of Cash Flows	- expense items per Statement of Comprehensive Income – by Program.	0.00	0.00	0.00
	- expense total per Rate Setting Statement.	0.00	0.00	0.00
Rate Setting Statement	· Other Comprehensive Income to agree to:			
	- Statement of Comprehensive Income by Program	0.00	0.00	0.00
Rate Setting Statement	- Statement of Changes in Equity	0.00		0.00
	Check note numbers are relevant (i.e. not changed/deleted).			
Statement of Financial Position	· Check all note numbers are relevant (i.e. none changed/deleted) and adjacent totals tie up to totals contained in the relevant note.			
	- Retained Surplus totals to agree to Statement of Changes in Equity.	0.00		0.00
Statement of Changes in Equity	- Reserves – Cash Backed Totals to agree to Statement of Changes in Equity.	0.00		0.00
	- Reserves –Revaluation Surplus Totals to agree to Statement of Changes in Equity.	0.00		0.00
Statement of Cash Flows	- Total Assets agree to Note 18.	0.00		0.00
	- Check Net Assets = Total Equity (i.e. statement balances).	0.00		0.00
Statement of Cash Flows	· Check transfer from/(to) Reserves and (to)/from Retained Surplus agrees.	0.00		0.00
	· Check Total Cash Backed Reserves agrees to Note 4.	0.00		0.00
Statement of Cash Flows	· Check Total Revaluation Surplus agrees to Note 12.	0.00		0.00
	· Total Movement in Receivables agrees to detail per notes	0.00		
Statement of Cash Flows	· Total Movement in Inventory agrees to detail per notes	0.00		
	· Total Movement in Inventory to detail per notes	0.00		
Statement of Cash Flows	· Total Movement in Property, Plant and Equipment agrees to detail per notes	0.00		
	· Total Movement in Infrastructure agrees to detail per notes	0.00		
Statement of Cash Flows	· Total Movement in Payables agrees to detail per notes	0.00		
	· Total Movement in Long Term Borrowings agrees to detail per notes	0.00		
Statement of Cash Flows	· Total Movement in Employee Provisions agrees to detail per notes	0.00		
	· Total Movement in Equity agrees to detail per notes	0.00		
Statement of Cash Flows	· Check all note numbers are relevant (i.e. none changed/deleted) and adjacent totals tie up to totals contained in the relevant note.			
	· Cash from Operations agrees to Note 17.	0.00	0.00	0.00
Statement of Cash Flows	· Proceeds from Sale of Plant & Equipment should agree to Note (a)	0.00	0.00	
	· Repayment of long term borrowings should agree to Note 14(b)	0.00	0.00	
Statement of Cash Flows	· Proceeds from New long term borrowings should agree to Note 14(b)14(b)	0.00		
	· Cash and Cash Equivalents agrees to SOFP.	0.00		0.00
Rate Setting Statement	· Check all note numbers are relevant (i.e. none changed/deleted) and adjacent totals tie up to totals contained in the relevant note.			
	· Check any items relating to Initial Recognition of Assets due to Change to Regulations agrees to:			
Rate Setting Statement	- Note 2.(a) (ii)			
	- Note 8.			
Rate Setting Statement	- Note 13.			
	- Note 17.			
Rate Setting Statement	· Opening Surplus/(Deficit) to agree to Note 25.	0.00		
	· Closing Surplus/(Deficit) to agree to Note 25.	0.00		
Rate Setting Statement	· Amount required to be Raised from Rates to agree to Note 24.	0.00	0.00	
	Amount Net Current Assets at 30 June agree to Note 24	0.00	0.00	0.00

SHIRE OF MENZIES
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
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CROSS CHECK

ANNUAL FINANCIAL REPORT CHECKLIST
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NOTE: The Cross Check contained within the Shire of Somewhere Manual should be completed manually against the printed Financial Statements as this is an initial cross check to aid completion of the Financial Report

		2021 Actual \$	2021 Budget \$	2020 Actual \$
Note 1.	· Check Note reference to Trust Note is correct (i.e. not changed).			
Note 10.(b)	· Check/amend depreciation rates/categories as required. · Check Capitalisation Threshold is relevant/correct.			
Note 23.	· Check note reference to joint venture note is correct (i.e. not changed).			
Note 2.(a) (i)	· Depreciation to agree to Note 17. · Other Revenue agrees to SOCI NT · Check note number cross reference to Note 14(b) is relevant/correct.	0.00 0.00		0.00 0.00
Note 2.(a) (ii)	· Check note number cross reference is relevant/correct. · Check totals agree to total of interest line items at Note 24.			
Coverindex and Statement of Objectives	· Check correct Council name inserted. · Is Community Vision Statement correct/required. · Are details in program headings correct.			
Note 3.	· Cash – Restricted to agree to total of restricted items. · Check note numbers are relevant (i.e. not changed/deleted). · Total cash to agree to Note 17.(including overdraft). · Individual Reserve Balances listed to tie into Note 4.(either individually or in combination with restricted balances i.e. investments). · If not - additional disclosure per FM Reg 38 (1) (f)& (g) is required (for further detail refer to page 35A). · Unspent loans total (if any) to tie into Note 15.(b)	0.00 0.00 0.00		0.00 0.00
Note 8.(a)	· Movements in carrying amounts of Property, Plant and Equipment: · opening balances to agree to WDV in 2020 column. · depreciation expense to agree to disclosures at Note 2.(a) (i) · closing balances to agree to WDV in 2021 column. · Closing balance agrees to Note PROPERTY, PLANT AND EQUIPMENT Land Buildings - non-specialised Buildings - specialised Land and buildings leased Furniture and equipment Plant and equipment Work in progress Other property, plant and equipment [describe] Other property, plant and equipment [describe] Other property, plant and equipment [describe] Other property, plant and equipment [describe]	0.00 0.00 0.00 0.00 0.00 0.00 0.00 0.00 0.00 0.00 0.00 0.00 0.00		0.00 0.00 0.00 0.00 0.00 0.00 0.00 0.00 0.00 0.00
Note 9.(a)	· Movements in carrying amounts of Infrastructure: · opening balances to agree to WDV in 2020 column. · depreciation expense to agree to disclosures at Note 2(a)(i) · closing balances to agree to WDV in 2021 column. · Closing balance agrees to Note INFRASTRUCTURE Infrastructure - roads Infrastructure - other Infrastructure - footpaths Infrastructure - parks and ovals Work in progress Other infrastructure [describe] Other infrastructure [describe] Other infrastructure [describe] Other infrastructure [describe] Other infrastructure [describe]	0.00 0.00 0.00 0.00 0.00 0.00 0.00 0.00 0.00 0.00 0.00		0.00 0.00 0.00 0.00 0.00 0.00 0.00 0.00 0.00
Note 14(b)	· Current and Non-Current portions of borrowings to agree to Note 14 · Check Note reference to additional detail is correct. · Movement in borrowings balances agrees to details of Borrowings · Check Note agrees to Information on Borrowings note	0.00 0.00 0.00		0.00 0.00
Note 4.	· Are reserve account descriptions and purpose for which set aside correct. · Check wording of narration is correct.			
Note 14	· Are borrowing limits correct or do they require adjustment for circumstances.			
Note 19.20.23.	· Are these notes required or require amendment.			
Note 30.	· Has this note been amended.			
Note 22.	· Borrowing detail agree to Note			
Note 24.(a)	· Do Specified Area Rate totals agree with Note 24.(b) · Do discount totals agree to Note 24.(b)(if applicable).	0.00	0.00	
Note 2.(a)	· Does grand total of Nature or Type agree to grand total by Program.	0.00		0.00
Note 21.	· Does grand total of Elected Member Remuneration match amount shown on KMP	0.00	0.00	0.00
Notes 2.-23.	· Are descriptions/explanations, etc. correct.			
Note 26.	· Where applicable, are totals as disclosed in this Note consistent with other Statements and Notes as applicable.			
General	· Ensure all descriptions & explanations are relevant. · Are all note numbers sequential. · Add check all totals, tables and statements to ensure additions correct.			

6.2	Significant audit findings FY 20/21
LOCATION	Shire of Menzies
APPLICANT	Internal
DOCUMENT REF	{custom-field-document-reference}
DATE OF REPORT	NAM529
AUTHOR	Chief Executive Officer, Brian Joiner
RESPONSIBLE OFFICER	Chief Executive Officer, Brian Joiner
DISCLOSURE OF INTEREST	Nil
ATTACHMENT	1. Significant Audit Findings Report - with prior [6.2.1 - 3 pages]

SUMMARY:

The audited Financial Statements and Audit Findings have been provided by the independent auditors. This paper provides the audit committee with the significant findings from the Audit and planned actions to rectify the issues identified.

BACKGROUND:

Local governments are subject to annual audits by agents appointed by the Office of the Auditor General (OAG).

The 2020/21 audit was conducted by RSM with site visits and external means.

The *Local Government Act 1995* specifies certain duties of Local Government with respect to Audits:

- (3) *A local government must —*
 - (aa) *examine an audit report received by the local government; and*
 - (a) *determine if any matters raised by the audit report, require action to be taken by the local government; and*
 - (b) *ensure that appropriate action is taken in respect of those matters.*
- (4) *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.*
- (5) *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.*

COMMENT:

There was one (1) significant audit finding as detailed, with management actions, below:

Finding:

From a sample of 30 purchase transactions from the period of 1 July 2020 to 31 March 2021, six instances (20%) were identified where purchase orders were raised after the supplier invoice was received.

Purchase orders act as an internal approval and control mechanism to proceed with a purchase.

Rating: Significant

Implication:

Purchases made without authorised purchase orders may increase the risk of unauthorised expenditure occurring and going undetected.

Recommendation:

The Shire should ensure all procurements are supported by dual authorised purchase orders which should be raised and issued prior to goods or services being received. They should contain all necessary details for matching with final invoices subsequently received from suppliers.

Management comment:

Purchase Orders (PO) are now raised upon the receipt of quotes, verbal or written. As specified in the Shire's Purchasing Policy. Standing POs are raised for purchases such as utilities or similar nature recurring procurements. Creditor Invoices are matched to POs and checked prior to payments.

Responsible position: Chief Financial Officer (CFO)

Completion Date: 31 December 2021

There was also one (1) significant audit finding that is open from the previous year's audit. It should be noted that the 19/20 FY audit was only received weeks before the interim audit commenced for 20/21 FY.

Findings 2021:

Prior year issue was not satisfactorily resolved as during our procurement testing, from a sample of 30 purchases made during the period 1 July 2020 to 31 March 2021, we noted 2 (6%) instances where there was insufficient documentation to indicate that the requisite number of quotations had been obtained and evaluated.

Findings 2020:

Prior year issue was not satisfactorily resolved as during our procurement testing, from a sample of 30 purchases made during the period 1 July 2019 to 31 March 2020, we noted 4 (13%) instances where there was insufficient documentation to indicate that the requisite number of quotations had been obtained and evaluated.

Section 4.2 Purchasing and Tenders of the Shire's purchasing policy requires that purchases within prescribed price ranges meet certain conditions in order to comply with the Local Government Act 1995 and accompanying regulations.

Findings 2019:

During our procurement testing, from a sample of 30 purchases made during the period 1 July 2018 to 31 March 2019, we noted 1 (3%) instance where there was insufficient documentation to indicate that the requisite number of quotations had been obtained and evaluated.

Rating: Significant (2020 and 2019: Moderate)**Implication:**

Non-compliance with the internal purchasing policy increases the risk of breaching Part 4 of the Local Government (Functions and General) Regulations 1996 and regulation 11A (3)(b) of the Local Government (Finance and General ledger) Regulations. There is a further risk of not achieving the objectives of 'Value for Money' as stated in Policy 4 Value for Money of the Shire's purchasing policy.

Recommendation:

The requirement for full compliance with the Shire's purchasing policy must be communicated to all staff and be closely monitored by management.

If instances arise where the Shire is unable to obtain the requisite number of quotations, the reasons should be recorded and attached to the purchase order at the time of the purchase being made.

Management comment

Procedures and process have been reviewed post the completion of the previous annual audit (circa mid-June 2021) and following the commencement of new CFO, Purchase Order requests present to the CEO and CFO must be in alignment with Shire's Purchasing and Delegations policies. All relevant information, such as quotes requested, obtained, assessed, OCM approvals where relevant, are checked prior to payments being made and attached to the final EFT payments held on file.

Responsible position: Chief Financial Officer (CFO)

Completion Date: 31 December 2021

CONSULTATION:

Office of the Auditor General.

RSM.

Moore Australia, consultants.

Antonio Giometti, CFO.

STATUTORY AUTHORITY:

Local Government Act 1995 s7.9 and s7.12(A).

Local Government (Audit) Regulations 16.

POLICY IMPLICATIONS:

There are no policy implications resulting from the recommendation of this report.

FINANCIAL IMPLICATIONS:

There are no financial implications resulting from the recommendation of this report.

RISK ASSESSMENT:

Risk Statement	Level of Risk	Risk Mitigation Strategy
N/A		

STRATEGIC IMPLICATIONS:

4.2 An efficient and effective organisation.

4.2.1 Maintain a high level of corporate governance, responsibility and accountability.

VOTING REQUIREMENTS:

Simple Majority

OFFICER RECOMMENDATION:

That the Audit & Risk Committee recommends that Council adopts the significant audit findings report for FY 2020/2021.

COMMITTEE DECISION:

Committee Resolution Number	
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Moved		Seconded	
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Carried	
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Shire of Menzies
Significant Audit Findings Report
July 2020 to June 2021

Purpose of Report

This report is to address section 7.12A of the Local Government Act 1995, to address any matters identified as significant by the auditor in the audit report and advise what action the City is taking to address these matters.

Significant Audit Matters

INDEX OF FINDINGS	RATING		
	Significant	Moderate	Minor
Current year issues:			
1. Purchase orders are raised / approved after services or goods are received	✓		
Previous year issues:			
1. Procurement – obtaining quotes	✓		

** Significant: Those findings where there is potentially a significant risk to the entity should the finding not be addressed by the entity promptly. A significant rating may be reported as a matter of non-compliance in the audit report in the current year, or in a subsequent reporting period if not addressed. However, even if the issue is not likely to impact the audit report, it should be addressed promptly.*

1. Purchase Orders are raised / approved after services or goods are received

Finding:

From a sample of 30 purchase transactions from the period of 1 July 2020 to 31 March 2021, six instances (20%) were identified where purchase orders were raised after the supplier invoice was received.

Purchase orders act as an internal approval and control mechanism to proceed with a purchase.

Rating: Significant

Implication:

Purchases made without authorised purchase orders may increase the risk of unauthorised expenditure occurring and going undetected.

Recommendation:

The Shire should ensure all procurements are supported by dual authorised purchase orders which should be raised and issued prior to goods or services being received. They should contain all necessary details for matching with final invoices subsequently received from suppliers.

Management comment:

Purchase Orders (PO) are now raised upon the receipt of quotes, verbal or written. As specified in the Shire's Purchasing Policy. Standing POs are raised for purchases such as utilities or similar nature recurring procurements. Creditor Invoices are matched to POs and checked prior to payments.

Responsible position: Chief Financial Officer (CFO)

Completion Date: 31 December 2021

Prior Year Issues**1. Procurement – Obtaining Quotes****Findings 2021:**

Prior year issue was not satisfactorily resolved as during our procurement testing, from a sample of 30 purchases made during the period 1 July 2020 to 31 March 2021, we noted 2 (6%) instances where there was insufficient documentation to indicate that the requisite number of quotations had been obtained and evaluated.

Findings 2020:

Prior year issue was not satisfactorily resolved as during our procurement testing, from a sample of 30 purchases made during the period 1 July 2019 to 31 March 2020, we noted 4 (13%) instances where there was insufficient documentation to indicate that the requisite number of quotations had been obtained and evaluated.

Section 4.2 *Purchasing and Tenders* of the Shire's purchasing policy requires that purchases within prescribed price ranges meet certain conditions in order to comply with the *Local Government Act 1995* and accompanying regulations.

Findings 2019:

During our procurement testing, from a sample of 30 purchases made during the period 1 July 2018 to 31 March 2019, we noted 1 (3%) instance where there was insufficient documentation to indicate that the requisite number of quotations had been obtained and evaluated.

Rating: Significant (2020 and 2019: Moderate)

Implication:

Non-compliance with the internal purchasing policy increases the risk of breaching Part 4 of the Local Government (Functions and General) Regulations 1996 and regulation 11A (3)(b) of the Local Government (Finance and General ledger) Regulations. There is a further risk of not achieving the objectives of 'Value for Money' as stated in Policy 4 *Value for Money* of the Shire's purchasing policy.

Recommendation:

The requirement for full compliance with the Shire's purchasing policy must be communicated to all staff and be closely monitored by management.

If instances arise where the Shire is unable to obtain the requisite number of quotations, the reasons should be recorded and attached to the purchase order at the time of the purchase being made.

Management comment

Procedures and process have been reviewed post the completion of the previous annual audit (circa mid-June 2021) and following the commencement of new CFO, Purchase Order requests present to the CEO and CFO must be in alignment with Shire's Purchasing and Delegations policies. All relevant information, such as quotes requested, obtained, assessed, OCM approvals where relevant, are checked prior to payments being made and attached to the final EFT payments held on file.

Responsible position: Chief Financial Officer (CFO)

Completion Date: 31 December 2021

6.3	Financial Management and Regulation 17 Reviews
LOCATION	Shire of Menzies
APPLICANT	Internal
DOCUMENT REF	NAM530
DATE OF REPORT	29 November 2021
AUTHOR	Chief Executive Officer, Brian Joiner
RESPONSIBLE OFFICER	Chief Executive Officer, Brian Joiner
DISCLOSURE OF INTEREST	Nil
ATTACHMENT	<ol style="list-style-type: none"> 1. Regulation 17 Report - Shire of Menzies - Final Report 29-10-2021 with Management Comments [6.3.1 - 18 pages] 2. FMR - Shire of Menzies - Final Report 29 October 2021 with Management Comments [6.3.2 - 15 pages]

SUMMARY:

To provide the Audit Committee with the reports arising from the Financial Management Review (FMR) and Regulation 17 (Reg 17) audits.

BACKGROUND:

Avant Edge Consulting was engaged to undertake a financial management review of the Shire of Menzies's (the Shire) financial management systems and procedures as required to be undertaken at least once every 3 years as per the Regulation (5)(2)(c) of the *Local Government (Financial Management) Regulations 1996*.

Avant Edge Consulting was engaged to undertake a review of the Shire of Menzies's (the Shire) risk management, internal control and legislative compliance as required to be undertaken as per Regulation 17 of the *Local Government (Audit) Regulations 1996*.

As per Regulation 17(1), (2) and (3) of the *Local Government (Audit) Regulations 1996*, the Chief Executive Officer (CEO) is required to undertake a review, at least once every 3 financial years, of the following processes:

- Risk Management.
- Internal Control; and
- Legislative Compliance.

The review was conducted in accordance with Australian Auditing Standard *ASAE 3000 – Assurance Engagement other than Audits or Reviews of Historical Financial Information* which provides a limited assurance regarding the appropriateness and effectiveness of the Shire's management controls over its financial management systems and processes.

COMMENT:

In summary the following recommended actions, that should be considered and implemented by the CEO, were identified in the Reg 17 Audit:

- Implementation of fraud risk identification and prevention policies designed to bolster management control via the creation of a Fraud Prevention policy and the establishment of a Whistle Blower policy.
- Implementation of policies and procedures to ensure risks are continually identified and risks on the operational and strategic risk register are continually monitored and stated risk categories reviewed.
- Give consideration to ensuring that the quarterly legislative compliance checks that are to be undertaken via Moore Australia vary from quarter to quarter so that over time all of the legislative requirements are subjected to review. Although the CAR provides an annual compliance assessment, the CAR is only a snapshot of all the legislative compliances that is required to be complied with under the Local Government Act and associated Regulations.
- Although adequate management controls over procurement, payroll and accounts payable were found to be in place, additional controls and updating of the Shire's existing policies and procedures has been recommended.
- The Shire's information technology general controls require improvement. There is a need to ensure the following:
 - Continual assessment and review of user access. We found that the user access list has not been updated and currently reflects staff who no longer work at the Shire as having logon access.
 - The number of generic logons should be kept to a minimal and any unused generic logons should be deleted or suspended.
 - Staff passwords at present are not required to be changed on a regular basis. Changing passwords is a key control and should be encouraged.

Although the above are considered to be process improvement options, I am happy to report there were no high-risk matters that would require immediate attention by the Shire management.

Based on the FMR of the management controls and processes that exist at the Shire, nothing was identified that would indicate any high-risk management control matters that would require immediate attention by the Shire. Similar recommended actions were identified.

Actions have been put in place to address all of the identified weaknesses with most resulting in policies that were adopted by Council at the November OCM. Information technology controls are still in the process of being implemented.

CONSULTATION:

Santo Casilli, consultant auditor.
Antonio Giometti, Chief Financial Officer.

STATUTORY AUTHORITY:

Local Government (Financial Management) Regulations 1996 r5(2)c.
Local Government (Audit) Regulations 1996 r 17.

POLICY IMPLICATIONS:

The following policies were adopted at the OCM of 25 November 2021 to address issues identified within the audits:

Policy 1.15 Public Interest Disclosure (Whistle-blower).
Policy 1.16 Fraud Risk Identification and Prevention.
Policy 2.6 Depreciation of Non-current Assets.
Policy 4.14 Contract Management.
Policy 4.15 Tender Evaluation.
Amended Policy 2.3 Annual Stocktake of Assets.
Amended Policy 4.2 Purchasing and Tenders.

FINANCIAL IMPLICATIONS:

Nil.

RISK ASSESSMENT:

Risk Statement	Level of Risk	Risk Mitigation Strategy
N/A		

STRATEGIC IMPLICATIONS:

4.2 An efficient and effective organisation.

4.2.1 Maintain a high level of corporate governance, responsibility and accountability.

VOTING REQUIREMENTS:

Absolute Majority

OFFICER RECOMMENDATION:

That the Audit & Risk Committee recommends:

1. Council adopts the Financial Management Review and Regulation 17 reports;
and
2. Council notes that actions have been taken to address identified weaknesses.

COMMITTEE DECISION:

Committee Resolution Number	
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Moved		Seconded	
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Carried	
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29 October 2021

Brian Joiner
Chief Executive Officer
Shire of Menzies
124 Shenton Street
Menzies WA 6436

Dear Brian

Please find attached my Final Regulation 17 review report for the Shire of Menzies which now incorporates your management comments.

I would like to thank you and your staff for the positive cooperation provided to me during my visit and for the information that was provided to my assistant during the conduct of this review.

Yours sincerely

Santo Casilli FCPA MIIA (Aust.)
Director

Avant Edge Consulting

Level 8 – 251 St Georges Terrace Perth WA 6000; PO Box 617 Subiaco WA 6904
Mobile: 0409 104 929 - Phone: 6118 2100; Email: scasilli@avantedgec.com.au;
Web: www.avantedgeconsulting.com.au

Shire of Menzies

Regulation 17 Review

29 October 2021

Final Review Report

(Review in Confidence)

Avant Edge Consulting
Certified Practising Accountant

Liability limited by a scheme approved under Professional Standards Legislation

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Regulation 17 Review Summary and Conclusion

INTRODUCTION

Avant Edge Consulting was engaged to undertake a review of the Shire of Menzies's (the Shire) risk management, internal control and legislative compliance as required to be undertaken as per Regulation 17 of the *Local Government (Audit) Regulations 1996*.

As per Regulation 17(1), (2) and (3) of the *Local Government (Audit) Regulations 1996*, the Chief Executive Officer (**CEO**) is required to undertake a review, at least once every 3 financial years, of the following processes:

- Risk Management.
- Internal Control; and
- Legislative Compliance.

The Shire of Menzies (**the Shire**) uses Synergy as its accounting system.

The Shire use external Information Technology consultants Netlogic Information Technology for all their outsourced IT needs.

SCOPE AND METHODOLOGY

My review was conducted in accordance with ASAE 3500 – Assurance Engagement Other Than Audits or Reviews of Historical Financial Information.

The review undertook the following approach:

- Information relating to risk management, internal controls and legislative compliance was requested from the CEO and the CFO prior to commencement of the review to assess adequacy of policies, procedures and overall control processes that are currently in place within the Shire.
- During my site visit, discussions were held with the CFO and relevant staff to understand the processes and the management controls currently in place. Communications were held with the CFO and the Finance/Administration staff throughout the review process.
- Issued an Information Technology General Controls Questionnaire to the CFO in order to assess the adequacy of information technology controls and security over the Shire's data and staff computer access.
- Discussed with the CFO and the CEO the process in place for ensuring that the Shire is continually in compliance with Local government Act and Regulation requirements.

WORK PROGRAM

My work incorporated the following areas for review as required under Regulation 17:

1. RISK MANAGEMENT**To establish that:**

- a. A Governance Framework is in place and endorsed by the Audit and Risk Committee.
- b. A formal governance unit exists or allocation of responsibility for proper governance compliance.
- c. Risk Management and governance policies are in place and have been endorsed by the Audit Committee/Council.
- d. An Operational and Strategic Risk Register is in place and is constantly reviewed and updated.
- e. Regular development of risk reports and actions to address risks are identified and actioned and such actions are regularly communicated to and endorsed by the Audit Committee.
- f. Fraud Risk Identification and Prevention policies are in place including the establishment of a Whistle Blower policy.
- g. An effective Audit Committee exists, and proper Committee processes are followed.

2. INTERNAL CONTROL**To establish that:**

- a. A Delegation of Authority is in place, up to date and reviewed regularly.
- b. Proper and formal documented policies (guidelines and procedures) are in place and are kept up to date.
- c. Internal assessment of control processes exists e.g. via an internal audit function or by the Shire's Governance area.
- d. Reliance can be placed on the work undertaken by the Shire's external Auditors re the review of the Shire's control environment.
- e. Proper segregation of duties and management controls exist in relation to the following key accounting processes:
 - Accounts payable.
 - Cash collection, receipting and reconciliation.
 - General Ledger reconciliation and checking functions.
 - Payroll.
 - Procurement.

3. LEGISLATIVE COMPLIANCE**To establish that:**

- a. The Compliance Audit Return (CAR) is properly completed each year and any non-compliance matters are investigated promptly and adequate action is taken to ensure similar non-compliance no longer occur.
- b. Legislative compliance regarding all Local Government Act and Regulation requirements are monitored and regularly reviewed to ensure continual compliance.

CONCLUSION

Based on my assessment of the management controls and processes that exist at the Shire regarding the above 3 key areas of the Regulation 17 review, I consider that the Shire now has proper governance policies and procedures in place and also now has a governance position to oversee the governance risk framework.

Based on my review, I can establish that the following functions and processes are in place at the Shire and were found to be satisfactory:

- A Governance Framework, via the Risk Management Strategy document, is in place and has been endorsed by the Audit and Risk Committee.
- A formal governance position has been created and filled to oversee the governance compliance.
- An Operational and Strategic Risk Register is in place and is constantly reviewed and updated and endorsed by the Audit and Risk Committee.
- An Audit and Risk Committee exists and is operational. However, it is encouraged that the Audit and Risk Committee also have an external member on the Committee who is not a Councillor and who has a background in finance and/or risk management.
- A Delegation of Authority is in place, up to date and reviewed regularly.
- Legislative Compliance policy but this is still in draft.
- Internal control policy as part of the Shire's Policy Manual.
- Code of conduct policy
- Proper and formal documented policies (guidelines and procedures) are in place, via the Policy Manual and Purchasing Policy, and are kept up to date.
- Satisfactory segregation of duties and management controls exist over key financial related functions such as accounts payable, payroll and procurement.
- The Shire have contracted Moore Australia to undertake ongoing checks of the Shire's legislative compliance as per the Compliance Audit Return (CAR) process that is required to be completed and reported on an annual basis.

Although satisfactory progress has been made by the Shire in implementing risk and governance processes, a number of matters have been reported that should be given consideration to further strengthen existing risk and internal control functions at the Shire.

In summary I have recommended the following additional actions that should be considered and implemented by the CEO:

- Implementation of fraud risk identification and prevention policies designed to bolster management control via the creation of a Fraud Prevention policy and the establishment of a Whistle Blower policy.

- Implementation of policies and procedures to ensure risks are continually identified and risks on the operational and strategic risk register are continually monitored and stated risk categories reviewed.
- Give consideration to extending the existing quarterly legislative checks by the Shire's Governance Officer, by also targeting sign offs from relevant managers as to legislative compliance in their areas of responsibility.
- Although adequate management controls over procurement, payroll and accounts payable were found to be in place, additional controls and updating of the Shire's existing policies and procedures has been recommended.
- The Shire's information technology general controls require improvement. There is a need to ensure the following:
 - Continual assessment and review of user access. We found that the user access list has not been updated and currently reflects staff who no longer work at the Shire as having logon access.
 - The number of generic logons should be kept to a minimal and any unused generic logons should be deleted or suspended.
 - Staff passwords at present are not required to be changed on a regular basis. Changing passwords is a key control and should be encouraged.

Although the above are considered to be process improvement options, I am happy to report that there were no **High Risk** matters that would require immediate attention by the Shire management.

The matters raised in this report are only those which came to my attention during the course of performing my review and may not necessarily be a comprehensive statement of all the possible process improvement options that may be made in relation to the Risk Management, Internal Control and Legislative Compliance matters.

My review report is provided to the Shire to enable the Shire to meet their statutory obligations under Regulation 17 and as such I do not encourage this report to be used for any other purpose.

In relation to the above areas that formed part of my review, I wish to provide details of our findings and proposed recommendations for management action.

Executive Management Detailed Observations

Medium Risk Rated Issues

RISK MANAGEMENT

FRAUD IDENTIFICATION AND PREVENTION POLICIES

The Shire does not currently have in place a “Fraud Prevention Policy” nor a “Whistle Blower Policy”. Such policies outline the importance and responsibility that all staff in the Shire have in ensuring that fraud is prevented through proper adherence and compliance with existing management controls and that where fraud is suspected that it is promptly reported for investigation.

I recommend that the CEO consider establishing both a formal Fraud Prevention policy and a Whistle Blower policy.

Management Comments

Formal Fraud Prevention and Whistle Blower policies are to be established, and work has commenced in relation to both of these.

INTERNAL CONTROL

1. *Procurement (formal quotations and tender process)*

1.1. Monitoring compliance with RFQ and RFT procurement policy and Regulations.

The Shire has recently revised and updated its procurement policies in line with Part 4 (Provision of Goods and Services) of the Local Government (Functions and General) Regulations 1996. The policies now more accurately reflect the requirements of the Regulations.

My review noted that procurements are being managed by means of ensuring that purchase orders are being raised, adequate levels of quotations are being obtained and that procurements are being approved as per the Shire's adopted Delegations Register.

We noted the following practices that can be improved:

- At present, the Shire's procurement process is monitored and controlled via the CEO and CFO to ensure procurement processes are undertaken in accordance with Shire policy and also more importantly in accordance the Local Government Act and associated Regulations. I believe that all procurement activity should be reviewed on an ongoing basis to ensure continued compliance is being achieved with the Local Government Act and Regulations and also, more importantly, that the Shire continues to obtain best value for money from its procurement activities.

I recommend that the Shire consider obtaining a "**Supplier > \$50,000**" report from Synergy. This report should be reviewed possibly on a quarterly basis and should list all suppliers who have had over \$50,000 paid to them over say the last 12-18 months. These should be investigated to determine whether the payments relate to the same type of work and are continuous in nature and not a once off job. Where the type of work is similar and continuous in nature, the Shire should be considering whether best value for money can be achieved via proceeding to an RFQ or an RFT process for such goods and services. This would assist the Shire to comply with Sections 11 and 12 of the Local Government (Functions and General) Regulations 1996. I understand that due to the remoteness of the Shire, obtaining supplier services can be difficult. However, this can be taken into consideration when undertaking ongoing monitoring of similar and continuous procurements

- The process for formally documenting tender evaluations process on contracts awarded above \$250,000 was not evident in the Shire's revised purchasing policy. We understand that the Shire, in most instances, seeks quotations from suppliers that are on the WALGA contract and as such a public tender process is not required. However, where formal quotations are sought from more than one supplier on the WALGA contract or any other existing Common Use Arrangements (CUA's) or from a formal public tender process that is sought outside of a Common Use Contract being either through WALGA, Commonwealth or State Government, then all quotations received should at least be formally assessed, preferably via a panel of assessors, to determine best value for money and such decisions are to be formally documented, decisions to award justified and then formally approved.

I recommend that the Shire's procurement policy clearly document the process of establishing an evaluation panel to evaluate tender and formal quote submissions including the need for all evaluation panel members to sign a conflict of interest declaration form prior to assessing tender submissions. There should be at least 2 evaluation panel members (preferably 3) one of which we recommend should be external to the Shire. **Refer Attachment B for a copy of a standard "Conflict of Interest" declaration form.**

The evaluation panel should establish a standard process of measuring value for money (scoring matrix) and assessing suppliers based on qualitative requirements as stated in the RFQ or RFT document. All evaluation panel members should sign off on the recommendation to award services to a particular supplier.

I also recommend that the Shire ensure that all documentation that relates to a public tender or formal quotation is clearly maintained and held in a central filing system for easy access so as to easily identify the process followed for each formal quotation or public tender process from the point approval is given to proceed with a formal quotation or public tender through to final approval to awarding a contract.

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Management Comments

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WALGA contracts have not been used for procurement over \$250,000 by the current CEO. This is not a practise that the Shire wishes to follow with full tenders being used over \$250,000 to maximise the coverage of quotes. The new procurement policy will state that WALGA preferred supply will only be used by the Shire up to \$250,000.

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- New supplier creations
- Supplier detail changes
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Management Comments

A daily exception report will be trialled as discussed above. Daily reports may be too much for a small Shire and it is possible that weekly exception report would be more appropriate. Some of the comments have been superseded with approvals being further limited.

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3.1 Depreciable Assets

I noted that the Shire does not at present undertake a stocktake of all its major plant and equipment (depreciable equipment over \$5,000) to ensure that the plant and equipment still exists and/or that it is not impaired. Where the plant and equipment showing on the asset register no longer exists or is impaired then the asset register should be amended.

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I recommend that the CEO give consideration updating the Policy Manual to include the need to undertake at least annual stocktakes of all depreciable plant and equipment assets and to also establish the Shire's depreciation rates for plant and equipment and major infrastructure assets.

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The Financial Management Regulations require the CEO to take steps to prevent theft or loss of Shire assets and regarding the Shires portable and attractive assets.

I was unable to sight any evidence that the Shire has a portable and attractive register listing all plant and equipment including computer equipment that is valued under \$5,000 which is normally expensed. The need to maintain a portable and attractive register is to enable the Shire to maintain control over pieces of equipment that may very easily go missing requiring replacement by the Shire.

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Management Comments

Policy manual will be updated with the recommendations and annual stocktakes will be undertaken.

Portable and attractive items will be identified and subject to an annual stocktake.

4. Budgeting

I noted that formal monthly actual versus budget reports are not provided to various operational managers in order for them to provide comment re major actual versus budget variances. Further, there is no policy relating what constitutes a major variance.

I recommend that the CEO give consideration to formalising this process and ensuring that all major variances are between approved budget and actual expenditure is monitored on a monthly basis with comments explaining the variance being documented and signed off by the CFO or the CEO.

I also recommend that the CEO develop a policy as to what would constitute a major variance such as for example 10% or > \$5,000.

Management Comments

The CEO and CFO do routinely investigate variances to budget. Formal processes will be instigated.

5. General Ledger Controls

I noted that all journals that are required to be processed in the Shire's general ledger are properly authorised and supported with documentation. However, month end and year end reconciliations to substantiate the balance sheet reported balances is not being performed. These would normally be undertaken on all liability and asset accounts and substantiated with support documentation. These would include but not limited to:

- PAYG payable
- Superannuation payable
- GST payable
- Investment balance
- Council Rates outstanding
- Debtors
- Creditors

I recommend that the CEO give consideration to ensuring that at least year end reconciliations to substantiate the asset and liability reported balances from the general ledger be conducted and that this process should be formalised in the Shire's Policy Manual.

Management Comments

Recommendations will be incorporated into the policy manual.

6. User logon Access Profiles List

I noted that the staff user access report which lists users access to the Synergy system is not up to date and currently includes staff who have terminated their employment and also contractors that no longer are contracted with the Shire.

Further, the user access list also has numerous generic positions with access which may need to be reviewed to ensure that they are still required. If no longer required, the generic user access codes should be deleted.

I recommend that the CEO and the CFO investigate current user access with their IT service provider Netlogic Information Technology and ensure that any user access profiles no longer required are suspended or deleted.

Further all generic logons should also be subjected to ongoing review and those no longer required should be deleted. The user access list should be regularly reviewed to ensure only users that require such access should have access. Access for user profiles that have terminated should be deleted on a timely basis.

As a suggestion, the user profiles should be changed from username to position name so that they do not require to be continually changed as staff leave.

8. Staff Passwords

There is currently no requirement for staff to regularly change their passwords. Good governance would suggest that passwords should be changed regularly to avoid possible fraudulent access to users logins.

I recommend that the CFO and the CEO discuss this matter with their external information technology provider and to determine best means of monitoring user password changes or seek other means by which user passwords can be better protected.

Management Comments

This will be investigated to determine best practise. Guidance has previously been that generic emails should be avoided with some government departments not allowing logons with generic accounts.

Defunct user profiles have been deleted.

Passwords will now be updated every 3 months (implemented).

LEGISLATIVE COMPLIANCE

Legislative Compliance Checklist

The Shire currently uses Moore Australia to undertake their annual statutory Annual Compliance Audit Return (CAR) to gauge its compliance level against legislative requirements and also rely on the compliance calendar to meet specific statutory deadlines. The Shire is now undertaking quarterly checks internally, via the Governance Officer, to gauge compliance and reporting to the Audit Committee. This is a good initiative and will assist in monitoring legislative compliance.

The CEO give consideration to also extending legislative checks by targeting relevant operational managers for their sign off as evidence that legislative compliance is occurring.

Management Comments

Agreed

Low Risk Issues

AUDIT AND RISK COMMITTEE

The Shire currently has an audit committee which meets regularly. Good practice would suggest that, where possible, the audit and risk committee should have at least one of its members from outside of the council (external member) who may have finance and/or risk management knowledge and experience. The external member can then provide the committee with additional expertise to enable the audit and risk committee to meet its legislative obligations.

I recommend that the Audit and Risk Committee should give consideration to including, where appropriate, an external member(s) to add additional expertise in finance and risk related matters to the Committee.

Management Comments

This will be raised with the Audit and Risk Committee at its next meeting.

Appendix A – Risk Criteria Matrix

The following risk criteria were used to assess level of risk on findings included in the Review Report.

Risk Assessment Matrix

Likelihood of Risk:

Rating	Description	Frequency
1	Rare – May occur, only in exceptional circumstances	< once in 15 years
2	Unlikely – Could occur at some time	At least once in 10 years
3	Possible – Should occur at some time	At least once in 3 years
4	Likely – Will probably occur in most circumstances	At least once per year
5	Almost Certain – Expected to occur in most circumstances	> once per year

Consequence of Risk:

Description	Health	Financial Loss	Operation	Compliance	Reputation	Project
1. Insignificant	No injuries or illness	<\$50,000	Little Impact	Minor breach of policy, or process requiring approval or variance	Unsubstantiated, low impact, low profile or no news item.	Small variation to cost, timeliness, scope or quality of objectives and required outcomes.
2. Minor	First Aid treatment	\$50,000 to \$250,000	Inconvenient Delays	Breach of policy, process or legislation requiring attention of minimal damage control	Substantiated, low impact, low news profile.	5-10% increase in time or cost or variation to scope objective requiring approval
3. Moderate	Medical treatment required	\$250,000 to \$1 million	Significant delays to major deliverables	Breach requiring internal investigation, treatment or moderate damage control	Substantiated, public embarrassment, moderate impact, moderate news profile.	10-20% increase in time or cost or variation to scope objective requiring Senior Management approval
4. Significant	Death or extensive injuries	\$1 million to \$3 million	Non achievement of major deliverables	Breach resulting in external investigation or third party actions resulting in tangible loss and damage to reputation	Substantiated, public embarrassment, moderate impact, high news profile and 3 rd party actions.	20-50% increase in time or cost or significant variation to scope objective requiring restructure of project and Senior Management or Council approval
5. Severe	Multiple deaths or severe permanent disabilities	>\$3 million	Non achievement of major deliverables	Breach resulting in external investigation or third party actions resulting in significant tangible loss and damage to reputation	Substantiated, public embarrassment, very high multiple impacts, high widespread multiple news profile, 3 rd party actions.	>50% increase in time or cost or inability to meet project objectives requiring the project to be abandoned or redeveloped

Risk Exposure:

Risk = Likelihood x Consequence

Score	Level of Risk	Score	Level of Risk	Score	Level of Risk
1 - 8	Low	9 - 19	Medium	20 - 25	High



AUDIT & ASSURANCE SERVICES

Liability limited by a scheme approved under Professional Standards Legislation

29 October 2021

Brian Joiner
Chief Executive Officer
Shire of Menzies
124 Shenton Street
Menzies WA 6436

REG 5(2)(c) – FINANCIAL MANAGEMENT REVIEW

Dear Brian

Please find attached my final financial management review report for the Shire of Menzies which now incorporates your management comments.

I would like to thank you and your staff for the positive cooperation provided to me during my visit and for the information that was provided to me during the conduct of this review.

Yours sincerely

Santo Casilli FCPA MIIA (Aust.)
Director

Avant Edge Consulting

Level 8, 251 St Georges Terrace Perth WA 6000; Postal Address: PO Box 617 Subiaco WA 6904
Mobile: 0409 104 929 - Phone: 6118 2100; Email: scasilli@avantedgeconsulting.com.au;
Web: www.avantedgeconsulting.com.au

Shire of Menzies

Regulation 5 (2) (c) – Financial Management Review

29 October 2021

Final Review Report

(Review in Confidence)

Avant Edge Consulting
Certified Practising Accountant

Liability limited by a scheme approved under Professional Standards Legislation

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Financial Management Review Summary and Conclusion

INTRODUCTION

Avant Edge Consulting was engaged to undertake a financial management review of the Shire of Menzies's (the Shire) financial management systems and procedures as required to be undertaken at least once every 3 years as per the Regulation (5)(2)(c) of the *Local Government (Financial Management) Regulations 1996*.

I conducted my review in accordance with Australian Auditing Standard ASAE 3000 – *Assurance Engagement other than Audits or Reviews of Historical Financial Information* which provides a limited assurance regarding the appropriateness and effectiveness of the Shire's management controls over its financial management systems and processes.

This report outlines the work undertaken as part of my review and also includes my findings and proposed recommendations as identified as a result of the review.

The Shire of Menzies uses Synergy as its accounting system.

CEO's RESPONSIBILITY FOR THE REVIEW REPORT

As per Regulation 5(2)(c) of the *Local Government (Financial Management) Regulations 1996*, the Chief Executive Officer (CEO) is required to undertake a financial management review, at least once every 3 financial years.

The final review report with the CEO comments is to be presented at the Audit and Risk Committee.

RESPONSIBILITY FOR THE REVIEW

My responsibility was to conduct the Financial Management Review in accordance with the Australian Auditing Standard ASAE 3000 – *Assurance Engagement other than Audits or Reviews of Historical Financial Information* and to report to the CEO the review findings and proposed recommendations for process improvement.

My review assessed information in relation to the period 1 July 2020 to 31 August 2021.

I wish to confirm that I am fully independent of the Shire of Menzies and of its operations regarding this review.

REVIEW LIMITATIONS

The matters raised in this final review report are only those which came to my attention during the course of performing the financial management review and may not necessarily be a comprehensive statement of all the possible control weaknesses and / or process improvement options that may be made in relation to the Shire's financial management systems and procedures.

As part of my review, I have not assessed and examined every financial process and procedure and as such have limited my assessment and evaluations only to those areas where I considered may be of higher risk to the Shire regarding its Financial Management process. As such I did not examine every activity and procedure that may exist at the Shire and therefore only provide limited assurance to the Shire.

My review, which was conducted in accordance with Australian Auditing Standard ASAE 3000 – *Assurance Engagement other than Audits or Reviews of Historical Financial Information* was not an audit, and as per ASAE 3000 I can only provide assurance based solely on my assessment of the information which was provided to me by the Shire during the conduct of this review.

This review report is to be used solely for the purpose of reporting to satisfy the requirements of *Regulation 5(2)(c) of the Local Government (Financial Management) Regulations 1996* and should not be used for any other purpose or be distributed, other than to the Shire of Menzies.

SCOPE AND METHODOLOGY

My review was conducted in accordance with ASAE 3000 – *Assurance Engagement other than Audits or Reviews of Historical Financial Information*.

The review undertook the following approach:

- Information was sought from the Shire and was reviewed prior to my visit from my Perth office.
- Discussions were held with relevant staff to understand the financial processes and the management controls currently in place.
- I assessed the adequacy of key management controls currently in place over key financial management systems and procedures in line with the work program and based on information that was provided to me during the review period.
- I discussed any findings and possible recommendations with the CEO and the CFO.
- Issued draft review report for management comment prior to releasing final report.

WORK PROGRAM

My review incorporated the following key financial management areas as required under Regulation 5(1) of the *Local Government (Financial Management) Regulations 1996*:

- Procurement (formal quotations and tender process)
- Contract Management
- Accounts Payable
- Cash Collection and Handling
- Payroll
- General Ledger Application Controls (journal posting, balance sheet reconciliations)
- Council Rates, Fees and Charges, including Debt Management
- Investment Management
- Asset Management (excluding infrastructure assets)
- Budget process

No other financial management systems and procedures were subject to review.

REVIEW CONCLUSION

Based on my review (which was not an audit) of the management controls and processes that exist at the Shire, in regards to the above key financial management system areas, nothing came to my attention that would indicate any **high risk** management control matters that would require immediate attention by the Shire.

Based on the matters raised in the body of this review report under Executive Management Detailed Findings, I can conclude that the financial management systems in place within the Shire, although considered to be satisfactory, can be further improved and a number of recommendations have been included in this review report for CEO consideration. Management comments regarding the recommendations made have been incorporated within this final review report.

The matters raised in this review report were assessed as Medium and low risk to the Shire. For these identified matters I have recommended that the Shire should consider exploring the recommended process improvement options which have been incorporated within the body of this review report.

As part of this review report, I have reported the findings under 3 separate sections:

- Medium risk rated issues (immediate action recommended)
- Low risk rated issues (management consideration recommended)
- Observation issues (no management action required but may be considered)

Each finding has a recommended action except for those issues reported as "Observations".

I believe that the Shire's implementation of the suggested and recommended process improvements will strengthen the existing financial management controls that are currently in place and will provide greater overall governance within the Shire's financial operations.

Executive Management Detailed Observations

Medium Risk Rated Issues

1. Procurement (formal quotations and tender process)

1.1. Monitoring compliance with RFQ and RFT procurement policy and Regulations.

The Shire has recently revised and updated its procurement policies in line with Part 4 (Provision of Goods and Services) of the Local Government (Functions and General) Regulations 1996. The policies now more accurately reflect the requirements of the Regulations.

My review noted that procurements are being managed by means of ensuring that purchase orders are being raised, adequate levels of quotations are being obtained and that procurements are being approved as per the Shire's adopted Delegations Register.

We noted the following practices that can be improved:

- At present, the Shire's procurement process is monitored and controlled via the CEO and CFO to ensure procurement processes are undertaken in accordance with Shire policy and also more importantly in accordance the Local Government Act and associated Regulations. I believe that all procurement activity should be reviewed on an ongoing basis to ensure continued compliance is being achieved with the Local Government Act and Regulations and also, more importantly, that the Shire continues to obtain best value for money from its procurement activities.

I recommend that the Shire consider obtaining a "**Supplier > \$50,000**" report from Synergy. This report should be reviewed possibly on a quarterly basis and should list all suppliers who have had over \$50,000 paid to them over say the last 12-18 months. These should be investigated to determine whether the payments relate to the same type of work and are continuous in nature and not a once off job. Where the type of work is similar and continuous in nature, the Shire should be considering whether best value for money can be achieved via proceeding to an RFQ or an RFT process for such goods and services. This would assist the Shire to comply with Sections 11 and 12 of the Local Government (Functions and General) Regulations 1996. I understand that due to the remoteness of the Shire, obtaining supplier services can be difficult. However, this can be taken into consideration when undertaking ongoing monitoring of similar and continuous procurements

- The process for formally documenting tender evaluations process on contracts awarded above \$250,000 was not evident in the Shire's revised purchasing policy. We understand that the Shire, in most instances, seeks quotations from suppliers that are on the WALGA contract and as such a public tender process is **not** required. However, where formal quotations are sought from more than one supplier on the WALGA contract or any other existing Common Use Arrangements (CUA's) or from a formal public tender process that is sought outside of a Common Use Contract being either through WALGA, Commonwealth or State Government, then all quotations received should at least be formally assessed, preferably via a panel of

assessors, to determine best value for money and such decisions are to be formally documented, decisions to award justified and then formally approved.

I recommend that the Shire's procurement policy clearly document the process of establishing an evaluation panel to evaluate tender and formal quote submissions including the need for all evaluation panel members to sign a conflict of interest declaration form prior to assessing tender submissions. There should be at least 2 evaluation panel members (preferably 3) one of which we recommend should be external to the Shire. **Refer Attachment B for a copy of a standard "Conflict of Interest" declaration form.**

The evaluation panel should establish a standard process of measuring value for money (scoring matrix) and assessing suppliers based on qualitative requirements as stated in the RFQ or RFT document. All evaluation panel members should sign off on the recommendation to award services to a particular supplier.

I also recommend that the Shire ensure that all documentation that relates to a public tender or formal quotation is clearly maintained and held in a central filing system for easy access so as to easily identify the process followed for each formal quotation or public tender process from the point approval is given to proceed with a formal quotation or public tender through to final approval to awarding a contract.

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I recommend that the CEO give consideration to formalising this process and ensuring that all major variances are between approved budget and actual expenditure is monitored on a

monthly basis with comments explaining the variance being documented and signed off by the CFO or the CEO.

I also recommend that the CEO develop a policy as to what would constitute a major variance such as for example 10% or > \$5,000.

5. General Ledger Controls

I noted that all journals that are required to be processed in the Shire's general ledger are properly authorised and supported with documentation. However, month end and year end reconciliations to substantiate the balance sheet reported balances is not being performed. These would normally be undertaken on all liability and asset accounts and substantiated with support documentation. These would include but not limited to:

- PAYG payable
- Superannuation payable
- GST payable
- Investment balance
- Council Rates outstanding
- Debtors
- Creditors

I recommend that the CEO give consideration to ensuring that at least year end reconciliations to substantiate the asset and liability reported balances from the general ledger be conducted and that this process should be formalised in the Shire's Policy Manual.

Management Comments

Policy manual will be updated with the recommendations and annual stocktakes will be undertaken.

Portable and attractive items will be identified and subject to an annual stocktake.

The CEO and CFO do routinely investigate variances to budget. Formal processes will be instigated.

Recommendations will be incorporated into the policy manual.

Observations (No Recommendations Made)

1. Cash Handling and Security

The Shire's Administration office does not have a cash register and therefore is unable to receipt payments. However, we noted that cash is sometimes received at the Administration office. As the office does not have a cash register or any formal cash receipting process there is a risk that cash handed over at the Administration office could go missing without detection. A cash register does exist in the Shire run Community Resource Centre which is in a building across the road and all cash handling possibly should be directed to the Community Resource Centre.

2. Open Purchase Orders

It was not clear as to whether the Shire has a policy and procedure in place for monitoring open purchase orders to ensure that at financial year end any purchase orders that are still active and have a remaining balance are checked and if no further work is forthcoming under the purchase order that the purchase order is closed.

I understand that this process is being followed by the Administration staff but is not documented in the Shire's Policy Manual.

3. Whistle blower Policy

I noted that the shire does not have in place a Whistle blower policy. Consideration should be given to adopting such a policy.

Appendix A – Risk Criteria

The following risk criteria were used to assess level of risk on audit findings included in the Audit Report.

Risk Assessment Matrix

Likelihood of Risk:

Rating	Description	Frequency
1	Rare – May occur, only in exceptional circumstances	< once in 15 years
2	Unlikely – Could occur at some time	At least once in 10 years
3	Possible – Should occur at some time	At least once in 3 years
4	Likely – Will probably occur in most circumstances	At least once per year
5	Almost Certain – Expected to occur in most circumstances	> once per year

Consequence of Risk:

Description	Health	Financial Loss	Operation	Compliance	Reputation	Project
1. Insignificant	No injuries or illness	<\$50,000	Little Impact	Minor breach of policy, or process requiring approval or variance	Unsubstantiated, low impact, low profile or no news item.	Small variation to cost, timeliness, scope or quality of objectives and required outcomes.
2. Minor	First Aid treatment	\$50,000 to \$250,000	Inconvenient Delays	Breach of policy, process or legislation requiring attention of minimal damage control	Substantiated, low impact, low news profile.	5-10% increase in time or cost or variation to scope objective requiring approval
3. Moderate	Medical treatment required	\$250,000 to \$1 million	Significant delays to major deliverables	Breach requiring internal investigation, treatment or moderate damage control	Substantiated, public embarrassment, moderate impact, moderate news profile	10-20% increase in time or cost or variation to scope objective requiring Senior Management approval
4. Significant	Death or extensive injuries	\$1 million to \$3 million	Non achievement of major deliverables	Breach resulting in external investigation or third party actions resulting in tangible loss and damage to reputation	Substantiated, public embarrassment, moderate impact, high news profile and 3 rd party actions.	20-50% increase in time or cost or significant variation to scope objective requiring restructure of project and Senior Management or Council approval
5. Severe	Multiple deaths or severe permanent disabilities	>\$3 million	Non achievement of major deliverables	Breach resulting in external investigation or third party actions resulting in significant tangible loss and damage to reputation	Substantiated, public embarrassment, very high multiple impacts, high widespread news profile, 3 rd party	>50% increase in time or cost or inability to meet project objectives requiring the project to be abandoned or redeveloped

Risk Exposure:

Risk = Likelihood x Consequence

Score	Level of Risk	Score	Level of Risk	Score	Level of Risk
1 - 8	Low	9 - 19	Medium	20 - 25	High

Appendix B – Confidentiality and Conflict of Interest Declaration Form

DECLARATION OF CONFIDENTIALITY AND INTEREST

All staff responsible for evaluating supplier tender submissions or supplier formal quotations are required to complete the following declaration of confidentiality and interest **PRIOR** to evaluating the quote submissions.

RFT /RFQ NO & Title: _____

I _____ (Print Name) hereby declare that:

- I have no pecuniary interest in any of the supplier(s) that have submitted a quote/bid for the above RFT/RFQ.
- I have no actual or perceived conflict of interest or impartiality in the supplier(s) that have provided a quote/bid. Should any of the supplier(s) be personally known to me I shall inform the CEO immediately and will not undertake in the evaluation process until approved to do so by the CEO.
- I agree to keep all information relating to the supplier(s) quote/bid confidential and under no circumstances will I disclose such information to persons outside of the evaluation team members.
- I shall keep the results of the evaluation process confidential. No indication of the likely recommendation will be discussed, disclosed or allowed to be disclosed without written approval from the CEO.

NAME: _____ **DATE:** _____

SIGNATURE: _____

6.4	Audit & Risk Committee - Terms of Reference
LOCATION	Shire of Menzies
APPLICANT	Internal
DOCUMENT REF	NAM531
DATE OF REPORT	6 December 2021
AUTHOR	Chief Financial Officer, Antonio Giometti
RESPONSIBLE OFFICER	Chief Financial Officer, Antonio Giometti
DISCLOSURE OF INTEREST	Nil.
ATTACHMENT	1. So M Audit & Risk Committee To R [6.4.1 - 6 pages]

SUMMARY:

The Shire of Menzies has established an Audit & Risk Committee and formalised new Audit & Risk Committee Terms of Reference (ToR).

BACKGROUND:

The Shire's audit, compliance and risk management is further enhanced and managed through the establishment of the Audit & Risk Committee.

The committee's primary objective is to support the Shire of Menzies in discharging its legislative responsibility associated with governing the Shire's affairs and overseeing the allocation of the Shire's finances and resources. The committee will promote transparency and accountability in the Shire's financial reporting and promote effective and responsible management of risks to protect the Shire's assets.

The ToR has been developed to facilitate the operation of the Audit & Risk Committee and is based on information provided from WALGA and six LGAs, in consultation with the CEO.

COMMENT:

The objectives of the Audit & Risk Committee are to oversee:

- The integrity of external financial reporting, including accounting policies;
- The scope of work, objectivity, performance and independence of the external auditor;
- The establishment, effectiveness and maintenance of controls and systems to safeguard the Shire's financial and physical assets;
- The framework and systems that are designed to ensure the Shire comply with relevant statutory and regulatory requirements;
- The framework for recognising risks arising from the Shire's operations and strategies and consider the adequacy of measures taken to manage those risks; and

- The framework and systems which protect the Council against fraud and irregularities.

The committee must also add to the credibility of Council by promoting ethical standards through its work.

The ToR includes a mechanism for appointing an independent member on the Committee, to further enhance the committee's experience and leadership skills and allow for wholesome oversight of internal audit, governance, risk management and internal control practices.

CONSULTATION:

Brian Joiner, Chief Executive Officer.
WALGA.

STATUTORY AUTHORITY:

Local Government Act 1995 s6.4
Local Government (Financial Management) Regulations 1996, r34

POLICY IMPLICATIONS:

Nil.

FINANCIAL IMPLICATIONS:

Nil.

RISK ASSESSMENT:

Risk Statement	Level of Risk	Risk Mitigation Strategy
N/A		

STRATEGIC IMPLICATIONS:

4.2 An efficient and effective organisation.

4.2.1 Maintain a high level of corporate governance, responsibility and accountability.

VOTING REQUIREMENTS:

Simple Majority

OFFICER RECOMMENDATION:

That the Audit & Risk Committee recommends Council adopts the Audit & Risk Committee Terms of Reference.

COMMITTEE DECISION:

Committee Resolution Number	
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Moved		Seconded	
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Carried	
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Audit & Risk Committee

Terms of Reference



Audit & Risk Committee Terms of Reference

1. Introduction

The Audit & Risk Committee has been established in accordance with part 7 of the *Local Government Act 1995*.

The Audit & Risk Committee is an advisory committee formally appointed by the Council and is responsible to the Council. The Audit & Risk Committee does not have executive powers or authority to implement actions in areas over which management has responsibility and does not have any financial responsibility. The Audit & Risk Committee does not have any management functions and is therefore independent of management.

2. Objectives

The Audit & Risk Committee's primary objective is to support the Shire of Menzies in discharging its legislative responsibility associated with governing the Shire's affairs and overseeing the allocation of the Shire's finances and resources. The Audit & Risk Committee will promote transparency and accountability in the Shire's financial reporting and promote effective and responsible management of risks to protect the Shire's assets.

The Audit & Risk Committee will report to Council and provide appropriate advice and recommendations on matters relevant to its terms of reference in order to facilitate decision making by the Council in relation to the discharge of its responsibilities.

More specifically, the objectives of the Audit & Risk Committee are to oversee:

- a) The integrity of external financial reporting, including accounting policies.
- b) The scope of work, objectivity, performance and independence of the external auditor.
- c) The establishment, effectiveness and maintenance of controls and systems to safeguard the Shire's financial and physical assets.
- d) The framework and systems that are designed to ensure the Shire complies with relevant statutory and regulatory requirements.
- e) The framework for recognising risks arising from the Shire's operations and strategies and consider the adequacy of measures taken to manage those risks.
- f) The framework and systems which protect the Council against fraud and irregularities.

The Audit & Risk Committee must also add to the credibility of Council by promoting ethical standards through its work.

3. Authority

The Audit & Risk Committee has the authority of Council to:

- a) Review the internal and external auditors' annual audit plans and the outcomes /results of all audits undertaken;
- b) Formally meet with the Shire's appointed external auditor as necessary;
- c) Ensure any matters raised by external audit that require action are actioned; and
- d) Advise Council on any or all of the above as deemed necessary.



Audit & Risk Committee Terms of Reference

4. Composition

- 4.1 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.
- 4.2 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 the CEO as a member of an audit committee.
- 4.3 An employee is not to be a member of an audit committee.
- 4.4 The Audit & Risk Committee will comprise of up to five (5) members, being four (4) council members and one (1) external independent member.
- 4.5 An external member will be a person independent of the Shire of Menzies and will not have provided paid services to the Shire either directly or indirectly.
- 4.6 The external independent member will be selected based on the following criteria:
 - a) a demonstrated high level of expertise and knowledge in financial management, reporting, governance and audit; and
 - b) relevant skills and experience in providing independent expert advice.
- 4.7 Appointments of an external independent member will be made following a public advertisement. The Chief Executive Officer (CEO) will evaluate potential members and make a recommendation to Council.
- 4.8 The Council will appoint all members of the Audit & Risk Committee.
- 4.9 Members shall be appointed for a period of up to two (2) years terminating on the day of the Local Government Ordinary Council Elections, unless Council resolves otherwise.
- 4.10 The Presiding Member and Deputy Presiding Member will be appointed by the Audit & Risk Committee, biennially by election by all committee members after the Local Government Ordinary Council Elections.
- 4.11 The quorum for a meeting shall be a minimum of 3 committee members.
- 4.12 Audit & Risk Committee members are required to abide by the *Local Government Act* and *Code of Conduct* in observing the requirements of declaring any proximity, financial or impartiality interests that relate to any matter to be considered at each meeting.
- 4.13 Reimbursement of expenses approved by Council may be paid to an external person who is a member of the Audit & Risk Committee.

5. Meetings

- 5.1 The Audit & Risk Committee shall meet every three (3) months or more regularly as required at the discretion of the Presiding Member of the Audit & Risk Committee, the Shire President or the CEO.
- 5.2 Elected Members, who are not part of the Audit & Risk Committee, are invited to observe Audit & Risk Committee meetings, however they are not entitled to participate in the meeting.
- 5.3 The Presiding Member will preside at all meetings.



Audit & Risk Committee Terms of Reference

- 5.4 Each member of the Committee at a meeting will have one vote. The Presiding Member will have a casting vote and simple majority will prevail.
- 5.5 The CEO, or his delegate, the Chief Financial Officer (CFO), is to attend all meetings to provide advice and guidance to the committee, however the CEO and employees are not members of the committee.
- 5.6 The CEO will invite members of management, internal and external auditors or others to attend meetings as observers and to provide pertinent information, as necessary.
- 5.7 The Audit & Risk Committee meetings are generally open to the public unless the Presiding Member or CEO deem it necessary to proceed behind closed doors pursuant to section 5.23 of the *Local Government Act 1995*.
- 5.8 Meeting agendas will be prepared and provided at least 72 hours in advance to members, along with appropriate briefing materials.
- 5.9 Minutes will be taken at each meeting and presented to the subsequent meeting for confirmation.
- 5.10 Reports and recommendations of each committee meeting shall be presented to the next ordinary council meeting.

6. Responsibilities

The Audit & Risk Committee will carry out the following responsibilities:

- 6.1 Risk management
 - a) Review whether management has in place a current and comprehensive enterprise risk management framework and associated procedures for effective identification and management of the Shire's business and financial risks, including fraud.
 - b) Assess whether a sound and effective approach has been followed in managing the Shire's major risks including those associated with individual projects, program implementation, and activities.
 - c) Assess the impact of the Shire's enterprise risk management framework on its control environment and insurance arrangements.
 - d) Review the process of developing and implementing the Shire's fraud control arrangements and satisfy itself the Shire has appropriate processes and systems in place to detect, capture and effectively respond to fraud-related information.
- 6.2 Business continuity

Assess whether a sound and effective approach has been followed in establishing the Shire's business continuity planning arrangements, including whether business continuity and disaster recovery plans have been periodically updated and tested.
- 6.3 Internal Control
 - a) Review whether management's approach to maintaining an effective internal control framework is sound and effective.
 - b) Review whether management has in place relevant policies and procedures and that they are periodically reviewed and updated.
 - c) Assess whether the appropriate processes are in place to assess, at least once a year, whether key policies and procedures are complied with.



Audit & Risk Committee Terms of Reference

- d) Review whether appropriate policies and supporting procedures are in place for the management and exercise of delegations.
- e) Consider how management identifies any required changes to the design or implementation of key internal controls.

6.4 Financial Report

- a) Review significant accounting and reporting issues, including complex or unusual transactions and highly judgemental areas, and recent accounting, professional and regulatory pronouncements and legislative changes, and understand their effect on the financial report.
- b) Review with management and the external auditors the results of the audit, including any difficulties encountered.
- c) Review the annual financial report and performance report of the Shire of Menzies and consider whether it is complete, consistent with information known to Audit & Risk Committee members, and reflects appropriate accounting principles.
- d) Review with management and the external auditors all matters required to be communicated to the Audit & Risk Committee under the Australian Auditing Standards.
- e) Review the draft Annual Financial Statements and recommend the adoption of the Annual Financial Statements to Council, in accordance with the timeframes as prescribed.
- f) Review the mid-year budget review and recommend the adoption of the budget review to Council.

6.5 Compliance

- a) Review the systems and processes to monitor effectiveness of the system for monitoring compliance with legislation and regulations and the results of management's investigation and follow-up (including disciplinary action) of any instances of non-compliance.
- b) Keep informed of the findings of any examinations by regulatory agencies and any auditor (internal or external) observations and monitor management's response to those findings.
- c) Obtain regular updates from management about compliance matters.
- d) Review the annual Compliance Audit Return and report to the Council the results of the review.

6.6 Internal Audit

- a) Review with management the terms of reference, activities and resourcing of the internal audit function.
- b) Review and recommend the annual internal audit plan for approval by the Council and all major changes to the plan.
- c) Monitor processes and practices to ensure that the independence of the audit function is maintained.
- d) Annually review the performance of the internal audit including the level of satisfaction with internal audit function.



Audit & Risk Committee Terms of Reference

6.7 Auditing

- a) Review all audit reports and provide advice to the Council on significant issues identified in audit reports and action to be taken on issues raised, including identification and dissemination of good practice.
- b) Monitor management's implementation of internal audit recommendations.
- c) Regularly review a report given to it by the CEO under regulation 17 (3) of the *Local Government (Administration) Regulations 1996*.

6.8 External Audit

- a) Consider the findings and recommendations of relevant Management Letters undertaken by the external auditor and ensure the Shire implements relevant recommendations.
- b) Provide an opportunity for the Audit & Risk Committee to meet with the external auditors to discuss any matters that the Audit & Risk Committee or the external auditors believe should be discussed privately.
- c) Monitor management's implementation of external audit recommendations.

6.9 Reporting Responsibilities

- a) Report regularly to the Council about Audit & Risk Committee activities, issues, and related recommendations through circulation of minutes.
- b) Monitor that open communication between the external auditor and the Shire's management occurs.

6.10 Other Responsibilities

- a) Perform other activities related to these terms of reference as requested by the Council.
- b) Annually review and assess the adequacy of the Audit & Risk Committee terms of reference, request Council approval for proposed changes, and ensure appropriate disclosure as might be required by legislation or regulation.

6.5	Purchasing - internal audit and review
LOCATION	Shire of Menzies
APPLICANT	Internal
DOCUMENT REF	NAM532
DATE OF REPORT	6 December 2021
AUTHOR	Chief Financial Officer, Antonio Giometti
RESPONSIBLE OFFICER	Chief Financial Officer, Antonio Giometti
DISCLOSURE OF INTEREST	Nil
ATTACHMENT	Nil

SUMMARY:

The Shire of Menzies has undertaken to review Governance/Compliance controls to ensure their effectiveness and mitigate risks for the Shire.

BACKGROUND:

The Shire's preferred method of purchasing/payment is via the obtaining of Quotes, aligning proposed expenditure to budget(s), raising a Purchase Order (PO), acknowledging receipt of good/services in a good and fit to use manner, and then initiating payments to Creditors via the Shire's Banks online payments.

These processes are governed by the following policies:

- Policy 4.2 – Purchasing and Tenders
- Policy 4.10 – Financial Management – Payments of Accounts & Purchasing Authority Limits
- Policy 4.15 – Tender Evaluation Policy

COMMENT:

A review was undertaken to identify any gaps in the process and provide more stringent controls. The table below outlines the current process.

Current Controls
Identify items to be purchased
Obtain quotes/pricing as per Policy 4.2 – Purchasing and Tenders <ul style="list-style-type: none"> • Objectives • Ethics & Integrity • Value for money • Purchasing thresholds • Emergency Purchases • Unique Nature of Supply • Anti-avoidance • Contracts Renewals, Extensions & Variations • Sustainable procurement

<ul style="list-style-type: none"> • Panels of Pre-qualified Suppliers • Record Keeping • Purchasing Policy Non-Compliance
Budget is checked
Purchase is evaluated as per: Policy 4.2 – Purchasing and Tenders Policy 4.15 – Tender Evaluation Policy
If there is not budget allocation or the cost center is at budget level, review of other complementary/similar budget line codes undertaken so as to see if re-allocation can be done
If within Budget, and within purchase/tender policies, then purchase is progressed
Purchase Order (PO) is raised
Executed by either CEO/CFO, within their approval limits Policy 4.10 – Financial Management – Payments of Accounts & Purchasing Authority Limits
Supplier PO is provided to the supplier
Goods/Service collected/delivered
Receipt of goods/service confirmed Policy 4.7 – Creditors Preparation for Payment
Invoice matched to PO

Following the review of these processes it was regarded that the processes are contemporary and provide strong compliance and audit of the purchasing process, and are in alignment with the Shire's policies and the *Local Government Act 1995*. No changes are required this review period.

CONSULTATION:

Nil.

STATUTORY AUTHORITY:

Local Government Act 1995 s 6.4

Local Government (Financial Management) Regulations 1996, r34

POLICY IMPLICATIONS:

Nil.

FINANCIAL IMPLICATIONS:

Nil.

RISK ASSESSMENT:

Risk Statement	Level of Risk	Risk Mitigation Strategy
N/A		

STRATEGIC IMPLICATIONS:

4.2 An efficient and effective organisation.

4.2.1 Maintain a high level of corporate governance, responsibility and accountability.

VOTING REQUIREMENTS:

Simple Majority

OFFICER RECOMMENDATION:

That the Audit & Risk Committee recommends Council notes the actions taken to ensure the risk of fraudulent transactions are minimised and all payments from the Shire's bank accounts are checked, authorised and are made within accordance with the *Local Government Act 1995*, the Shire's purchasing policies and with good governance.

COMMITTEE DECISION:

Committee Resolution Number	
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Moved		Seconded	
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Carried	
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6.6	Risk management updates December 2021	
LOCATION	Shire of Menzies	
APPLICANT	Internal	
DOCUMENT REF	NAM533	
DATE OF REPORT	06 December 2021	
AUTHOR	Chief Executive Officer, Brian Joiner	
RESPONSIBLE OFFICER	Chief Executive Officer, Brian Joiner	
DISCLOSURE OF INTEREST	Nil	
ATTACHMENT	<ol style="list-style-type: none"> 1. CONFIDENTIAL REDACTED - ME N 800 October 2021 Risk updates summary [6.6.1 - 2 pages] 2. CONFIDENTIAL REDACTED - Shire of Menzies - Draft Risk Profiles October 2021 [6.6.2 - 6 pages] 3. CONFIDENTIAL REDACTED - Menzies Risk Register October 2021 [6.6.3 - 10 pages] 	

SUMMARY:

Summary of risk management activities since June 2021, including risk profile updates, summary report (as included in confidential attachments to the agenda).

BACKGROUND:

Prior to 30 June 2018, meetings with the Chief Executive Officers (CEOs) for the Shires of Leonora, Laverton, Menzies and Wiluna were held, where opportunities for collaboration and service sharing were discussed. From these meetings, it was considered a viable opportunity to further explore the possibility of engaging the services of a consultancy company to perform the Statutory Compliance Services for the four local governments, given many already engaged consultants to assist with a variety of work.

The Shires of Leonora, Laverton, Menzies and Wiluna supported proceeding to the tender stage for Statutory Compliance Services and subsequently the tender was awarded to Moore Stephens (now known as Moore Australia). This tender included risk management support services, and the delivery of statutory support and compliance services.

Since the service with Moore Australia commenced in 2018/19, the Shire has adopted an updated risk management policy which aligns to *AS/NZS ISO 31000:2018 Risk Management Guidelines*. A Risk Management Strategy was also prepared utilising the Principles, Framework and Process as defined within the standard. The Strategy considers the context of the Shire and conforms to the requirements of the standard by providing the necessary guidance and direction to

be followed by the Shire in its risk management activities and is aligned with the risk management policy.

COMMENT:

The Risk Management Strategy provides guidance and direction around risk management activities, including the assessment, prioritisation and communication of risk. This includes the reporting of risks through the Audit and Risk Committee. The tender response from Moore Stephens also set out the delivery of risk management services through quarterly 'dashboard reports', bi-annual 'summary reports' and an annual 'risk control assurance workshop'.

A risk control assurance workshop was held with the Northern Goldfields Compliance Group (NGCG) in February 2019, which assisted to set out activities over the next twelve months. The workshop included discussions around the examination, review and updating of risks, as well as themes/profiles, controls, and frameworks. The group requested a generic set of 'risk profiles' be developed by Moore Australia which could then be reviewed and updated to apply to individual local governments. These draft risk profiles were utilised to develop a draft risk register, which was created and populated as an extension to existing online registers service provided by Moore Australia. These activities formed the foundation for risk management activities to be reported and monitored to the Audit Committee.

In February and March 2021, Moore Australia conducted a site visit with the NGCG to review and update the risk profiles for each local government, and to populate the risk register with updated controls to calculate residual risks to be reported to the Audit Committee. Reviews were also performed offsite in June and August 2021, with a further on-site review in late September 2021.

Updates resulting from the most recent review to risk profiles have been utilised to further update the risk register. A summary of updates to the risk profiles, the risk register and risk profiles up to October 2021 were presented at a briefing session for the Committee's information. These documents are not circulated with agenda documents, as they include the controls to be implemented / actioned by the Shire in an effort to reduce risk levels. Publication of such information may adversely impact on risk management activities if published.

The risk summary report is intended to be provided bi-annually to the committee. This report enables analysis of what has changed for the organisation, and whether these changes result in new or emerging risks against each risk profile. This subsequently allows the risk register to be updated, and to summarise new risks or changes to existing risks for the committee. The risk summary report highlighting risk changes identified against each profile since the last review, including actions and treatments in place for high level risks, is attached.

A quarterly dashboard report is a progress report informing the committee with a summary of the current number of risks, unaddressed high-level risks, total new risks etc. The table below demonstrates the format of quarterly reports to the committee communicating risk movements.

Risk Category	No. of High or Extreme Rated Risks Identified	No. of High or Extreme Rated Risks after Treatment	No. of New Risks Identified (October 2021)	No. of Risks Closed (October 2021)
Performance	2	1	0	0
Environmental	2	2	0	0
Reputational Damage	2	0	0	0
Financial	4	1	0	0
Service Delivery / Business Interruption	5	2	0	0
Legislative / Regulatory / Policy/ Occupational Safety and Health	4	1	0	1

The risk register is to be also updated with applicable recommendations (including best practice initiatives) resulting from focus audits and other reports recently published by the Office of the Auditor General (OAG) relating to the local government sector, in consultation with staff.

Discussions with Moore Australia as well as future site visits will be undertaken to further update risk profiles, actions and treatments for the next reporting period. These reports will be updated for the next meeting for committee information.

CONSULTATION:

Moore Australia, consultants.

STATUTORY AUTHORITY:

Regulation 17.1 of the *Local Government (Audit) Regulations 1996* requires the CEO to monitor the appropriateness and effectiveness of systems and procedures in regard to risk management, internal controls and legislative compliance.

POLICY IMPLICATIONS:

The Risk Management Policy outlines the Shire's commitment and approach to managing risks impacting day-to-day operations and the delivery of strategic objectives.

FINANCIAL IMPLICATIONS:

Provision is included in the 2021/22 Adopted Budget for Moore Australia to deliver Statutory Compliance Services, including risk management, in line with the awarded tender.

RISK ASSESSMENT:

Risk Statement	Level of Risk	Risk Mitigation Strategy
As per the attached risk statements.		

STRATEGIC IMPLICATIONS:

4.1 A strategically focused Council, leading our community.

4.1.1 Provide strategic leadership and governance.

4.2 An efficient and effective organisation.

4.2.1 Maintain a high level of corporate governance, responsibility and accountability.

VOTING REQUIREMENTS:

Simple Majority

OFFICER RECOMMENDATION:

That the Audit & Risk Committee recommends Council receives the summary of updates to the risk profiles, the risk register and risk profiles up to October 2021, and the above report updating risk management activities undertaken to date.

COMMITTEE DECISION:

Committee Resolution Number	
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Moved		Seconded	
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Carried	
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6.7	WHS Committee minutes December 2021
LOCATION	Shire of Menzies
APPLICANT	Internal
DOCUMENT REF	NAM462
DATE OF REPORT	02 December 2021
AUTHOR	Chief Executive Officer, Brian Joiner
RESPONSIBLE OFFICER	Chief Executive Officer, Brian Joiner
DISCLOSURE OF INTEREST	Nil
ATTACHMENT	1. Shire of Menzies WHS Committee Minutes 06DEC21 [6.7.1 - 2 pages]

SUMMARY:

The Shire of Menzies holds regular WHS Committee meetings to elevate safety issues and promote a safe environment for all employees. The copy of the meeting minutes are provided for the Audit & Risk Committee's information.

BACKGROUND:

The WHS Committee was introduced as a significant step in aligning our policies, processes and procedures with the *Work Health & Safety Act (2020)*. The Act sets rigorous legislation requirements with liability on Council to comply, attracting substantial penalties for non-compliance.

COMMENT:

WHS Committee meetings were introduced in April 2021. Initially they were held every month while a range of new safety initiatives were implemented. They will now move to be held quarterly with the minutes coming to the Audit Committee for the same period.

CONSULTATION:

WHS Committee.

STATUTORY AUTHORITY:

Work Health & Safety Act (2020).

POLICY IMPLICATIONS:

Policy 6.1 details the organisation's WHS Policy.

FINANCIAL IMPLICATIONS:

There are no financial implications resulting from the recommendation of this report.

RISK ASSESSMENT:

Risk Statement	Level of Risk	Risk Mitigation Strategy
N/A		

STRATEGIC IMPLICATIONS:

4.1 A strategically focused Council, leading our community.

4.1.1 Provide strategic leadership and governance.

4.2 An efficient and effective organisation.

4.2.1 Maintain a high level of corporate governance, responsibility and accountability.

VOTING REQUIREMENTS:

Simple Majority

OFFICER RECOMMENDATION:

That the Audit and Risk Committee notes the WHS Committee minutes.

COMMITTEE DECISION:

Committee Resolution Number	
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Moved		Seconded	
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Carried	
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Shire of Menzies
WHS Committee Meeting
Minutes
06 December 2021

1. VENUE
Council CEO Office.
2. The Chairperson opened the meeting at 1306.
3. ATTENDANCE
Brian Joiner (CEO and Chairperson) - BJ
Garth Marland (Works Manager) - GM
Debbie Pianto (WHS Safety Representative - administration) – DP
Shane Hearn (Building Maintenance Officer) - SH
4. APOLOGIES
John Warner (WHS Safety Officer)
Michael Peterson (Works Forman/WHS Representative – works)
5. PREVIOUS MINUTES
Minutes for the meeting held 01 September 2021 were agreed with no alterations.
6. BUSINESS
 - a. Hazard register review.
 - i. Corporate risk register has been reviewed.
 - ii. Updated risk register was agreed by Audit Committee in September.
 - iii. Continue to review.
 - b. Incident review.
 - i. Manual handling injury.
 1. LGIS to provide training.
 - c. Incident report form.
 - i. Printed versions to be available for outdoor staff.
 - d. WHS workplace inspection program.
 - i. No update with WHS Specialist away.
 - e. Planned safety activities.
 - i. Evacuations to be held.
 - ii. Alcohol testing – new equipment to be procured.
 - iii. LGIS training.
 - iv. Workshop clean-up pre-Christmas break.
 - f. WHS procedures.

- i. Morning start meetings.
- g. Identified issues works team:
 - i. Nil noted.
- h. Identified issues administrative team.
 - i. DP asked about power cords. Covering mainly for cords out where they become a trip hazard.

7. OTHER BUSINESS

8. NEXT MEETING

Wednesday 02 March at 1300.

9. The Chairperson closed the meeting at 1342.

7 INFORMATION REPORTS

7.1	Budget - Interim Review to 30 November 2021	
LOCATION	Shire of Menzies	
APPLICANT	Internal	
DOCUMENT REF	NAM	
DATE OF REPORT	30 November 2021	
AUTHOR	Chief Financial Officer, Antonio Giometti	
RESPONSIBLE OFFICER	Chief Financial Officer, Antonio Giometti	
DISCLOSURE OF INTEREST	Nil	
ATTACHMENT	1. Budget Review November 2021 [7.1.1 - 1 page]	

SUMMARY:

This item provides the Audit and Risk Committee with an interim budget review as at 30 November 2021.

BACKGROUND:

The interim budget review has been undertaken by the Chief Financial Officer in consultation with Moore Australia and the Accounts team.

It is based on comparison of actual revenue and expenditure as of 31 November 2021 to interim budgets for the same period.

This review is extraordinary to the required budget review process and serves to ensure the Shire is operating within/close to set budgets and highlight any areas that require review or investigation.

COMMENT:

The interim budget review has shown:

1. Operating expenditure is circa \$974,682 less than budget. This can be attributed to some capital works and related expenditure items have been delayed or invoicing is not to hand at this stage for works undertaken. It also highlighted items that may require further budget review at the formal Mid-Year Budget review.
2. Operating Income is Circa \$758,534 below budget. Rates collections are better than budgeted, the shortfall in revenue to this period is attributed to Grant funding drawdown being dependent on the completion of works, some of which have been slow to commence.
3. Over-all the Year-to-Date actuals are \$214,148 less than budgeted.
4. In the Mid-Year Reviews, each budget line item will be reviewed, and adjustments sought were required or warranted, such as allocating sufficient

budget to cover the Shire's Insurance Expenses (presently \$54,870 more than budgeted).

Interim Budget Review 30/11/2021						
Type Description	Inc/Exp Analysis Summary	Current Budget	YTD Budget	YTD Actual	YTD Variance	Notes
	Employee Costs Total	\$2,442,898.87	\$1,017,555.00	\$754,958.33	\$262,596.67	
	Material & Contracts Total	\$1,639,737.00	\$675,295.00	\$752,348.70	-\$77,053.70	
	Utilities (Electricity, Water, Gas, Etc) Total	\$88,150.00	\$36,640.00	\$37,107.73	-\$467.73	
	Loss On Asset Disposal Summary Total	\$2,140.00	\$890.00	\$2,334.97	-\$1,444.97	
	Depreciation (Ex Asset Register) Total	\$2,032,027.00	\$846,615.00	\$0.00	\$846,615.00	
	Interest Expenses Total	\$112.00	\$45.00	\$0.00	\$45.00	
	Insurance Total	\$135,381.89	\$56,285.00	\$111,155.98	-\$54,870.98	Mid Yr Budget review
	Other Expenditure Summary Total	\$414,601.00	\$185,555.00	\$78,830.16	\$106,724.84	
	Non Operating Expenses Total	\$0.00	\$0.00	\$65,189.00	-\$65,189.00	Mid Yr Budget review
	Labour Overheads Allocated Summary Total	-\$68,802.00	-\$28,855.00	-\$8,829.96	-\$20,025.04	
	Plant Operating Costs Allocated Summary Total	-\$64,055.00	-\$26,760.00	-\$4,572.50	-\$22,187.50	
	Staff Housing Allocated/Recovered Summary Total	\$0.00	-\$5.00	\$0.00	-\$5.00	
	Admin Costs Allocated/Recovered Summary Total	\$0.00	-\$55.00	\$0.00	-\$55.00	
Operating Expenditure Total		\$6,622,190.76	\$2,763,205.00	\$1,788,522.41	\$974,682.59	
	Rates Total	-\$3,556,469.00	-\$3,556,469.00	-\$3,577,398.57	\$20,929.57	
	Operating Grants, Subsidies & Contributions Total	-\$1,646,099.00	-\$675,307.00	-\$815,214.99	\$139,907.99	
	Fees And Charges Total	-\$207,265.00	-\$86,310.00	-\$159,046.24	\$72,736.24	
	Interest Earnings Total	-\$112,500.00	-\$46,870.00	-\$25,743.06	-\$21,126.94	Mid Yr Budget review
	Other Revenue Total	-\$35,135.00	-\$14,620.00	-\$9,381.63	-\$5,238.37	
	Non-Operating Grants, Subsidies & Contributions Total	-\$3,485,806.00	-\$1,161,932.00	-\$196,189.50	-\$965,742.50	Timing/Claims
Operating Income Total		-\$9,043,274.00	-\$5,541,508.00	-\$4,782,973.99	-\$758,534.01	
Grand Total		-\$2,421,083.24	-\$2,778,303.00	-\$2,994,451.58	\$216,148.58	

8 ELECTED MEMBER MOTION OF WHICH PREVIOUS NOTICE HAS BEEN GIVEN

Nil.

9 NEW BUSINESS OF AN URGENT NATURE INTRODUCED BY DECISION OF THE MEETING

Nil.

10 NEXT MEETING

The next meeting of the Audit & Risk Committee will be held on 24 March 2022, commencing at 11:00am.

11 CLOSURE OF MEETING

The Chairperson declared the meeting closed at _____ .