



**SHIRE OF MENZIES**

# Minutes

**OF THE AUDIT COMMITTEE MEETING  
HELD ON**

**18 July 2019**

**Commencing at 5.00pm.**

18 July  
2019

**AUDIT COMMITTEE MEETING MINUTES**

**SHIRE OF MENZIES**  
**NOTICE OF AUDIT COMMITTEE MEETING OF COUNCIL**

Dear Council Member,

The next Audit Committee Meeting of the Shire of Menzies will be held on 18 July 2019 in the Shire of Menzies council chambers commencing at 11.00am.

Peter Money  
Chief Executive Officer

18 July 2019

**DISCLAIMER**

No responsibility whatsoever is implied or accepted by the shire of Menzies for any act or omission or statement or intimation occurring during this meeting.

It is strongly advised that persons do not act on what is heard at this meeting and should only rely on written confirmation of Council's decision, which will be provided within fourteen (14) days of this meeting.

**FINANCIAL INTEREST**

A financial interest occurs where a Councillor, or person with whom the Councillor is closely associated, has direct or indirect financial interest in the matter. That is, the person stands to make a financial gain or loss from the decision, either now or at some time in the future.

An indirect financial interest includes a reference to a financial relationship between that person and another person who requires a Local Government decision in relation to the matter.

**Councillors should declare an interest:**

- a) In a written notice given to the Chief Executive Officer (CEO) before the meeting: or
- b) At the meeting, immediately before the matter is discussed.

A member who has declared an interest must not:

- Preside at the part of the meeting relating to the matter: or
- Participate in or be present during the discussion of decision-making procedure relating to the matter unless the member is allowed to do so under Section 5.68 or 5.69 of the *Local Government Act 1995*.

## **TERMS OF REFERENCE**

### **Objectives of the Audit Committee**

The primary objectives of the Audit Committee is to accept responsibility for the annual external audit and liaise with the Shire's auditor so that Council can be satisfied with the performance of the Shire in managing its financial affairs.

### **Reports from the Committee is to facilitate:**

- The enhancement of the credibility and objectivity of external financial reporting;
- Effective management of financial and other risks and the protection of Shire assets;
- Compliance with laws and regulations as well as use of best practice guidelines relative to audit, risk management, internal control and legislative compliance;
- The provision of an effective means of communication between the external auditor, the Chief Executive Officer and the Council.

### **Powers of the Audit Committee**

The Audit Committee is to report to Council and provide appropriate advice and recommendations on matters relevant to its term of reference. The is in order to facilitate informed decision-making by Council in relation to the legislative functions and duties of the Shire that have not been delegated to the Chief Executive Officer.

The Audit Committee is a formerly appointed Committee of Council and is responsible to that body. The Audit Committee does not have executive powers or authority to implement actions in areas over which the Chief Executive Officer has legislative responsibility and does not have any delegated financial responsibility. The Audit Committee does not have any management functions and cannot involve itself in management processes or procedures.

### **Membership**

The Audit Committee consists of four members with full voting rights and a quorum shall be two members.

The Chief Executive Officer and employees are not members of the Audit Committee.

The Chief Executive Officer and Manager Finance and Administration are to be available to attend meetings to provide advice and guidance to the Audit Committee.

The Shire shall provide secretarial and administrative support to the Audit Committee.

### **Meetings**

The Audit Committee shall meet at least annually. Additional meetings shall be convened at the discretion of the presiding person.

### **Reporting**

Reports and recommendation of each Audit committee meeting shall be presented to the next Ordinary Meeting of Council.

## **Duties and Responsibilities**

The duties and responsibilities of the Audit Committee shall be:

- a) Provide guidance and assistance to Council as to the carrying out of the functions of the Shire in relation to audits;
- b) Develop and recommend to Council and appropriate process for the selection and appointment of a person as the Shires' Auditor;
- c) Develop and recommend to Council;
  - A list of those matters to be audited; and
  - The scope if the audit to be undertaken;
- d) Recommend to Council the person or persons to be appointed as the Auditor;
- e) Develop and recommend to Council a written agreement for the appointment of the external auditor. The agreement is to include:
  - Develop and recommend to Council a
  - The objectives of the audit;
  - The scope of the audit;
  - A plan of the audit;
  - Details of the remuneration and expenses to be paid to the Auditor; and
  - The method to be used by the Shire to communicate with, and supply information to, the Auditor;
- f) Meet with the auditor once in each year and provide a report to Council on the matters discussed and outcome of those discussions;
- g) Liaise with the Chief Executive Officer to ensure that the Shire does everything in its power to;
  - Assist the Audit to conduct the audit and carry out their other duties under the Local Government Act 1995; and
  - Ensure that audits are conducted successfully and expeditiously;
- h) Examine the reports of the Auditor after receiving a report from the Chief Executive Officer on the matters to:
  - Determine if any matters raised require action to be taken by the Shire; and
  - Ensure that the appropriate action is taken in respect of those matters;
- i) Review the report prepared by the Chief Executive Officer any actions taken in respect of any matters raised in the report of the Auditor and presenting the report to Council for adoption prior to the end of the next financial year or six months after the last report prepared by the Auditor is received, whichever is the latest in time;
- j) Review the scope of the audit plan and program and its effectiveness;
- k) Seek information or obtain expert advice through the Chief Executive Officer on matters of concern within the scope of the Audit Committee's Terms of Reference following authorisation from the Council;
- l) Review the annual Compliance Audit Return and report to Council the results of that review; and
- m) Consider the Chief Executive Officer's biennial reviews of the appropriateness and effectiveness of the Shire's systems and procedures in regard to risk management, internal control and legislative compliance, require to be provided to the Audit Committee, and report to Council the results of those reviews.

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## **1 DECLARATION OF OPENING**

The President Cr Greg Dwyer declared the meeting open at 5:08 PM

## **2 ANNOUNCEMENT OF VISITORS**

There were no visitors.

## **3 RECORD OF ATTENDANCE**

Cr. Greg Dwyer                      Shire President  
Cr. Jill Dwyer

Peter Money                      Chief Executive Officer  
Janette Taylor                      Manager Finance and Administration

Cr. Ian Baird was present via telephone but was within the 150 kilometres from the Chambers and could be recorded as a voting member of the Committee. (LG Administration Regulation 14A).

## **4 DECLARATIONS OF INTEREST**

There were no declarations of interest.

## **5 ANNOUNCEMENTS BY PRESIDING MEMBER WITHOUT DISCUSSION**

There were no announcements by Presiding Member without discussion.

## **6. REPORTS OF OFFICERS**

### **6.1 AUDITORS REPORTS**

<b>LOCATION:</b>	N/A
<b>APPLICANT:</b>	Auditor General's Office
<b>DOCUMENT REF:</b>	as applicable
<b>DISCLOSURE OF INTEREST:</b>	Nil
<b>DATE:</b>	18 July 2019
<b>AUTHOR:</b>	Peter Money Chief Executive Officer
<b>ATTACHMENT:</b>	6.1-1 Financial Report 6.1-2 Independent Auditors Report

#### **SUMMARY**

The audited Financial Statements and Audit Opinion for the 2017/2018 financial year are attached for consideration for recommending to Council for adoption.

#### **BACKGROUND**

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

The 2018/19 audit was conducted by Butler Settineri.

The regulations require the audit to be completed and presented to the Audit Committee and Council prior to 31<sup>st</sup> December 2018. If this timeline cannot be met approval for deferment is required from the Auditor General.

This did not happen and as a result this did not occur and so the Council is in breach of the Local Government Act in that regard and this will likely be reported in the 2018/19 audit report

The audit was delayed for some length of time as requested documents were not provided to the auditors as requested and this was not resolved until May 2019.

#### **COMMENT**

Nil

## **CONSULTATION**

OAG  
Manager Finance and Administration  
Butler Settineri

## **STATUTORY ENVIRONMENT**

*Local Government Act s 7.9; 7.12A;*  
*Local Government (Audit) Regulations 10*

## **POLICY IMPLICATIONS**

Nil

## **FINANCIAL IMPLICATIONS**

Nil

## **RISK ASSESSMENT**

Nil as the report is only for recommendation for approval by the Council.

## **STRATEGIC IMPLICATIONS**

**Select one or more of the outcomes from the Strategic Plan – delete those not relevant**

### *14.1 Sustainable local economy encouraged*

- A local economy accessing the commercial options and services in place, for timely development.
- The acquisition of appropriate resources to assist with economic and tourism planning and development.

### *14.3 Active civic leadership achieved*

- Regularly review plans with community consultation on significant decisions affecting the shire.
- Where possible, support opportunities to build the capacity of the community within the Shire of Menzies.
- Regularly monitor and report on the Shire's activities, budgets, plans and performance.
- Continue to engage with our community, to advocate on behalf of our community, to be accountable and to manage within our governance and legislative framework.
- Continue to participate in regional activities to the benefit of our community.

## **VOTING REQUIREMENTS**

Simple majority

## **OFFICERS RECOMMENDATION**

That the Audit Committee recommends to Council the adoption of the 2017/2018 Financial Report, Independent Auditors Report and Audit Findings.

<b>COUNCIL RESOLUTION:</b>
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<b>No. 1672</b>
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**MOVED: Cr Jill Dwyer**

**SECONDED: Cr Greg Dwyer**

*That the Audit Committee recommends to Council the adoption of the 2017/2018 Financial Report, Independent Auditors Report and Audit Findings.*

*Carried 2/0*



## Auditor General

### INDEPENDENT AUDITOR'S REPORT

#### To the Council of the Shire of Menzies

#### Report on the Audit of the Financial Report

##### **Opinion**

I have audited the annual financial report of the Shire of Menzies which comprises the Statement of Financial Position as at 30 June 2018, 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, and notes comprising a summary of significant accounting policies and other explanatory information, and the Statement by the Chief Executive Officer.

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

- (i) is based on proper accounts and records; and
- (ii) fairly represents, in all material respects, the results of the operations of the Shire for the year ended 30 June 2018 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 for the Audit of the Financial Report* section of my report. I am independent of the Shire in accordance with the *Auditor General Act 2006* and the relevant ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (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.

##### **Emphasis of Matter – Basis of Accounting**

I draw attention to Note 1 to the financial report, which describes the basis of accounting. The financial report has been prepared for the purpose of fulfilling the Shire's financial reporting responsibilities under the Act. Regulation 16 of the Local Government (Financial Management) Regulations 1996 (Regulations), does not allow a local government to recognise some categories of land, including land under roads, as assets in the annual financial report. My opinion is not modified in respect of this matter.

##### **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 annual financial report in accordance with the requirements of the Act, the Regulations and, to the extent that they are not inconsistent with the Act, Australian Accounting Standards. The CEO is also responsible for such internal control as the CEO determines is necessary to enable the preparation of a financial report that 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***

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.

As part of an audit in accordance with Australian Auditing Standards, I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. 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.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Shire's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the CEO.
- Conclude on the appropriateness of the CEO's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Shire's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report, as we cannot predict future events or conditions that may have an impact.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

I communicate with the Council and the CEO regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

## Report on Other Legal and Regulatory Requirements

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

- (i) The following material matters indicating non-compliance with Part 6 of the *Local Government Act 1995*, the Local Government (Financial Management) Regulations 1996 or applicable financial controls of any other written law were identified during the course of my audit:
  - a. A service contract of \$172,000 was not procured through a tender process. The Local Government (Functions and General) Regulations 1996 require public tenders to be invited for services above \$150,000. We also identified 14 purchases from a sample of 54 where the Shire did not obtain 3 quotes for the purchase of goods and services which were below the \$150,000 tender threshold. These practices increases the likelihood of not receiving value for money in procurement.
  - b. For 8 employees, there were no signed employment contracts or letters of employment in the Shire's records.
  - c. The Shire has not reported the Asset Renewal Funding Ratio for 2018 in its annual financial report, as required by regulation 50(1)(c) of the Local Government (Financial Management) Regulations 1996, as planned capital renewals and required capital expenditure were not estimated in a long term financial plan and asset management plan respectively.
- (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 included in the annual financial report was supported by verifiable information and reasonable assumptions.

### Other Matter

The financial report of the Shire for the year ended 30 June 2017 was audited by another auditor who expressed an unmodified opinion on that financial report. The financial ratios for 2017 and 2016 in Note 28 of the audited financial report were included in the supplementary information and/or audited financial report for those years.

### Matters Relating to the Electronic Publication of the Audited Financial Report

This auditor's report relates to the annual financial report of the Shire of Menzies for the year ended 30 June 2018 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.



DON CUNNINGHAME  
ASSISTANT AUDITOR GENERAL FINANCIAL AUDIT  
Delegate of the Auditor General for Western Australia  
Perth, Western Australia

4 July 2019

**SHIRE OF MENZIES**  
**FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2018**

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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

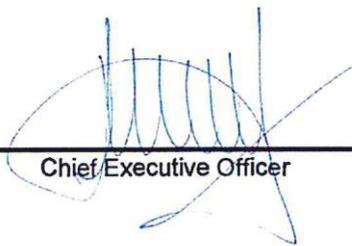
**SHIRE OF MENZIES  
FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2018**

*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 2018 is based on proper accounts and records to present fairly the financial position of the Shire of Menzies at 30 June 2018 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 *26th* day of *June* 2019



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Chief Executive Officer

Peter Money

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Name of Chief Executive Officer

**STATEMENT OF COMPREHENSIVE INCOME  
BY NATURE OR TYPE  
FOR THE YEAR ENDED 30TH JUNE 2018**

	NOTE	2018 Actual \$	2018 Budget \$	2017 Actual \$
<b>Revenue</b>				
Rates	21(a)	3,035,767	2,809,112	2,863,670
Operating grants, subsidies and contributions	2(a)	3,027,985	1,717,444	4,178,929
Fees and charges	2(a)	246,983	171,620	175,722
Interest earnings	2(a)	312,795	184,600	250,445
Other revenue	2(a)	52,357	46,200	84,398
		<u>6,675,887</u>	<u>4,928,976</u>	<u>7,553,164</u>
<b>Expenses</b>				
Employee costs		(1,597,958)	(1,615,058)	(1,569,381)
Materials and contracts		(1,441,736)	(2,876,272)	(1,224,847)
Utility charges		(100,056)	(56,160)	(48,211)
Depreciation on non-current assets	9(b)	(2,392,955)	(2,076,951)	(2,076,922)
Insurance expenses		(127,351)	(130,430)	(138,200)
Other expenditure		(278,054)	(332,400)	(524,345)
		<u>(5,938,110)</u>	<u>(7,087,271)</u>	<u>(5,581,906)</u>
		737,777	(2,158,295)	1,971,258
Non-operating grants, subsidies and contributions	2(a)	2,274,434	3,609,875	608,491
Profit on asset disposals	9(a)	28,141	10,750	7,138
(Loss) on asset disposals	9(a)	(11,183)	(9,250)	0
Impairment of parks and infrastructure	8(b)	(84,699)	0	0
<b>Net result</b>		<b>2,944,470</b>	<b>1,453,080</b>	<b>2,586,887</b>
<b>Other comprehensive income</b>				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Changes on revaluation of non-current assets	10	(2,754,292)	0	(2,385,160)
<b>Total other comprehensive income</b>		<b>(2,754,292)</b>	<b>0</b>	<b>(2,385,160)</b>
<b>Total comprehensive income</b>		<b>190,178</b>	<b>1,453,080</b>	<b>201,727</b>

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



**STATEMENT OF COMPREHENSIVE INCOME  
BY PROGRAM  
FOR THE YEAR ENDED 30TH JUNE 2018**

	NOTE	2018 Actual \$	2018 Budget \$	2017 Actual \$
<b>Revenue</b>				
	2(a)			
Governance		164	0	91
General purpose funding		4,999,469	3,889,706	7,213,835
Law, order, public safety		2,965	6,400	5,935
Health		7,337	0	0
Housing		99,840	65,220	63,205
Community amenities		9,291	6,600	7,628
Recreation and culture		1,085	10,000	294
Transport		1,303,252	727,250	66
Economic services		196,913	185,100	189,807
Other property and services		55,571	38,700	72,303
		<b>6,675,887</b>	<b>4,928,976</b>	<b>7,553,164</b>
<b>Expenses</b>				
Governance		(733,330)	(534,774)	(777,853)
General purpose funding		(224,429)	(133,974)	(34,375)
Law, order, public safety		(71,659)	(45,180)	(51,920)
Health		(94,238)	(109,000)	(36,615)
Housing		(140,908)	(291,334)	(189,079)
Community amenities		(214,083)	(202,910)	(134,137)
Recreation and culture		(638,518)	(503,390)	(402,944)
Transport		(2,581,706)	(2,597,655)	(2,457,273)
Economic services		(936,257)	(830,321)	(788,328)
Other property and services		(302,982)	(1,838,733)	(709,382)
		<b>(5,938,110)</b>	<b>(7,087,271)</b>	<b>(5,581,906)</b>
		<b>737,777</b>	<b>(2,158,295)</b>	<b>1,971,258</b>
Non-operating grants, subsidies and contributions	2(a)	2,274,434	3,609,875	608,491
Profit on disposal of assets	9(a)	28,141	10,750	7,138
(Loss) on disposal of assets	9(a)	(11,183)	(9,250)	0
Impairment of parks and infrastructure	8(b)	(84,699)	0	0
		<b>2,206,693</b>	<b>3,611,375</b>	<b>615,629</b>
		<b>2,944,470</b>	<b>1,453,080</b>	<b>2,586,887</b>
<b>Other comprehensive income</b>				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Changes on revaluation of non-current assets	10	(2,754,292)	0	(2,385,160)
<b>Total other comprehensive income</b>		<b>(2,754,292)</b>	<b>0</b>	<b>(2,385,160)</b>
<b>Total comprehensive income</b>		<b>190,178</b>	<b>1,453,080</b>	<b>201,727</b>

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



**STATEMENT OF FINANCIAL POSITION  
AS AT 30TH JUNE 2018**

	NOTE	2018	2017
		\$	\$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	3	12,408,650	10,095,673
Trade and other receivables	5	564,214	779,660
Inventories	6	5,157	8,522
<b>TOTAL CURRENT ASSETS</b>		<b>12,978,021</b>	<b>10,883,855</b>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	7	8,797,243	8,803,884
Infrastructure	8	113,590,657	115,200,938
<b>TOTAL NON-CURRENT ASSETS</b>		<b>122,387,900</b>	<b>124,004,822</b>
<b>TOTAL ASSETS</b>		<b>135,365,921</b>	<b>134,888,677</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	11	879,554	634,837
Provisions	13	170,534	125,858
<b>TOTAL CURRENT LIABILITIES</b>		<b>1,050,088</b>	<b>760,695</b>
<b>NON-CURRENT LIABILITIES</b>			
Provisions	13	67,925	70,253
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>67,925</b>	<b>70,253</b>
<b>TOTAL LIABILITIES</b>		<b>1,118,013</b>	<b>830,948</b>
<b>NET ASSETS</b>		<b>134,247,908</b>	<b>134,057,730</b>
<b>EQUITY</b>			
Retained surplus		15,235,528	16,039,864
Reserves - cash backed	4	8,366,631	4,617,825
Revaluation surplus	10	110,645,749	113,400,041
<b>TOTAL EQUITY</b>		<b>134,247,908</b>	<b>134,057,730</b>

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



**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 30TH JUNE 2018**

NOTE	RESERVES			TOTAL EQUITY
	RETAINED SURPLUS	CASH BACKED	REVALUATION SURPLUS	
	\$	\$	\$	\$
<b>Balance as at 1 July 2016</b>	<b>15,404,410</b>	<b>2,666,392</b>	<b>115,785,201</b>	<b>133,856,003</b>
Comprehensive income				
Net result	2,586,887	0	0	2,586,887
Changes on revaluation of assets	10	0	(2,385,160)	(2,385,160)
Total comprehensive income	2,586,887	0	(2,385,160)	201,727
Transfers from/(to) reserves	(1,951,433)	1,951,433	0	0
<b>Balance as at 30 June 2017</b>	<b>16,039,864</b>	<b>4,617,825</b>	<b>113,400,041</b>	<b>134,057,730</b>
Comprehensive income				
Net result	2,944,470	0	0	2,944,470
Changes on revaluation of assets	10	0	(2,754,292)	(2,754,292)
Total comprehensive income	2,944,470	0	(2,754,292)	190,178
Transfers from/(to) reserves	(3,748,806)	3,748,806	0	0
<b>Balance as at 30 June 2018</b>	<b>15,235,528</b>	<b>8,366,631</b>	<b>110,645,749</b>	<b>134,247,908</b>

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

**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 30TH JUNE 2018**

	NOTE	2018 Actual	2018 Budget	2017 Actual
		\$	\$	\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
<b>Receipts</b>				
Rates		3,324,540	2,295,772	2,492,870
Operating grants, subsidies and contributions		3,073,827	1,717,444	5,438,635
Fees and charges		246,983	171,620	175,722
Interest earnings		312,795	184,600	250,445
Goods and services tax		37,150	0	207,067
Other revenue		52,357	46,200	84,399
		<u>7,047,652</u>	<u>4,415,636</u>	<u>8,649,138</u>
<b>Payments</b>				
Employee costs		(1,464,141)	(1,615,058)	(1,515,239)
Materials and contracts		(1,285,123)	(1,809,588)	(1,199,411)
Utility charges		(100,056)	(56,160)	(48,211)
Insurance expenses		(127,351)	(130,430)	(138,200)
Goods and services tax		(156,318)	0	(73,971)
Other expenditure		(278,054)	(332,400)	(524,345)
		<u>(3,411,043)</u>	<u>(3,943,636)</u>	<u>(3,499,377)</u>
<b>Net cash provided by (used in) operating activities</b>	14	<u>3,636,609</u>	<u>472,000</u>	<u>5,149,761</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Payments for purchase of property, plant & equipment		(818,087)	(1,498,000)	(226,188)
Payments for construction of infrastructure		(2,945,051)	(5,034,287)	(783,324)
Non-operating grants, subsidies and contributions		2,274,434	3,609,875	608,491
Proceeds from sale of fixed assets		165,072	81,000	50,455
<b>Net cash provided by (used in) investment activities</b>		<u>(1,323,632)</u>	<u>(2,841,412)</u>	<u>(350,566)</u>
<b>Net increase (decrease) in cash held</b>		2,312,977	(2,369,412)	4,799,195
Cash at beginning of year		10,095,673	10,095,673	5,296,478
<b>Cash and cash equivalents at the end of the year</b>	14	<u>12,408,650</u>	<u>7,726,262</u>	<u>10,095,673</u>

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

**RATE SETTING STATEMENT  
FOR THE YEAR ENDED 30TH JUNE 2018**

	NOTE	2018 Actual	2018 Budget	2017 Actual
		\$	\$	\$
<b>OPERATING ACTIVITIES</b>				
<b>Net current assets at start of financial year - surplus/(deficit)</b>		5,631,192	5,631,192	3,811,416
		5,631,192	5,631,192	3,811,416
<b>Revenue from operating activities (excluding rates)</b>				
Governance		164	0	91
General purpose funding		1,963,702	965,594	4,350,165
Law, order, public safety		2,965	6,400	5,935
Health		7,337	0	0
Housing		99,840	65,220	63,205
Community amenities		9,291	6,600	8,418
Recreation and culture		1,085	10,000	294
Transport		1,327,170	738,000	66
Economic services		196,913	185,100	189,807
Other property and services		59,794	38,700	78,651
		3,668,261	2,015,614	4,696,632
<b>Expenditure from operating activities</b>				
Governance		(733,330)	(534,774)	(777,853)
General purpose funding		(224,429)	(133,974)	(34,375)
Law, order, public safety		(71,659)	(45,180)	(51,920)
Health		(94,238)	(109,000)	(36,615)
Housing		(140,908)	(291,334)	(189,079)
Community amenities		(214,083)	(202,910)	(134,137)
Recreation and culture		(638,518)	(503,390)	(402,944)
Transport		(2,592,150)	(2,606,906)	(2,457,273)
Economic services		(936,257)	(830,321)	(788,328)
Other property and services		(388,420)	(1,838,733)	(709,382)
		(6,033,992)	(7,096,522)	(5,581,906)
<b>Operating activities excluded</b>				
(Profit) on disposal of assets	9(a)	(28,141)	(10,750)	(7,138)
Loss on disposal of assets	9(a)	11,183	9,250	0
Loss on revaluation of fixed assets	8(b)	84,699	0	0
Movement in employee benefit provisions (non-current)		42,348	0	73,595
Depreciation and amortisation on assets	9(b)	2,392,955	2,076,951	2,076,922
<b>Amount attributable to operating activities</b>		5,768,505	2,625,735	5,069,521
<b>INVESTING ACTIVITIES</b>				
Non-operating grants, subsidies and contributions		2,274,434	3,609,875	608,491
Proceeds from disposal of assets	9(a)	165,072	81,000	50,455
Purchase of property, plant and equipment	7(b)	(818,087)	(1,498,000)	(226,188)
Purchase and construction of infrastructure	8(b)	(2,945,051)	(5,034,287)	(783,324)
<b>Amount attributable to investing activities</b>		(1,323,632)	(2,841,412)	(350,566)
<b>FINANCING ACTIVITIES</b>				
Transfers to reserves (restricted assets)	4	(3,895,806)	(3,033,935)	(2,183,668)
Transfers from reserves (restricted assets)	4	147,000	272,000	232,235
<b>Amount attributable to financing activities</b>		(3,748,806)	(2,761,935)	(1,951,433)
<b>Surplus(deficiency) before general rates</b>		696,067	(2,977,612)	2,767,522
<b>Total amount raised from general rates</b>	21	3,035,767	2,924,112	2,863,670
<b>Net current assets at June 30 c/fwd - surplus/(deficit)</b>	22	<b>3,731,834</b>	<b>(53,499)</b>	<b>5,631,192</b>

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

**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2018**

**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 to the extent they are not in-consistent with the *Local Government Act 1995* and accompanying regulations.), Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board, the *Local Government Act 1995* and accompanying regulations. 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 report has been prepared on the accrual basis and is based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and liabilities.

**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.

**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.

**THE LOCAL GOVERNMENT REPORTING ENTITY (Continued)**

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.

All monies held in the Trust Fund are excluded from the financial statements. A separate statement of those monies appears at Note 24 to these financial statements.

**AUSTRALIAN ACCOUNTING STANDARDS - INCONSISTENCY**

**Land under roads**

In Western Australia, all land under roads is Crown Land, the responsibility for managing which, is vested in the local government.

Effective as at 1 July 2008, Council elected not to recognise any value for land under roads acquired on or before 30 June 2008. This accords with the treatment available in *Australian Accounting Standard AASB 1051 Land Under Roads* and the fact *Local Government (Financial Management) Regulation 16(a)(i)* prohibits local governments from recognising such land as an asset.

In respect of land under roads acquired on or after 1 July 2008, as detailed above, *Local Government (Financial Management) Regulation 16(a)(i)* prohibits local governments from recognising such land as an asset.

Whilst such treatment is inconsistent with the requirements of *AASB 1051, Local Government (Financial Management) Regulation 4(2)* provides, in the event of such an inconsistency, the Local Government (Financial Management) Regulations prevail.

Consequently, any land under roads acquired on or after 1 July 2008 is not included as an asset of the Shire.

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2018

2. REVENUE AND EXPENSES

(a) Revenue	2018 Actual	2017 Actual
	\$	\$
<b>Other revenue</b>		
Reimbursements and recoveries	6,926	17,927
Other	45,431	66,472
	52,357	84,398
<b>Fees and Charges</b>		
General purpose funding	9,094	7,514
Law, order, public safety	0	168
Health	7,337	0
Housing	99,840	63,205
Community amenities	8,443	8,367
Recreation and culture	1,039	292
Economic services	116,337	94,284
Other property and services	4,893	1,892
	246,983	175,722

There were no changes during the year to the amount of the fees or charges detailed in the original budget.

## 2. REVENUE AND EXPENSES (Continued)

### (a) Revenue (Continued)

#### Grant Revenue

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

	2018	2017
	\$	\$
<b>Operating grants, subsidies and contributions</b>		
Governance	84	91
General purpose funding	1,641,638	4,092,029
Law, order, public safety	2,965	5,766
Recreation and culture	46	0
Transport	1,303,252	0
Economic services	80,000	80,917
Other property and services	0	126
	<u>3,027,985</u>	<u>4,178,929</u>
<b>Non-operating grants, subsidies and contributions</b>		
Law, order, public safety	0	400
Recreation and culture	128,335	20,000
Transport	2,146,099	530,364
Economic services	0	57,727
	<u>2,274,434</u>	<u>608,491</u>
<b>Total grants, subsidies and contributions</b>	<u>5,302,419</u>	<u>4,787,420</u>

#### SIGNIFICANT ACCOUNTING POLICIES

##### Grants, Donations and Other Contributions

Grants, donations and other contributions are recognised as revenues when the local government obtains control over the assets comprising the contributions.

Where contributions recognised as revenues during the reporting period were obtained on the condition that they be expended in a particular manner or used over

Grants, Donations and Other Contributions (Continued)  
a particular period, and those conditions were undischarged as at the reporting date, the nature of and amounts pertaining to those undischarged conditions are disclosed in Note 20. That note also discloses the amount of contributions recognised as revenues in a previous reporting period which were obtained in respect of the local government's operations for the current period.

	2018	2018	2017
	Actual	Budget	Actual
	\$	\$	\$
<b>Interest earnings</b>			
- Loans receivable - clubs/institutions			
- Reserve funds	57,269	80,000	102,431
- Other funds	131,370	50,000	41,289
Other interest revenue (refer note 21(b))	124,156	54,600	106,725
	<u>312,795</u>	<u>184,600</u>	<u>250,445</u>

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2018

2. REVENUE AND EXPENSES (Continued)

(b) Expenses

The following amounts are included in Other Expenditure

**Auditors remuneration**

	2018	2017
	\$	\$
- Audit of the Annual Financial Report*	7,850	10,902
- Other Services	0	800
- Disbursements	0	6,613
	<u>7,850</u>	<u>18,315</u>

\* The fee for the audit of the 2017-18 financial statements is \$27,000 (\$19,163 : 2016-17)

**Rental charges**

- Operating leases	36,995	34,102
	<u>36,995</u>	<u>34,102</u>

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2018

**3. CASH AND CASH EQUIVALENTS**

	NOTE	2018	2017
		\$	\$
Unrestricted		4,039,686	5,302,583
Restricted		8,368,964	4,793,090
		<u>12,408,650</u>	<u>10,095,673</u>

The following restrictions have been imposed by regulations or other externally imposed requirements:

Leave Reserve	4	197,364	192,460
Building Reserve	4	2,003,260	1,161,096
Plant Reserve	4	1,427,758	932,561
Roads Reserve	4	1,730,660	474,836
Main Street Reserve	4	135,175	131,578
Staff Amenities Reserve	4	72,722	70,915
TV Reserve	4	17,216	16,789
Caravan Park Reserve	4	424,818	316,747
Bitumen Reserve	4	388,662	379,618
Rates Creditors Reserve	4	48,788	47,576
Niagara Dam Reserve	4	1,320,885	800,049
Water Park Reserve	4	96,060	93,601
Economic Development Reserve	4	402,678	0
Waste Management Reserve	4	100,585	0
Unspent grants	20	2,333	175,264
		<u>8,368,964</u>	<u>4,793,090</u>

**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 that are readily convertible to known amounts of cash and which are subject to an insignificant risk

**Cash and cash equivalents (Continued)**

of changes in value and bank overdrafts. Bank overdrafts are reported as short term borrowings in current liabilities in the statement of financial position.

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2018

4. RESERVES - CASH BACKED

	2018		2018		2018		2018		2018		2017		2017	
	Actual	Actual	Actual	Budget	Budget	Budget	Budget	Actual						
Opening	Transfer	Transfer	Opening	Transfer	Transfer	Opening	Transfer	Opening	Transfer	Transfer	Opening	Transfer	Transfer	Closing
Balance	to	(from)	Balance	(from)	(from)	Balance	to	Balance	(from)	to	Balance	(from)	to	Balance
\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Leave Reserve	4,904	0	197,364	0	0	192,460	0	192,460	0	4,589	187,871	4,589	0	192,460
Building Reserve	872,164	(30,000)	2,003,260	(30,000)	(130,000)	1,161,096	750,000	1,781,096	(130,000)	477,011	684,085	477,011	0	1,161,096
Plant Reserve	612,197	(117,000)	1,427,758	(117,000)	(142,000)	932,561	283,600	1,074,161	(142,000)	521,642	558,154	521,642	(147,235)	932,561
Roads Reserve	1,255,825	0	1,730,661	0	0	474,836	1,000,000	1,474,836	0	310,816	164,020	310,816	0	474,836
Main Street Reserve	3,597	0	135,175	0	0	131,578	0	131,578	0	3,246	193,332	3,246	(65,000)	131,578
Staff Amenities Reserve	1,807	0	72,722	0	0	70,915	0	70,915	0	1,690	69,225	1,690	0	70,915
TV Reserve	427	0	17,216	0	0	16,789	0	16,789	0	400	16,388	400	0	16,789
Caravan Park Reserve	108,071	0	424,818	0	0	316,747	0	316,747	0	7,552	309,195	7,552	0	316,747
Bitumen Reserve	9,044	0	388,662	0	0	379,618	0	379,618	0	176,010	203,608	176,010	0	379,618
Rates Creditors Reserve	1,212	0	48,788	0	0	47,576	0	47,576	0	1,134	46,442	1,134	0	47,576
Niagara Dam Reserve	520,835	0	1,320,884	0	0	800,048	500,000	1,300,048	0	676,986	123,062	676,986	0	800,049
Water Park Reserve	2,459	0	96,059	0	0	93,601	0	93,601	0	2,592	111,011	2,592	(20,000)	93,600
Economic Development Reserve	0	0	402,678	0	0	400,335	0	400,335	0	0	0	0	0	0
Waste Management Reserve	100,586	0	100,586	0	0	100,000	100,000	100,000	0	0	0	0	0	0
	3,895,806	(147,000)	8,366,631	(147,000)	(272,000)	4,617,825	3,033,935	7,379,760	(272,000)	2,183,668	2,666,393	2,183,668	(232,235)	4,617,825

All of the reserve accounts are supported by money held in financial institutions and match the amount shown as restricted cash in Note 3 to this financial report.

In accordance with council resolutions 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
Leave Reserve	Perpetual	To be used to fund annual and long service leave requirements.
Building Reserve	Perpetual	To be used for the acquisition of future building and renovation of existing buildings.
Plant Reserve	Perpetual	To be used for the purchase of major plant.
Roads Reserve	Perpetual	To be used to fund major road works.
Main Street Reserve	Perpetual	Established for the beautification of the main street.
Staff Amenities Reserve	Perpetual	Established for the purpose of providing staff housing and amenities.
TV Reserve	Perpetual	To be used to fund upgrades to the rebroadcasting equipment.
Caravan Park Reserve	Perpetual	Established for the purpose of upgrading the caravan park.
Bitumen Reserve	Perpetual	Established to fund future resealing of roads.
Rates Creditors Reserve	Perpetual	Established for future rates claims.
Niagara Dam Reserve	Perpetual	Established for ongoing upgrade of Niagara Dam valve workings and other maintenance.
Water Park Reserve	Perpetual	Established to provide a water park.
Economic Development Reserve	Perpetual	To provide for new or additional services in the Shire in partnership with Not for Profit organisations.
Waste Management Reserve	Perpetual	To provide for the statutory reinstatement and development of the reserve.

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2018

**5. TRADE AND OTHER RECEIVABLES**

**Current**

	2018	2017
	\$	\$
Rates outstanding	710,858	999,631
Sundry debtors	26,391	51,642
GST receivable	198,385	79,217
Provision for doubtful debts	(385,257)	(385,257)
Accrued income/payments in advance	13,837	34,427
	564,214	779,660

Information with respect to the impairment or otherwise of the totals of rates outstanding and sundry debtors is as follows:

**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.

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.

Collectability of trade and other receivables is reviewed on an ongoing basis. Debts that are known to be uncollectible are written off when identified. An allowance for doubtful debts is raised when there is objective evidence that they will not be collectible.

**Rates outstanding**

	2018	2017
Not past due and not impaired	-	-
Past due and impaired	385,257	385,257
Past due and not impaired		
- up to 1 month	0	0
- 1 to 3 months	0	0
- 3 months to 1 year	8,881	50,339
- 1 to 5 years	316,720	564,027
- more than 5 years		
	710,858	999,623

**Sundry debtors outstanding**

	2018	2017
Not past due and not impaired	25,176	16,948
Past due and impaired	-	-
Past due and not impaired		
- up to 1 month	679	-
- 1 to 3 months	20	-
- 3 months to 1 year	516	11,518
- 1 to 5 years	-	-
- more than 5 years	-	-
	26,391	28,466

**Classification and subsequent measurement**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss.

Loans and receivables are included in current assets where they are expected to mature within 12 months after the end of the reporting period.

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2018

**6. INVENTORIES**

**Current**

Fuels, Oils & materials on hand

	2018	2017
	\$	\$
	5,157	8,522
	<u>5,157</u>	<u>8,522</u>

**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.

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2018

7 (a). PROPERTY, PLANT AND EQUIPMENT

Land and buildings	2018	2017
	\$	\$
Land - freehold land at:		
- Independent valuation 2017 - level 2	684,000	684,000
	684,000	684,000
<b>Total land</b>	<b>684,000</b>	<b>684,000</b>
Buildings - non-specialised at:		
- Management valuation 2017 - level 3	1,116,700	1,116,700
- Independent valuation 2017 - level 3	835,000	835,000
- Additions after valuation - cost	41,192	0
- Transfers	300,000	0
Buildings - non-specialised - Less: accumulated depreciation	(118,378)	0
	2,174,514	1,951,700
Buildings - specialised at:		
- Management valuation 2017 - level 3	266,201	266,200
- Independent valuation 2017 - level 3	4,400,000	4,400,000
- Additions after valuation - cost	348,123	0
- Transfers	(257,359)	0
Buildings - specialised - Less: accumulated depreciation	(240,801)	0
	4,516,164	4,666,200
<b>Total buildings</b>	<b>6,690,678</b>	<b>6,617,900</b>
<b>Total land and buildings</b>	<b>7,374,678</b>	<b>7,301,900</b>
Furniture and equipment at:		
- Management valuation 2016 - level 3	27,000	27,000
- Additions after valuation - cost	103,738	0
Furniture and equipment - Less: accumulated depreciation	(44,684)	(3,890)
	86,054	23,110
Plant and equipment at:		
- Management valuation 2016 - level 3	1,377,880	1,564,632
- Additions after valuation - cost	504,446	179,411
Plant and equipment - Less: accumulated depreciation	(545,815)	(265,169)
	1,336,511	1,478,874
<b>Total property, plant and equipment</b>	<b>8,797,243</b>	<b>8,803,884</b>

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2018

**7. PROPERTY, PLANT AND EQUIPMENT (Continued)**

**(b) Movements in Carrying Amounts**

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

	Land - freehold land	Total land	Buildings - non- specialised	Buildings - specialised	Total buildings	Total land and buildings	Furniture and equipment	Plant and equipment	Total property, plant and equipment
	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Balance at 1 July 2016</b>	672,261	672,261	2,465,206	4,647,626	7,112,832	7,785,093	27,000	1,607,948	9,420,041
Additions	0	0	0	46,777	46,777	46,777	0	179,411	226,188
(Disposals)	0	0	0	0	0	0	0	(43,316)	(43,316)
Revaluation increments/( decrements) transferred to revaluation surplus	11,739	11,739	(399,543)	2,17,456	(182,087)	(170,348)	0	0	(170,348)
Depreciation (expense)	0	0	(113,963)	(245,659)	(359,622)	(359,622)	(3,890)	(265,169)	(628,681)
<b>Carrying amount at 30 June 2017</b>	684,000	684,000	1,951,700	4,666,200	6,617,900	7,301,900	23,110	1,478,874	8,803,884
Additions	0	0	41,191	348,123	389,314	389,314	103,738	325,035	818,087
(Disposals)	0	0	0	0	0	0	0	(148,114)	(148,114)
Depreciation (expense)	0	0	(118,377)	(243,169)	(361,546)	(361,546)	(40,794)	(324,082)	(726,422)
Transfers	0	0	300,000	(254,990)	45,010	45,010	0	4,798	49,808
<b>Carrying amount at 30 June 2018</b>	684,000	684,000	2,174,514	4,516,164	6,690,678	7,374,678	86,054	1,336,511	8,797,243

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2018

**7. PROPERTY, PLANT AND EQUIPMENT (Continued)**

(c) Fair Value Measurements

Asset Class	Fair Value Hierarchy	Valuation Technique	Basis of Valuation	Date of Last Valuation	Inputs Used
<b>Land and buildings</b>					
Land - freehold land	2	Market approach using recent market data for similar properties	Independent Registered Valuer	June 2017	Price per hectare
Land - vested in and under the control of Council	3				
Buildings - non-specialised	3	Market approach using recent market data for similar properties	Management Valuation	June 2017	Improvements to land using construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs.
Buildings - specialised	3	Market approach using recent market data for similar properties	Independent Registered Valuer and Management Valuation	June 2017	Improvements to land using construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs.
<b>Furniture and equipment</b>	3	Cost approach using depreciated replacement cost	Management Valuation	June 2017	Purchase costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs.
<b>Plant and equipment</b>	3	Cost approach using depreciated replacement cost	Management Valuation	June 2016	Purchase costs and current condition (Level 2), 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. There were no transfers between Level 2 and Level 3 for the year 2017/18. All transfers relate to Level 3 and represent a reclassification of fixed assets.

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2018

8 (a). INFRASTRUCTURE

	2018	2017
	\$	\$
Roads		
- Independent valuation 2015 - level 3	0	141,850,854
- Independent valuation 2018 - level 3	109,742,712	0
- Additions after valuation - cost	0	3,372,117
Roads - Less: accumulated depreciation	0	(33,118,019)
	<u>109,742,712</u>	<u>112,104,952</u>
Infrastructure Other		
- Independent valuation 2014 - level 3	0	1,623,164
- Management valuation 2014 - level 3	3,464,964	389,203
- Additions after valuation - cost	0	1,010,804
Infrastructure Other - Less: accumulated depreciation	0	(207,839)
	<u>3,464,964</u>	<u>2,815,332</u>
Parks & Ovals		
- Independent valuation 2014 - level 3	0	222,000
- Independent valuation 2018 - level 3	260,110	0
Parks & Ovals - Less: accumulated depreciation	0	(13,325)
	<u>260,110</u>	<u>208,675</u>
Footpaths		
- Management valuation 2014 - level 3	171,936	171,936
- Additions after valuation - cost	58,647	0
Footpaths - Less: accumulated depreciation	(107,712)	(99,957)
	<u>122,871</u>	<u>71,979</u>
<b>Total infrastructure</b>	<u>113,590,657</u>	<u>115,200,938</u>

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2018

**8. INFRASTRUCTURE (Continued)**

**(b) Movements in Carrying Amounts**

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

	Roads	Infrastructure			Footpaths	Total Infrastructure
		Other	Parks & Ovals			
	\$	\$	\$	\$	\$	\$
<b>Balance at 1 July 2016</b>	115,058,017	2,737,556	213,115	71,979	118,080,667	
Additions	697,877	85,447	0	0	783,324	
Revaluation increments/ (decrements) transferred to revaluation surplus	(2,214,812)	0	0	0	(2,214,812)	
Depreciation (expense)	(1,361,167)	(82,634)	(4,440)	0	(1,448,241)	
Transfers	(74,963)	74,963	0	0	0	
<b>Carrying amount at 30 June 2017</b>	<b>112,104,952</b>	<b>2,815,332</b>	<b>208,675</b>	<b>71,979</b>	<b>115,200,938</b>	
Additions	2,519,127	250,745	116,531	58,648	2,945,051	
Revaluation increments/ (decrements) transferred to revaluation surplus	(3,338,839)	584,547	0	0	(2,754,292)	
Revaluation (loss)/ reversals transferred to profit or loss	0	0	(84,699)	0	(84,699)	
Depreciation (expense)	(1,542,528)	(78,930)	(37,319)	(7,756)	(1,666,533)	
Transfers	0	(106,730)	56,922	0	(49,808)	
<b>Carrying amount at 30 June 2018</b>	<b>109,742,712</b>	<b>3,464,964</b>	<b>260,110</b>	<b>122,871</b>	<b>113,590,657</b>	

**8. INFRASTRUCTURE (Continued)**

(c) Fair Value Measurements

Asset Class	Fair Value Hierarchy	Valuation Technique	Basis of Valuation	Date of Last Valuation	Inputs Used
Roads	3	Cost approach using depreciated replacement cost	Independent Valuation	June 2018	Construction costs and current conditions (level 2), residual values and remaining useful life assessments (Level 3) inputs.
Infrastructure Other	3	Cost approach using depreciated replacement cost	Independent Valuation	June 2018	Construction costs and current conditions (level 2), residual values and remaining useful life assessments (Level 3) inputs.
Parks & Ovals	3	Cost approach using depreciated replacement cost	Independent Valuation	June 2018	Construction costs and current conditions (level 2), residual values and remaining useful life assessments (Level 3) inputs.
Footpaths	3	Cost approach using depreciated replacement cost	Management Valuation	June 2015	Construction costs and current conditions (level 2), 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 to determine the fair value of infrastructure using level 3 inputs. All Transfers relate to Level 3 and represent a reclassification of fixed assets.

## 9. FIXED ASSETS

### SIGNIFICANT ACCOUNTING POLICIES

#### Fixed assets

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

#### Initial recognition and measurement between mandatory revaluation dates

All assets are initially recognised at cost and subsequently revalued in accordance with the mandatory measurement framework.

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 no cost or for nominal consideration, 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 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 fixed assets is determined at least every three years in accordance with the regulatory framework. 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 property, plant and equipment 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 control

In accordance with *Local Government (Financial Management) Regulation 16(a)(ii)*, the Shire was required to include as an asset (by 30 June 2013), Crown Land operated by the local government as a golf course, showground, racecourse or other sporting or recreational facility of State or Regional significance.

Upon initial recognition, these assets were recorded at cost in accordance with AASB 116. They were then classified as Land and revalued along with other land in accordance with the other policies detailed in this Note.

9. FIXED ASSETS (Continued)

(a) Disposals of Assets

The following assets were disposed of during the year.

	Actual Net Book Value	Actual Sale Proceeds	Actual Profit	Actual Loss	Budget Net Book Value	Budget Sale Proceeds	Budget Profit	Budget Loss
	\$	\$	\$	\$	\$	\$	\$	\$
<b>Plant and Equipment</b>								
<b>Transport</b>								
12 - P0144 Multi-tyred roller MN 572	425	482	57	0	0	0	0	0
228 - P0108 2008 Cat skid steer (Bobcat)	19,990	11,000	0	(8,990)	21,250	12,000	0	(9,250)
298 - P0151 Semi water tanker 1TKO412	16,492	20,850	4,358	0	17,000	25,000	8,000	0
392 - P0184 Two axle dog trailer 1TO1574	12,369	19,439	7,070	0	0	0	0	0
8 - P0122 Husqvarna ride on mower	1,206	136	0	(1,070)	0	0	0	0
496 - P0139 Custom made grass slasher	128	100	0	(28)	0	0	0	0
490 - P0163 Vacuum tank	4,250	16,682	12,432	0	0	0	0	0
492 - P0135 Plate compactor - hand oper.	375	19	0	(356)	0	0	0	0
<b>Other property and services</b>								
59 - P0205 Toyota landcruiser 2016 200	53,958	58,182	4,224	0	0	0	0	0
6 - P0201 Toyota prado 2014 1EPF107	38,921	38,182	0	(739)	41,250	44,000	2,750	0
	148,114	165,072	28,141	(11,183)	79,500	81,000	10,750	(9,250)

(b) Depreciation

	2018	2017
	\$	\$
Buildings - non-specialised	118,377	113,963
Buildings - specialised	243,169	245,659
Furniture and equipment	40,794	3,890
Plant and equipment	324,082	265,169
Roads	1,542,528	1,361,167
Infrastructure Other	78,930	82,634
Parks & Ovals	37,319	4,440
Footpaths	7,756	0
	2,392,955	2,076,922

## 9. FIXED ASSETS (Continued)

### (b) Depreciation (Continued)

#### 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.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is treated as follows:

- a) Eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

##### Depreciation rates

Major depreciation periods used for each class of depreciable asset are:

Buildings	20 years
Furniture and equipment	10 years
Plant and equipment - heavy	6 years
Plant and equipment - sundry	4 years
Roads	
formation	not depreciated
pavement	25 years
Infrastructure floodways	12.5 years
Infrastructure other	50 years
Infrastructure grids	25 years

##### Depreciation (Continued)

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.

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2018

10. REVALUATION SURPLUS

	2018			2018			2017			2017					
	Opening Balance	Revaluation Increment	Revaluation (Decrement)	Revaluation Movement on Revaluation	Closing Balance	Opening Balance	Revaluation Increment	Revaluation (Decrement)	Revaluation Movement on Revaluation	Closing Balance	Opening Balance	Revaluation Increment	Revaluation (Decrement)	Revaluation Movement on Revaluation	Closing Balance
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revaluation surplus - Land - freehold land	680,443	0	0	0	680,443	668,704	11,739	0	0	680,443	680,443	0	0	0	680,443
Revaluation surplus - Buildings - non-specialised	3,250,986	0	0	0	3,250,986	3,650,529	0	(399,543)	(399,543)	3,250,986	3,250,986	0	(399,543)	(399,543)	3,250,986
Revaluation surplus - Buildings - specialised	217,456	0	0	0	217,456	0	0	217,456	217,456	217,456	217,456	0	217,456	217,456	217,456
Revaluation surplus - Plant and equipment	703,442	0	0	0	703,442	703,442	0	0	0	703,442	703,442	0	0	0	703,442
Revaluation surplus - Roads	108,363,787	0	(3,338,839)	(3,338,839)	105,024,948	110,578,599	0	(2,214,812)	(2,214,812)	108,363,787	108,363,787	0	(2,214,812)	(2,214,812)	108,363,787
Revaluation surplus - Infrastructure Other	183,927	584,547	0	584,547	768,474	183,927	0	0	0	183,927	183,927	0	0	0	183,927
	113,400,041	584,547	(3,338,839)	(2,754,292)	110,645,749	115,785,201	11,739	(2,396,899)	(2,385,160)	113,400,041	113,400,041	11,739	(2,396,899)	(2,385,160)	113,400,041

Movements on revaluation of fixed assets 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.

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2018

11. TRADE AND OTHER PAYABLES

Current

	2018	2017
	\$	\$
Sundry creditors	656,124	437,982
Income received in advance	26,321	26,321
Accrued salaries and wages	30,756	21,961
ATO liabilities	105,548	22,874
Payroll creditors	31,408	36,653
Accrued expenses	29,397	89,046
	<u>879,554</u>	<u>634,837</u>

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

Trade and other payables (Continued)

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.

## 12. INFORMATION ON BORROWINGS

The shire has no loans or overdraft facilities at 30 June 2018.

### (a) Undrawn Borrowing Facilities

#### Credit Standby Arrangements

Bank overdraft limit

0

Bank overdraft at balance date

0

Credit card limit

25,000

Credit card balance at balance date

(5,621)

**Total amount of credit unused**

**19,379**

2017

\$

0

0

25,000

(13,395)

11,605

**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.

### 13. PROVISIONS

	Provision for Annual Leave	Provision for Long Service Leave	Total
	\$	\$	\$
<b>Opening balance at 1 July 2017</b>			
Current provisions	105,969	19,889	125,858
Non-current provisions	0	70,253	70,253
	<u>105,969</u>	<u>90,142</u>	<u>196,111</u>
Additional provision	15,552	26,796	42,348
<b>Balance at 30 June 2018</b>	<u>121,521</u>	<u>116,938</u>	<u>238,459</u>
<b>Comprises</b>			
Current	121,521	49,013	170,534
Non-current	0	67,925	67,925
	<u>121,521</u>	<u>116,938</u>	<u>238,459</u>

#### SIGNIFICANT ACCOUNTING POLICIES

##### Employee benefits

##### 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 annual 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

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

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.

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2018

14. 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:

	2018 Actual	2018 Budget	2017 Actual
	\$	\$	\$
Cash and cash equivalents	12,408,650	7,726,262	10,095,673

Reconciliation of Net Cash Provided By  
Operating Activities to Net Result

Net result	2,944,470	1,453,080	2,586,887
Non-cash flows in Net result:			
Depreciation	2,392,955	2,076,951	2,076,922
(Profit)/loss on sale of asset	(16,958)	(1,500)	(7,138)
Loss on revaluation of Parks & Ovals	84,699	0	0
Changes in assets and liabilities:			
(Increase)/decrease in receivables	215,446	(513,340)	1,022,003
(Increase)/decrease in inventories	3,365	1,522	(1,319)
Increase/(decrease) in payables	244,718	1,065,163	7,301
Increase/(decrease) in provisions	42,348	0	73,596
Grants contributions for the development of assets	(2,274,434)	(3,609,875)	(608,491)
Net cash from operating activities	3,636,609	472,000	5,149,761

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2018

**15. TOTAL ASSETS CLASSIFIED BY FUNCTION AND ACTIVITY**

	2018	2017
	\$	\$
Governance	4,800	52,976
General purpose funding	4,655,021	6,092,220
Law, order, public safety	148,199	154,374
Housing	2,728,067	2,415,428
Community amenities	3,022,633	979,446
Recreation and culture	4,434,493	3,432,201
Transport	115,292,110	115,113,372
Economic services	3,447,026	4,545,310
Other property and services	1,633,572	2,103,350
	<u>135,365,921</u>	<u>134,888,677</u>

## 16. 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 on certificate of title 1096/558 known as 50 Shenton St, Menzies WA 6436.

Until the Shire conducts an investigation to determine the presence and scope of contamination, assess the risk and agree 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.

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2018

**17. CAPITAL AND LEASING COMMITMENTS**

**(a) Capital Expenditure Commitments**

	2018	2017
	\$	\$
Contracted for:		
- capital expenditure projects	2,782,234	1,224,685
- plant & equipment purchases	0	72,279
Payable:		
- not later than one year	2,782,234	1,296,964

The capital expenditure outstanding at the end of the 2018 reporting period represents a further 5km seal of the Menzies Northwest Road, and WANDRRA funded road works.

**(b) Operating Lease Commitments**

Non-cancellable operating leases contracted for but

Payable:		
- not later than one year	41,607	13,189
- later than one year but not later than five years	108,006	46,161
- later than five years	0	0
	149,613	59,350

**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 payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses on a straight line basis over 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.

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2018

**18. JOINT ARRANGEMENTS**

The Shire together with the City of Kalgoorlie Boulder, Shires of Coolgardie, Dundas, Esperance, Laverton, Leonora, Ngaanyatjarraku, Ravensthorpe and Wiluna have a joint venture arrangement with regards to the provision of a Regional Records Service. Management have interpreted this as a joint operation. The assets included in the joint venture are one-tenth share as follows:

	2018	2017
	\$	\$
<b>Non-current assets</b>		
Land and buildings	75,500	75,500
Less: accumulated depreciation	(1,812)	
	<u>73,688</u>	<u>75,500</u>
Plant and equipment	4,182	4,182
Less: accumulated depreciation	(1,008)	(504)
	<u>3,174</u>	<u>3,678</u>
Furniture and equipment	8,204	8,204
Less: accumulated depreciation	(1,805)	(902)
	<u>6,399</u>	<u>7,302</u>
Light vehicles	3,200	3,200
Less: accumulated depreciation	(960)	(480)
	<u>2,240</u>	<u>2,720</u>

**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. Refer to note 26 for a description of the equity method of accounting.

**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.

## 19. RELATED PARTY TRANSACTIONS

### Elected Members Remuneration

The following fees, expenses and allowances were paid to council members and/or the President.	2018	2018	2017
	Actual	Budget	Actual
	\$	\$	\$
Meeting Fees	75,870	75,870	75,870
President's allowance	19,864	19,864	19,864
Deputy President's allowance	4,966	4,966	4,966
Travelling expenses	33,876	56,800	33,797
Telecommunications allowance	7,700	7,700	7,700
	<u>142,276</u>	<u>165,200</u>	<u>142,197</u>

### Key Management Personnel (KMP) Compensation Disclosure

The total of remuneration paid to KMP of the Shire during the year are as follows:	2018	2017
	\$	\$
Short-term employee benefits	409,412	376,445
Post-employment benefits	64,396	63,995
Other long-term benefits	<u>20,252</u>	<u>8,791</u>
	<u>494,060</u>	<u>449,231</u>

#### Short-term employee benefits

These amounts include all salary and fringe benefits awarded to KMP.

#### 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 annual and 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.

No outstanding balances or provisions for doubtful debts or guaranties exist in relation to related parties at year end.

The following transactions occurred with related parties:	2018	2017
	\$	\$
Sale of goods and services - council property rates	6,573	5,816
Purchase of goods and services	6	

### 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. Key management personnel includes councillors and senior staff.

##### ii. 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.

##### iii. Joint venture entities

The Shire has a one-tenth interest in a regional records service. The interest in the joint venture operation is accounted for in these financial statements by recognising the Shire's share of assets, liabilities, income and expenses. For details of interests held in joint venture entities refer to Note 18.

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2018

**20. CONDITIONS OVER GRANTS/CONTRIBUTIONS**

Grant/Contribution	Opening	Received <sup>(2)</sup>	Expended <sup>(3)</sup>	Closing	Received <sup>(2)</sup>	Expended <sup>(3)</sup>	Closing
	Balance <sup>(1)</sup> 1/07/16	2016/17	2016/17	Balance <sup>(1)</sup> 30/06/17	2017/18	2017/18	Balance 30/06/18
	\$	\$	\$	\$	\$	\$	\$
<b>Law, order, public safety</b>							
DFES Operating Grant	3,187	5,768	(5,007)	3,948	2,965	(4,580)	2,333
<b>Transport</b>							
Roads to Recovery	341,114	286,269	(517,267)	110,116	1,171,037	(1,281,153)	0
Tjuntjunjarra Access Road	61,200	0	0	61,200	146,223	(207,423)	0
<b>Total</b>	<b>405,501</b>	<b>292,037</b>	<b>(522,274)</b>	<b>175,264</b>	<b>1,320,225</b>	<b>(1,493,156)</b>	<b>2,333</b>

Notes:

(1) - Grants/contributions recognised as revenue in a previous reporting period which were not expended at the close of the previous reporting period.

(2) - New grants/contributions which were recognised as revenues during the reporting period and which had not yet been fully expended in the manner specified by the contributor.

(3) - Grants/contributions which had been recognised as revenues in a previous reporting period or received in the current reporting period and which were expended in the current reporting period in the manner specified by the contributor.

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2018

21. RATING INFORMATION

(a) Rates

RATE TYPE	Rate in \$	Number of Properties	Value \$	Rate Revenue \$	Interim Rates \$	Total Revenue \$	Budget Rate Revenue \$	Budget Total Revenue \$
<b>Gross rental valuations</b>								
Vacant	0.0834	3	15,652	1,305	0	1,305	1,305	1,305
General	0.0832	30	2,497,152	207,763	113,118	320,881	207,763	207,763
<b>Unimproved valuations</b>								
Mining Lease	0.1597	221	11,665,114	1,862,919	0	1,862,919	1,862,919	1,862,919
Exploration Lease	0.1473	19	3,749,048	552,235	0	552,235	552,235	552,235
Prospecting	0.1451	63	433,233	62,862	0	62,862	62,862	62,862
Pastoral	0.0814	225	734,152	59,760	(1,028)	58,732	59,760	59,760
Other	0.0814	197	310,500	25,275	(435)	24,840	25,275	25,275
<b>Sub-Total</b>		<b>758</b>	<b>19,404,851</b>	<b>2,772,119</b>	<b>111,655</b>	<b>2,883,774</b>	<b>2,772,119</b>	<b>2,772,119</b>
<b>Minimum payment</b>								
	<b>Minimum</b>							
	\$							
<b>Gross rental valuations</b>								
Vacant	200	201	43,649	42,600	0	42,600	42,600	42,600
General	311	11	8,813	2,488	0	2,488	2,488	2,488
<b>Unimproved valuations</b>								
Mining Lease	311	62	48,050	19,282	0	19,282	19,282	19,282
Exploration Lease	275	174	149,360	45,650	0	45,650	45,650	45,650
Prospecting	244	132	151,557	38,552	0	38,552	38,552	38,552
Pastoral	311	8	16,843	2,488	0	2,488	2,488	2,488
Other	311	3	6,700	933	0	933	933	933
<b>Sub-Total</b>		<b>591</b>	<b>424,972</b>	<b>151,993</b>	<b>0</b>	<b>151,993</b>	<b>151,993</b>	<b>151,993</b>
<b>Total amount raised from general rate</b>		<b>1,349</b>	<b>19,829,823</b>	<b>2,924,112</b>	<b>111,655</b>	<b>3,035,767</b>	<b>2,924,112</b>	<b>2,924,112</b>
Discounts/concessions (refer note 21(b))						0		0
<b>Totals</b>						<b>3,035,767</b>		<b>2,924,112</b>
								<b>2,924,112</b>

**SIGNIFICANT ACCOUNTING POLICIES**

Rates

Control over assets acquired from rates is obtained at the commencement of the rating period or, where earlier, upon receipt of the rates.

**21. RATING INFORMATION (Continued)**

**(b) Interest Charges & Instalments**

Instalment Options	Date Due	Instalment Plan		Instalment Plan Interest Rate %	Unpaid Interest Rate %
		Admin Charge \$	Charge %		
<b>Option One</b>					
Single full payment	9-Dec-17	0	0.00%	0.00%	11.00%
<b>Option Two</b>					
First instalment		0	0.00%	0.00%	0.00%
Second instalment		0	0.00%	0.00%	0.00%
<b>Option Three</b>					
First instalment	9-Dec-17	0	0.00%	0.00%	11.00%
Second instalment	14-Nov-17	10	5.50%	5.50%	11.00%
Third instalment	16-Jan-18	10	5.50%	5.50%	11.00%
Fourth instalment	13-Mar-18	10	5.50%	5.50%	11.00%
				<b>2018</b>	<b>2018</b>
				<b>\$</b>	<b>\$</b>
Interest on unpaid rates				120,191	50,000
Interest on instalment plan				3,965	4,600
Charges on instalment plan				7,944	4,000
				<u>132,100</u>	<u>58,600</u>

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
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## 22. NET CURRENT ASSETS

Composition of net current assets for  
the purposes of the Rate Setting Statement

	2018 (30 June 2018 Carried Forward) \$	2018 (1 July 2017 Brought Forward) \$	2017 (30 June 2017 Carried Forward) \$
<b>Surplus/(Deficit) 1 July 17 brought forward</b>	3,731,834	5,631,192	5,631,192
<b>CURRENT ASSETS</b>			
Cash and cash equivalents			
Unrestricted	4,039,686	5,302,583	5,302,583
Restricted	8,368,964	4,793,090	4,793,090
Receivables			
Rates outstanding	710,858	999,631	999,631
Sundry debtors	26,391	51,642	51,642
GST receivable	198,385	79,217	79,217
Provision for doubtful debts	(385,257)	(385,257)	(385,257)
Accrued income/payments in advance	13,837	34,427	34,427
Inventories			
Fuels, Oils & materials on hand	5,157	8,522	8,522
<b>LESS: CURRENT LIABILITIES</b>			
Trade and other payables			
Sundry creditors	(656,124)	(437,982)	(437,982)
Income received in advance	(26,321)	(26,321)	(26,321)
Accrued salaries and wages	(30,756)	(21,961)	(21,961)
ATO liabilities	(105,548)	(22,874)	(22,874)
Payroll creditors	(31,408)	(36,653)	(36,653)
Accrued expenses	(29,397)	(89,046)	(89,046)
Provisions			
Provision for annual leave	(121,521)	(105,969)	(105,969)
Provision for long service leave	(49,013)	(19,889)	(19,889)
<b>Unadjusted net current assets</b>	<b>11,927,933</b>	<b>10,123,160</b>	<b>10,123,160</b>
<b>Adjustments</b>			
Less: Reserves - restricted cash	(8,366,631)	(4,617,826)	(4,617,826)
Add: Cash backed provision for leave	170,534	125,858	125,858
<b>Adjusted net current assets - surplus/(deficit)</b>	<b>3,731,834</b>	<b>5,631,192</b>	<b>5,631,192</b>

### Difference

There was no difference between the surplus/(deficit) 1 July 2017 brought forward position used in the 2018 audited financial report and the surplus/(deficit) carried forward position as disclosed in the 2017 audited financial report.

## 23. FINANCIAL RISK MANAGEMENT

The Shire's activities expose it to a variety of financial risks including price risk, credit risk, liquidity risk and interest rate risk. The Shire's overall risk management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Shire.

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 Shire held the following financial instruments at balance date:

	Carrying Value		Fair Value	
	2018	2017	2018	2017
	\$	\$	\$	\$
<b>Financial assets</b>				
Cash and cash equivalents	12,408,650	10,095,673	12,408,650	10,095,673
Receivables	365,829	700,443	365,829	700,443
	<u>12,774,479</u>	<u>10,796,116</u>	<u>12,774,479</u>	<u>10,796,116</u>
<b>Financial liabilities</b>				
Payables	748,063	588,805	748,063	588,805
	<u>748,063</u>	<u>588,805</u>	<u>748,063</u>	<u>588,805</u>

Fair value is determined as follows:

Cash and cash equivalents, receivables, payables - estimated to the carrying value which approximates net market value.

## 23. FINANCIAL RISK MANAGEMENT (Continued)

### (a) Cash and Cash Equivalents

The Shire's objective is to maximise its return on cash whilst maintaining an adequate level of liquidity and preserving capital. The finance area manages the cash portfolio. Council has an Investment Policy and the Policy is subject to review by Council. An Investment Report is provided to Council on a monthly basis setting out the make-up and performance of the portfolio.

Cash is subject to interest rate risk - the risk that movements in interest rates could affect returns.

Another risk associated with cash is credit risk – the risk that a contracting entity will not complete its obligations under a financial instrument resulting in a financial loss to the Shire.

The Shire manages these risks by diversifying its portfolio and only investing in investments authorised by Local Government (Financial Management) Regulation 19C.

	2018	2017
	\$	\$
Impact of a 1% <sup>(1)</sup> movement in interest rates on cash		
- Equity	37,685	32,189
- Statement of Comprehensive Income	37,685	32,189

*Notes:*

<sup>(1)</sup> Sensitivity percentages based on management's expectation of future possible interest rate movements.

	Weighted average interest rate	Carrying amounts	Fixed interest rate	Variable interest rate	Non-interest bearing
<b>2018</b>					
Cash and cash equivalents	1.68%	12,408,650	8,639,339	3,768,470	841
<b>2017</b>					
Cash and cash equivalents	1.79%	10,095,673	6,876,007	3,218,960	706

## 23. FINANCIAL RISK MANAGEMENT (Continued)

### (b) Receivables

The Shire's major receivables comprise rates and annual charges and user charges and fees. 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 relating to non mining properties 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. The Shire is also able to charge interest on overdue rates and annual charges at higher than market rates, which further encourages payment.

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

The Shire makes suitable provision for doubtful receivables as required and carries out credit checks on most non-rate debtors.

There are no material receivables that have been subject to a re-negotiation of repayment terms.

The profile of the Shire's credit risk at balance date was:

	<u>2018</u>	<u>2017</u>
	%	%
Percentage of rates and annual charges		
- Current	0.00%	0.00%
- Overdue	100.00%	100.00%
Percentage of other receivables		
- Current	95.00%	33.00%
- Overdue	5.00%	67.00%

**23. FINANCIAL RISK MANAGEMENT (Continued)**

**(c) Payables and borrowings**

Payables and borrowings are both 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.

The contractual undiscounted cash flows of the Shire's Payables are set out in the Liquidity Table below:

	Due within 1 year	Due between 1 & 5 years	Due after 5 years	Total contractual cash flows	Carrying values
	\$	\$	\$	\$	\$
<b>2018</b>					
Payables	748,063	0	0	748,063	748,063
	748,063	0	0	748,063	748,063
<b>2017</b>					
Payables	588,805	0	0	588,805	588,805
	588,805	0	0	588,805	588,805

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
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24. TRUST FUNDS

Funds held at balance date over which the Shire has no control  
and which are not included in the financial statements are as follows:

	1 July 2017	Amounts Received	Amounts Paid	30 June 2018
	\$	\$	\$	\$
Housing Bonds	1,680		0	1,680
Pet Bonds	200	0	0	200
	<u>1,880</u>			<u>1,880</u>

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
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**25. NEW ACCOUNTING STANDARDS AND INTERPRETATIONS FOR APPLICATION IN FUTURE PERIODS**

The AASB has issued a number of new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods, some of which are relevant to the Shire.

Management's assessment of the new and amended pronouncements that are relevant to the Shire, applicable to future reporting periods and which have not yet been adopted are set out as follows:

Title	Issued / Compiled	Applicable (1)	Impact
(i) AASB 9 Financial Instruments (incorporating AASB 2014-7 and AASB 2014-8)	December 2014	1 January 2018	Nil – The objective of this Standard is to improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. Given the nature of the financial assets of the Shire, it is not anticipated the Standard will have any material effect.
(ii) AASB 15 Revenue from Contracts with Customers	December 2014	1 January 2019	This Standard establishes principles for entities to apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer.  The effect of this Standard will depend on the nature of future transactions the Shire has with those third parties it has dealings with. The Shire has not yet assessed the impact of this standard.
(iii) AASB 16 Leases	February 2016	1 January 2019	Under AASB 16 there is no longer a distinction between finance and operating leases. Lessees will now bring to account a right-to-use asset and lease liability into the statement of financial position for all leases. Effectively this means the vast majority of operating leases as defined by the current AASB 117 Leases which currently do not impact the statement of financial position will be required to be capitalised on the statement of financial position when AASB 16 is adopted.

Currently, operating lease payments are expensed as incurred. This will cease and will be replaced by both depreciation and interest charges. Based on the current number of operating leases held by the Shire, the impact is not expected to be significant.

Notes:

(1) Applicable to reporting periods commencing on or after the given date.

**25. NEW ACCOUNTING STANDARDS AND INTERPRETATIONS FOR APPLICATION IN FUTURE PERIODS (Continued)**

Title	Issued / Compiled	Applicable (1)	Impact
(iv) AASB 1058 Income of Not-for-Profit Entities	December 2016	1 January 2019	<p>These standards are likely to have a significant impact on the income recognition for NFP's. Key areas for consideration are:</p> <ul style="list-style-type: none"> <li>- Assets received below fair value;</li> <li>- Transfers received to acquire or construct non-financial assets;</li> <li>- Grants received;</li> <li>- Prepaid rates;</li> <li>- Leases entered into at below market rates; and</li> <li>- Volunteer services.</li> </ul>

The Shire has not yet assessed the impact of this standard.

Notes:

(1) Applicable to reporting periods commencing on or after the given date.

**Adoption of New and Revised 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.

Whilst many reflected consequential changes associate with the amendment of existing standards, the only new standard with material application is as follows:

- |      |   |                |
|------|---|----------------|
| (i)  | AASB 2016-4 Amendments to Australian Accounting Standards - Recoverable Amount of Non-Cash-Generating Specialised Assets of Not-for-Profit Entities | 1 January 2017 |
| (ii) | AASB 2016-7 Amendments to Accounting Standards - Deferral of AASB 15 for Not-for-Profit Entities  | 1 January 2017 |

## 26. 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 original 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 ends of the reporting period.

## 27. ACTIVITIES/PROGRAMS

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

PROGRAM NAME	OBJECTIVE	ACTIVITIES
--------------	-----------	------------

### GOVERNANCE

Objective: To provide a decision making process for the efficient allocation of scarce resources.  
To provide a decision making process for the efficient allocation of scarce resources.

Activities:

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

Objective: To collect revenue to allow for the provision of services.

To collect revenue to allow for the provision of services.

Activities:

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

Objective: To provide services to help ensure a safer and environmentally conscious community.

Activities:

Supervision and enforcement of various local laws relating to fire prevention, animal control and other aspects of public safety including emergency services.

### HEALTH

Objective: To provide an operational framework for environmental and community health.

Activities:

Inspection of food outlets and their control, provision of meat inspection services, noise control and waste disposal compliance.

### EDUCATION AND

#### WELFARE

Objective: To provide services to disadvantaged persons, the elderly, children and youth.

To provide services to disadvantaged persons, the elderly, children and youth.

Activities:

Expenditure to assist in the education of the children and youth within the shire.

### HOUSING

Objective: To provide and maintain housing.

Activities:

Income and expenditure associated with the provision of housing to staff and others.

### COMMUNITY AMENITIES

Objective: To provide services required by the community.

Activities:

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

Objective: To establish and effectively manage infrastructure and resources which will help the social well being of the community.

Activities:

The reporting of income and expenditure associated with the Town Hall, library and recreation area, oval and reserves operated by Council.

### TRANSPORT

Objective: To provide safe, effective and efficient transport services to the community.

Activities:

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

Objective: To help promote the shire and its economic well being.

Activities:

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

Objective: To monitor and control Shire's overheads operating accounts.

Activities:

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 expenditures not included elsewhere.

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
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28. FINANCIAL RATIOS

	2018	2017	2016
Current ratio	5.24	9.59	6.43
Asset consumption ratio	0.99	0.79	1.72
Asset renewal funding ratio	N/A	1.00	0.19
Asset sustainability ratio	1.49	0.46	1.35
Debt service cover ratio	0.00	0.00	0.00
Operating surplus ratio	0.21	0.60	(0.61)
Own source revenue coverage ratio	0.61	0.59	0.47

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	$\frac{\text{capital renewal and replacement expenditure}}{\text{depreciation expenses}}$
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	$\frac{\text{own source operating revenue}}{\text{operating expenses}}$

**Notes:**

Three of the ratios disclosed above were distorted by the early receipt of Financial Assistance Grants. In addition, two of the ratios were impacted by revenue and expenses associated with flood damage re-instatement which is considered one-off in nature.

	2017/18	2016/17	2015/16
	\$	\$	\$
Amount of Financial Assistance Grant received during the year relating to the subsequent year.	1,307,695	1,316,866	0
Amount of Financial Assistance Grant received in prior year relating to current year.	1,316,866	0	0
Amount of reimbursement for flood damage received	32,202	213,019	1,031,420
Expenditure on flood damage re-instatement			

If the events detailed above did not occur, the impacted ratios in the 2018, 2017 and 2016 columns above would be as follows:

	2018	2017	2016
Current ratio	5.23	11.67	5.08
Operating surplus ratio	0.19	0.20	NA
Own source revenue coverage ratio	0.61	0.59	NA

## SHIRE OF MENZIES

PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2018

## FINDINGS IDENTIFIED DURING THE AUDIT

INDEX OF FINDINGS	RATING		
	Significant	Moderate	Minor
1. Procurement – Tenders	✓		
2. Procurement – Obtaining Quotes	✓		
3. Employment Contracts	✓		
4. Asset Renewal Funding Ratio	✓		
5. Daily Cash Reconciliation		✓	
6. Valuation of Footpath Infrastructure		✓	

**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.
- 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.

## SHIRE OF MENZIES

PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2018

## FINDINGS IDENTIFIED DURING THE AUDIT

## 1. Procurement - Tenders

**Finding:**

We noted one instance where the Shire contracted to purchase services valued at \$172,000 that was not procured through the tender process as required by the *Local Government Act 1995* and Regulations.

**Rating: Significant****Implication:**

If financial limits for procurement are not complied with, this increases the risk that high value purchases may be made from an inappropriate supplier. In addition, this is not compliant with the Shire's purchasing policy and the *Local Government Act 1995* and Regulations.

**Recommendation:**

The Shire should ensure all purchases greater than \$150,000 are subject to a tender process.

We recommend that approval for the total amount spent with this supplier be brought to the attention of Council and the breach be reported to the Department of Local Government by way of inclusion in the next Compliance Annual Review Report.

**Management's Comments:**

1. Future major purchases and tenders will be brought before Council for approval.
2. The Shire must adhere to purchasing policies and tender requirements. Going forward the Shire will be diligent and rules and regulations will be adhered to.
3. Council has expressed disapproval of using WALGA preferred suppliers without going to tender. Council supports going to tender for all purchases over \$150,000
4. Attention will be given to cumulative expenses from a supplier so the limit is not breached

**Responsible Person:** Peter Money, Chief Executive Officer (CEO)

**Completion Date:** Ongoing

**SHIRE OF MENZIES****PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2018****FINDINGS IDENTIFIED DURING THE AUDIT****2. Procurement – Obtaining Quotes****Finding:**

During our procurement testing, we noted 14 instances from a sample of 54 where there was insufficient documentation to indicate that the Shire obtained three quotes for the purchase of goods and services.

The Shire's purchasing policy requires the Shire to obtain three quotes for purchases greater than \$10,000.

**Rating: Significant****Implication:**

If purchases are made without obtaining sufficient quotes, there is a risk of favouritism of suppliers and not obtaining value for money.

**Recommendation:**

1. For purchases below the tender threshold but above \$10,000, quotes should be obtained, in accordance with the Shire's purchasing policy
2. If instances arise where it is impractical 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's Comments:**

Under the new CEO, this policy will be enforced. In instances where 3 quotes are not possible this will be recorded.

**Responsible Person:** Peter Money (CEO)

**Completion Date:** Ongoing

**SHIRE OF MENZIES****PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2018****FINDINGS IDENTIFIED DURING THE AUDIT****3. Employment Contracts****Finding:**

We noted that there were:

- 8 employees without any employment contracts or letters of employment in their personnel file
- 3 employment contracts without the employee's signature to acknowledge terms and conditions of the contracts.

We also noted that the annual increment letters and confirmation of employment notices were not prepared and issued to staff following the annual performance reviews.

**Rating: Significant****Implication:**

Without a properly signed contract or letter of employment, there is an increased risk that the employees may not be legally bound and there could be disputes regarding the correct terms of employment, including pay rates.

**Recommendation:**

All employment contracts should be signed and retained in the HR system and/or an appropriate records management system.

In addition, the Shire should issue annual increment letters to all its employees following annual performance reviews.

**Management Comments:**

A review of staff files will be conducted to update for missing employment information. Where employees are found to not have an employment contract this will be rectified. Annual reviews will be conducted and followed up with letters to employees with the outcomes.

**Responsible Person:** Peter Money (CEO)

**Completion Date:** To be completed

**SHIRE OF MENZIES**

**PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2018**

**FINDINGS IDENTIFIED DURING THE AUDIT**

**4. Asset Renewal Funding Ratio**

**Finding:**

We noted that the Shire has not reported the asset renewal funding ratio for 2018 in its annual financial report, as required by regulation 50(1)(c) of the Local Government (Financial Management) Regulations 1996, as the Shire has not updated and approved its Asset Management Plan.

**Rating: Significant**

**Implication:**

The financial report does not comply with regulation 50(1)(c) of the Local Government (Financial Management) Regulations 1996.

**Recommendation:**

The Shire should update and approve its Asset Management Plan.

**Management Comments:**

The Shire is employing an Asset Management Officer to support existing staff to update the plan, determine levels of funding and manage the process.

**Responsible Person:** Peter Money (CEO)

**Completion Date:** Ongoing

**SHIRE OF MENZIES****PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2018****FINDINGS IDENTIFIED DURING THE AUDIT****5. Daily Cash Reconciliation****Finding:**

We noted that the daily cash reconciliation was not reviewed by an independent officer and the preparer did not sign the reconciliation.

**Rating: Moderate****Implication:**

Without an independent review of the daily cash reconciliation, there is an increased risk of undetected data entry errors and misappropriation of cash.

**Recommendation**

The Shire should ensure that:

- the preparer signs and dates the daily cash reconciliation to demonstrate that they prepared it
- an independent officer reviews the daily cash reconciliation.

**Management Comments:**

Procedures have been put in place to address this issue.

**Visitor Centre**

1. Daily reports from the visitor centre POS are signed by the preparer. The till is balanced at the end of day.
2. Cash is counted and signed for by administration staff who takes the daily takings/banking from visitor centre to administration.
3. Administration staff (not the person who collects banking from visitor centre in point 2) reconcile cash and EFT and process in Synergy. Cash is counted and put into banking cash bag. Banking reconciliation is signed by that staff member.
4. This cash is then counted by another staff member and that staff member seals the banking bag and signs banking report.

Hence cash is counted 4 times.

**Administration**

1. Receipts are issued for every over the counter transaction at the time of the transaction.
2. Cash and EFTPOS are closed off and balanced at the end of the day. Signed by the preparer
3. This cash is then counted by another staff member and that staff member seals the banking bag and signs the report.

Hence cash is counted 2 times.

**Responsible Person:** Peter Money (CEO)  
**Completion Date:** Completed (25 May 2018)

**SHIRE OF MENZIES****PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2018****FINDINGS IDENTIFIED DURING THE AUDIT****6. Valuation of Footpath Infrastructure****Finding:**

As part of our testing of the valuation of infrastructure at 30 June 2018, we noted that the Shire has not revalued footpath infrastructure since 2014. This is inconsistent with the Shire's accounting policy and the former Regulation 17A of the Local Government (Financial Management) Regulations 1996 which required valuations to be performed every 3 years.

**Rating: Moderate****Implication:**

While the value of footpath infrastructure is small in comparison to the other classes of infrastructure assets, there is a risk that its fair value may differ from its carrying value if valuations are not performed frequently.

**Recommendation:**

We recommend that the Shire undertake valuation of footpath infrastructure in 2018-19 so as to comply with the new Regulation 17A of the Local Government (Financial Management) Regulations 1996 which requires a revaluation before the expiry of a period of 3 to 5 years after the day on which the asset was last valued or revalued.

**Management Comments:**

The Asset Management Officer will work with management staff to ensure a valuation is carried out and recorded properly

**Responsible Person:** Peter Money (CEO)

**Completion Date:** Ongoing

## **6.2 REVIEW OF FINANCIAL MANAGEMENT, RISK MANAGEMENT, LEGISLATIVE COMPLIANCE AND INTERNAL CONTROLS**

<b>LOCATION:</b>	N/A
<b>APPLICANT:</b>	N/A
<b>DOCUMENT REF:</b>	GOV.860.1/NAM250
<b>DISCLOSURE OF INTEREST:</b>	Nil
<b>DATE:</b>	18 July 2019
<b>AUTHOR:</b>	Peter Money Chief Executive Officer
<b>ATTACHMENT:</b>	6.2-1 Review of Financial Management, Risk Management, Legislative Compliance and Internal Controls

### **SUMMARY**

This Review of Financial Management, Risk Management, Legislative Compliance and Internal Controls was conducted by Moore Stephens and completed in April 2019. It is a process wide review of activities and practices within the Shire administration.

### **BACKGROUND**

Prior to 30 June 2018, meetings with the Chief Executive Officers (CEO's) 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. This tender included risk management support services, and as a result, the timing of work already in progress relating to risk has been reviewed to maximise efficiency with the delivery of statutory support and compliance services. Risk Management was one of the services included in the service scope/fee response to be delivered by Moore Stephens.

This Report was commissioned by the Council early in 2019 and was carried out by Tanya Browning from Moore Stephens.

It is a comprehensive review of many aspects of the Shire operations and practices.

There are some matters that will require immediate implementation (though some were already implemented on my appointment as CEO) and others that will take some time due to other constraints on the available staff.

Moore Stephens will provide to the CEO a spreadsheet of the findings in the Report and this spreadsheet will prioritise the various tasks emanating from the Report with timelines.

Progress through the findings will be reported monthly to the Council to ensure transparency on the progression of the necessary changes.

## **COMMENT**

This Report is a comprehensive review of administrative activities which encompasses Council policies and plans, financial procedures, human resource management including payroll, registers and audit practices.

The completion of the task is identified within the Report will take an as yet unknown number of months to complete as progress will be dependent of available human resources and the levels of corporate knowledge.

## **CONSULTATION**

Tanya Browning – Moore Stephens  
Shire President  
Manager Finance & Administration

## **STATUTORY ENVIRONMENT**

Local Government (Audit) Regulations – Regulation 17

## **POLICY IMPLICATIONS**

Policy 1.7 – Enterprise Risk Management

## **FINANCIAL IMPLICATIONS**

There are no financial implications at this time as the work will be done in-house

## **RISK ASSESSMENT**

There are risks of non-compliance, breaches of Regulations if the more urgent recommendations are not implemented especially those relating to tender processes. These risks are minimised as some important changes have already been implemented.

Other risks are that the Shire could be deemed non-compliant in several other aspects if the recommendations are not implemented.

## **STRATEGIC IMPLICATIONS**

### *Strategic Plan*

#### *14.3 Active civic leadership achieved*

- Regularly review plans with community consultation on significant decisions affecting the shire.
- Where possible, support opportunities to build the capacity of the community within the Shire of Menzies.

## **VOTING REQUIREMENTS**

Simple majority

## **OFFICERS RECOMMENDATION**

That the Audit Committee recommends to Council the adoption of the Review of Financial Management, Risk Management, Legislative Compliance and Internal Controls from April 2019.

<b>COUNCIL RESOLUTION:</b>
----------------------------

<b>No. 1673</b>
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**MOVED: Cr Jill Dwyer**

**SECONDED: Cr Greg Dwyer**

*That the Audit Committee recommends to Council the adoption of the Review of Financial Management, Risk Management, Legislative Compliance and Internal Controls from April 2019.*

*Carried 2/0*

# Review of Financial Management, Risk Management, Legislative Compliance and Internal Controls

**Shire of Menzies**

**June 2019**

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## 1.0 Engagement Overview

### 1.1 Scope of Services

The Shire of Menzies engaged Moore Stephens to undertake a review service with a dual purpose, firstly to provide the basis for a report by the CEO to the Audit Committee on the appropriateness and effectiveness of the Shire's risk management, internal controls and legislative compliance systems and procedures as required by the *Local Government (Audit) Regulations 1996* Regulation 17. Secondly, a review of financial management systems to assess the appropriateness and effectiveness of these systems and procedures, as required by *Local Government Financial Management Regulation 5(2)(c)*.

For efficiency, the reviews were undertaken simultaneously resulting in a single report being issued. Financial Management systems and procedures are considered a subset of broader overall Risk Management, Legislative Compliance and Internal Controls. The matters examined in respect of financial management systems are detailed in Appendix A and where opportunities for improvement were identified, they are reported within the relevant section of the Audit Regulation 17 framework design, framework implementation and framework evaluation sections of the report.

The results of the Audit Regulation 17 review are to be reported by the CEO to the Audit Committee. The Audit Committee is required to review the CEO's report and on-report to the Council. The report from the Audit Committee to the Council is required to have attached a copy of the CEO's initial report to the Audit Committee.

#### 1.1.1 Procedures – Financial Management Review

Our procedures for the Financial Management Review encompassed a review of all of the Shire's financial systems including, but not necessarily limited to:

- Collection of money owed;
- Custody and security of money held;
- Maintenance and security of financial records;
- Accounting for revenue and expenses;
- Accounting for assets and liabilities;
- Accounting for trust transactions;
- Authorisation of purchases;
- Authorisation of payments;
- Maintenance and processing of payroll;
- Stock controls and costing records;
- Preparation of budgets and budget reviews; and
- Preparation of financial reports.

Our procedures and approach have been developed over a number of years taking into account our extensive local government background and seeks to examine both systems and procedures in use.

The financial management review does not examine systems and procedures which are non-financial in nature and did not specifically test for legislative breaches.

### 1.1.2 Procedures – Risk Management, Legislative Compliance and Internal Controls Review

Our procedures for the systems and procedures review (as required by Audit Regulation 17) on behalf of the CEO encompassed the following services:

- A review of the risk management systems policies, procedures and plans in place at the Shire;
- Evaluate the non-financial/operational internal control systems and procedures at the Shire;
- Assess systems and procedures for maintaining legislative compliance; and
- Prepare a report of matters identified during the review to assist the CEO to assess the appropriateness and effectiveness of the relevant systems and procedures in accordance with Local Government Audit Regulation 17.

To undertake these procedures, we applied the following methodology:

- Conduct onsite interviews with key personnel involved in risk management, financial management and ensuring Shire adherence to legislative compliance;
- Identify the extent of commitment and mandate to Risk Management principles (using AS/NZS ISO 31000:2018 as the framework) within the overall risk management framework;
- Review each component (risk management, legislative compliance and internal controls) after considering the overall risk environment, governance structure and internal control environment;
- Assess the gaps (if any) between the current processes and the expected risk management, internal controls and legislative compliance systems and procedures and recommend suggested improvements; and
- Report on the appropriateness and the effectiveness of current systems and procedures.

The review was a high-level review given the scale, variety and breadth of non-financial activities and considered, as a minimum, the issues identified by the Department of Local Government, Sport and Cultural Industries to Local Government Operational Guideline Number 09 – Audit in Local Government (listed in Appendix E).

## 2.0 Review Context

### 2.1 Review Context - Shire of Menzies

Understanding the external and internal context in which the Shire of Menzies operates, relevant to financial management, risk, the internal control environment and its legislative compliance obligations, as it seeks to achieve its overall strategic objectives is important to the review of the related systems and procedures.

The external and internal environmental influences identified during the review are set out below:

External Influences	Internal Influences
Increasing community expectations in relation to service levels and delivery.	The objectives and strategies contained in the Council's current Strategic Community Plan.
Development of partnerships with mining industry for business and employment.	The timing and actions contained in the Council's Corporate Business Plan.
Increased compliance requirements due to Government Policy and Legislation.	The current organisational size, structure, activities and location.
Cost shifting by the Federal and State Governments.	The current human resourcing levels and turnover rate.
Infrastructure and service capacity.	The current financial capacity of the Shire.
Population retention.	The maintenance of corporate records.
Resource development and the associated social impacts (housing affordability etc).	Allocation of resources to achieve strategic outcomes.
Loss of pastoral opportunities.	Current organisational systems and processes.
Government responses in relation to social services.	

## 3.0 Review Summary

### 3.1 Financial Management

The Shire of Menzies has a number of financial management system controls to cover the wide variety of operations undertaken by the Shire. Council has responsibility for the adoption of the annual budget, review of the monthly statement of financial activity and review of the monthly list of payments. Responsibility for the financial management of the Shire rests with the CEO, as detailed under *Financial Management Regulation 5(1)*.

#### 3.1.1 Appropriateness

Considering the size, resources, variety of operations and the context in which the Shire of Menzies operates, documented internal control procedures relating to financial management systems are considered appropriate as a means of maintaining a high level of control over the financial management of the Shire, provided they are routinely and consistently applied. Some weaknesses were identified within current controls and procedures which were not considered appropriate, which are further explained within the framework implementation section of this report.

#### 3.1.2 Effectiveness

Several elements of the financial management systems and processes are open to improvement, with key areas highlighted in the improvements section below.

Development and application of financial management systems and processes, as well as refinement to existing practices, are required to be implemented throughout the organisation in order for financial management processes and procedures to be considered effective.

#### 3.1.3 Improvements

Details of recommended improvements to the current financial management, procedures and systems for the Shire are set out within the framework implementation section of this report. Key improvements to the appropriateness and effectiveness of these procedures and internal controls were identified to include:

- IT controls;
- Payroll controls;
- Reconciliations for rates re-valuations; and
- Procedure for recovery of rates and sundry debtors.

## 3.2 Risk Management

The Shire of Menzies initially developed its formal risk management processes with the adoption of a Risk Management Policy and Framework (Item 12.5.2, resolution 0790 30 April 2015). The Policy refers to the Risk Management Standard ISO 31000:2009 and is supported by the 'Enterprise Risk Management Framework'. The policy document and framework forms the basis for risk management activities within the organisation. An updated policy and framework aligned to ISO 31000:2018 has been prepared but not yet adopted.

### 3.2.1 Appropriateness

Currently, a documented entity wide Risk Management Policy is in existence to guide the implementation of risk management throughout the organisation. The current policy is based on the previous Risk Management Standard (AS/NZ ISO 31000:2009) which was updated in February 2018. The main changes of the update were to highlight the leadership of top management and integration of risk management in organisations, along with the iterative nature of risk management. Finalisation of the update of the Shire's policy and framework to align to the new standard is encouraged to ensure currency of risk management practices.

Considering the size, resources, operations and the context in which the Shire of Menzies operates, a documented risk management policy and procedures is considered appropriate as a means of uniformly supporting decision making and documenting the organisation's response to risks.

### 3.2.2 Effectiveness

The current risk management policy reflects the Shire's commitment to organisation wide risk management principles, systems and processes aimed at ensuring consistent, effective and efficient application of risk management through planning, decision making and operational processes. Elements of risk management processes, such as updating and review of risk registers and documented risk assessments, are not consistently applied. Development and application of risk management systems and processes are required to be implemented throughout the organisation in order for risk management processes and procedures to be considered effective.

### 3.2.3 Improvements

Improvements to risk management practices and policies are detailed later within this report, with key matters summarised as follows:

- Finalise update (through adoption by Council) to the risk management policy to align to the new Risk Management Standard (ISO 31000:2018);
- Implement draft risk management framework / strategy aligned to the new Risk Management Standard (ISO 31000:2018);
- Develop and apply risk management practices to management practices in accordance with a suitable risk management framework; and
- Ensure appropriate management of operational risks for high risk areas.

### 3.3 Internal Control

A formal internal control policy is yet to be adopted by the Shire of Menzies. A policy to guide the Shire would assist to ensure an iterative approach to evaluating the internal controls, systems and procedures, as well as providing a mechanism whereby regular review and updates occur.

#### 3.3.1 Appropriateness

Considering the size, resources, operations and the internal/external context in which the Shire of Menzies operates, the internal control framework, procedures and systems as described to us are considered appropriate for certain areas of operations. A number of internal controls were identified where these controls are not considered appropriate.

#### 3.3.2 Effectiveness

Weaknesses were identified where internal controls are not considered effective, specifically where trust is currently placed in senior employees with limited review and verification of transactions.

Considering the overall results of monitoring and compliance practices undertaken by the Shire of Menzies, the current internal control framework, procedures and systems (where documented and routinely tested) may be considered effective. Our assessment as to effectiveness is subject to the implementation of the improvements detailed in the framework implementation section of this report.

#### 3.3.3 Improvements

Recommended improvements to the current internal control framework, procedures and systems are set out in detail later within this report with selected key improvements to internal controls summarised as follows:

- Development and testing of Business Continuity and Disaster Recovery Plans;
- The development of a documented internal control policy, promoting a risk-based approach to the development and maintenance of documented internal controls and procedures. This suggestion is intended to support a continual assessment of appropriate controls throughout the organisation by identifying the need for new controls (based on risk) and ensuring existing outdated and unnecessary controls are discontinued;
- Key internal controls should be documented either as procedures, checklists or workflow diagrams;
- Procedures should be defined to improve the management of issues surrounding changes to internal controls; and
- Measures should be taken to ensure staff are fully aware of, and understand, relevant internal controls.

## 3.4 Legislative Compliance

Currently, no legislative compliance policy exists to communicate expectations of Council in relation to legislative breaches and regulatory compliance. Reliance in this regard is dependent upon the knowledge and experience of senior staff, and their desire to achieve high levels of legislative and regulatory compliance.

### 3.4.1 Appropriateness

Considering local governments generally maintain a low risk appetite for breaches of legislation, a documented legislative compliance policy is considered appropriate to reflect Council's low risk appetite in relation to legislative breaches. The Shire is yet to establish a legislative compliance policy to address legislative compliance.

### 3.4.2 Effectiveness

Maintaining legislative compliance is heavily reliant on the knowledge, experience and commitment of senior staff, to identify and prevent breaches of legislation. As a consequence, staff turnover, competing priorities and variations in workloads can have a significant negative impact on legislative compliance. Therefore, one of the most effective controls in maintaining legislative compliance is a motivated, stable, experienced and knowledgeable senior management group.

Instances of non-compliance with legislative requirements were identified during our review. Apart from the noted breaches of legislation, and in the instances where the effectiveness was able to be assessed, the current legislative compliance control procedures and systems, were considered effective.

### 3.4.3 Improvements

Improvements to the current framework, procedures and systems for legislative compliance are set out later within this report and summarised as follows:

- Development of a legislative compliance policy dealing with internal legislative compliance;
- Further development and approval of authorised checklists for functions which require a high level of legislative compliance; and
- The development of a risk based training matrix to help ensure senior staff with the responsibility for preventing, identifying and reporting breaches of legislation are offered relevant training to ensure their knowledge of legislative requirements is maintained.

## 4.0 Methodology

### 4.1 Review Methodology – Financial Management Review

The objective of this review is to assist the CEO of the Shire of Menzies to discharge responsibilities in respect to Regulation 5(2)(c) of the *Local Government (Financial Management) Regulations 1996 (as amended)*.

In carrying out our review, we undertook walkthroughs of key systems and procedures and performed limited detailed testing procedures to identify weaknesses in the financial management system and report to the CEO on the appropriateness and effectiveness of the control environment within the Shire, as required by Financial Management Regulation 5(2)(c).

To this end we examined the following financial systems and procedures of the Shire.

- Bank Reconciliations and Petty Cash Management;
- Trust Fund;
- Receipts/Receivables;
- Rates;
- Fees and Charges;
- Purchases, Payments and Payables (including Purchase Orders);
- Payroll;
- Credit Card Procedures;
- Fixed Assets (including acquisitions, disposal and depreciation);
- Cost Allocations;
- Administration Allocations;
- Financial Reports; and
- Budget.

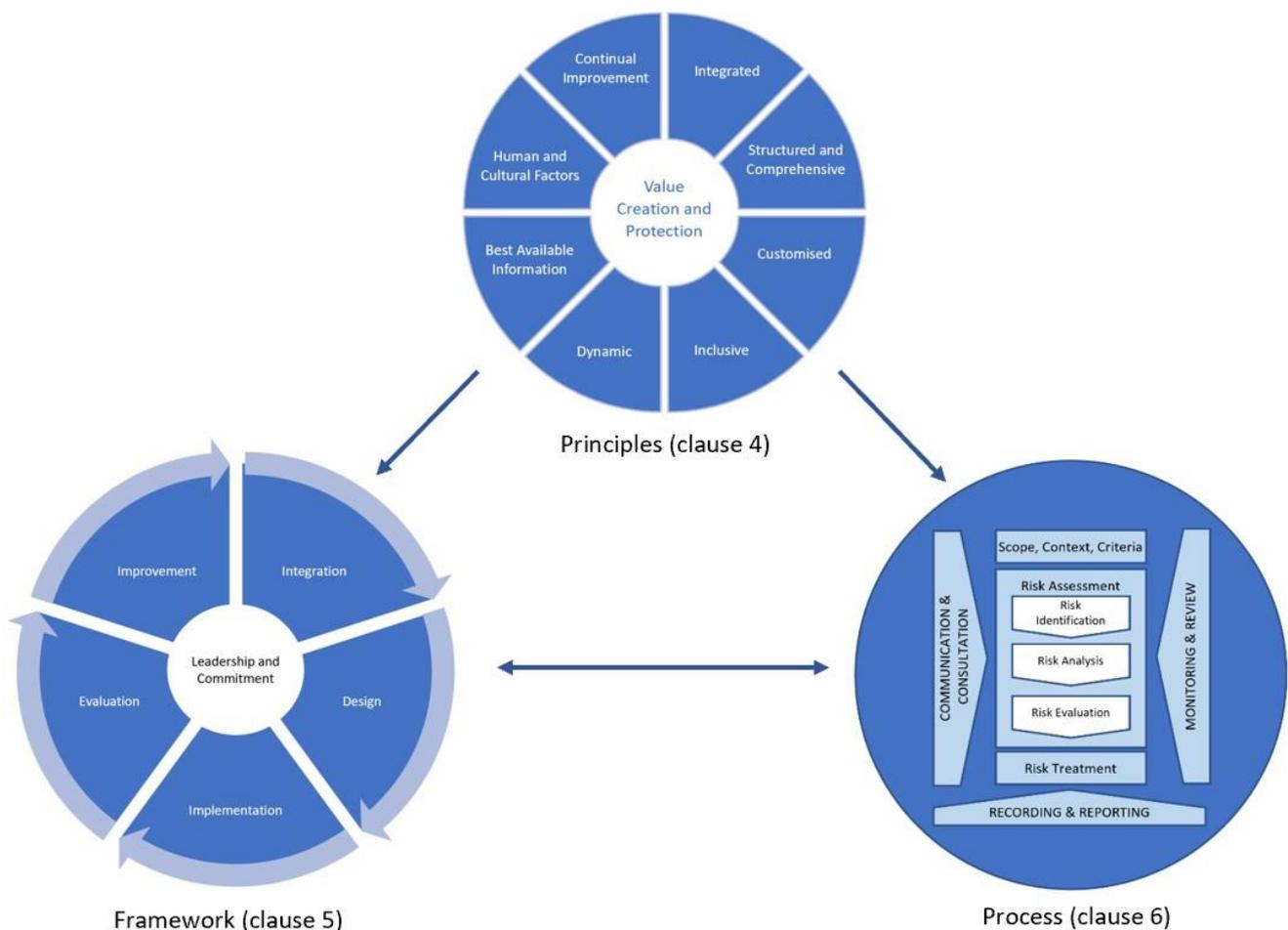
## 4.2 Review Methodology – Risk Management, Legislative Compliance and Internal Controls

The primary goal of this review is to assist the CEO of the Shire of Menzies to establish the appropriateness and effectiveness of the Shire of Menzies’ systems and procedures in relation to risk management, legislative compliance and internal controls.

Internal controls are designed to treat risks and form part of the risk management process. Non-compliance with legislation is one of the risks that would usually be identified as a consequence of applying a risk management process.

The Australian Standard for Risk Management (ISO 31000:2018(E)) identifies three components in the application of risk management, being *Principles*, *Framework* and *Process*, as set out in Diagram 1 below.

Diagram 1. Risk Management Principles, Framework and Process



Source: Australia/New Zealand Standard ISO 31000:2018

## 4.2 Review Methodology – Risk Management, Legislative Compliance and Internal Controls (Continued)

In undertaking our review, we have applied the three ISO 31000:2018 framework components, as set out on previous page, to the review topics (risk management, internal controls and legislative compliance). This involves a process incorporating the five risk management framework components, *Integration, Design, Implementation, Evaluation and Improvement*, into the review of systems and processes:

- Identify the extent of leadership and commitment to the principles;
- Assess the extent of integration of risk management within the Shire;
- Assess the design of the current framework through an understanding of the Shire and the context within which it operates (risk management, legislative compliance and internal controls) after considering the overall context in which the review occurs;
- Assess the implementation of the current framework;
- Assess the extent of evaluation of the current framework and its effectiveness in supporting the Shire's objectives;
- Assess the current framework and improvements to the suitability, adequacy and effectiveness of the framework;
- Review the current process for the Shire's systematic application of policies, procedures and practices to the activities of communicating and consulting, establishing context, assessing, treating, monitoring, reviewing, recording and reporting risk, internal controls and legislative compliance; and
- Report on the appropriateness and effectiveness of current systems and procedures.

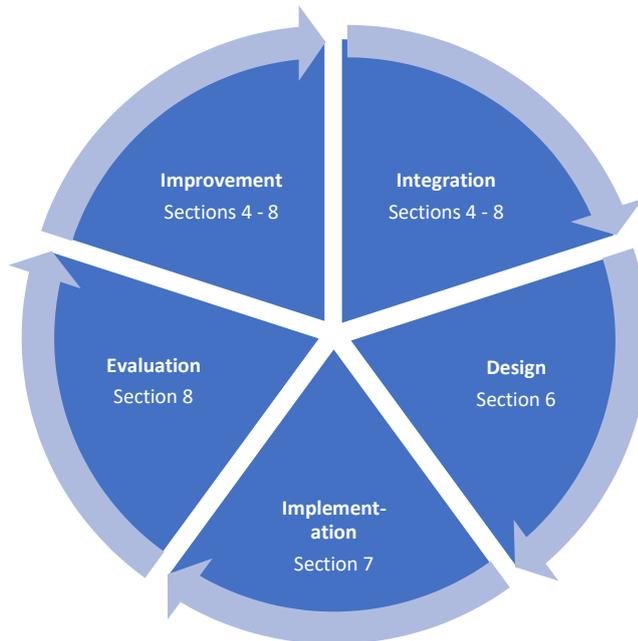
This evaluation is based on interviews with key staff, review of requested documentation listed in the Appendix and reference to any external audit reports or reviews previously conducted.

## 5.0 Appropriate Framework

### 5.1 Risk Management, Internal Control and Legislative Compliance

The following framework was identified as being appropriate for risk management, internal control and legislative compliance for the Shire of Menzies, after consideration of the current internal and external influences.

Diagram 2. Risk Management, Internal Control and Legislative Compliance Framework



A high-level review of risk management systems, internal controls and legislative compliance was undertaken which precluded detailed testing of all internal controls and legislative compliance.

The results of our review, as detailed on the following pages, are set out with reference to the structure of the above framework. With assessment of the following areas:

Design	Implementation	Evaluation
6.1 Strategic Plans	7.1 Strategic and Operational Plans	8.1 Council and Audit and Risk Committee
6.2 Council Policies	7.2 Operational and Financial Procedures	8.2 Strategic and Operational Registers
	7.3 Human Resource Management and Practices	8.3 Annual Compliance Audit Returns
	7.4 Insurance	8.4 Complaint Handling
		8.5 Audit Practices
		8.6 Reviews Required by the CEO

Integration along with Leadership and Commitment were assessed within each of the elements of the framework.

## 6.0 Framework Design

### 6.1 Strategic Plans

The Shire of Menzies has adopted two key strategic documents, the Strategic Community Plan 2013-2023 and the Corporate Business Plan 2014-2018. These plans identify the Council's organisational objectives and key outcomes, as the Shire progress on its stated aim *"to be a prosperous, sustainable and dedicated community in which all residents are able to participate in decision making and benefit from the Shire's many opportunities and resources"*.

The Strategic Community Plan recognises the community's aspirations and values through the following key focus areas:

1. Sustainable local economy encouraged: The integration of economic, social, cultural and environmental dimensions in the way the Shire develops;
2. Strong sense of community maintained: Effective community participation in significant decisions about the Shire of Menzies' direction and future;
3. Active civic leadership achieved: Leadership, transparency, accountability, proper management, effective services, equitable access and organisational capacity building as well as the exchange of good practice, support and mutual learning and partnerships with government and other stakeholders to progress the Shire of Menzies; and
4. Heritage & Natural assets conserved: Commitment to the sustainable management of land use and remaining conscious of the need to achieve a balance between the pressures of development and the conservation of heritage and natural assets.

In seeking to achieve its objectives, the Shire of Menzies faces both inherent and business risks. Whilst striving to fulfil expectations, it is also expected to meet compliance with numerous legislative requirements. To manage these risks, the Shire has established various processes, systems and controls.

The Strategic Community Plan includes a section highlighting key challenges and risks considered during the preparation of the Plan.

This review examines the appropriateness and effectiveness of the organisation's risk management systems, internal controls and legislative compliance in the context of the Shire striving to achieve its stated objectives.

## 6.2 Council Policies

Whilst the operations of the Shire are the responsibility of the CEO, the Council is responsible for setting the framework for operations via adopted Council policies. These policies represent an overarching framework relevant to risk management, internal controls and legislative compliance and have been reviewed for appropriateness and effectiveness.

In general, Council policies are well formulated and provide clear guidance regarding Council's position on certain matters. A list of policies reviewed is provided in Appendix B - Council Policies Examined. The table below details areas for suggested improvement.

Policy	Purpose / Goal	Matters Identified / Improvements
1.1 Code of Conduct	To provide guidance to Council members, committee members, contractors and employees of enforceable rules and requirements as prescribed in relevant legislation.	Code of Conduct provides guidance on responsibilities with regard to declarations of gifts. The guidance however omits the disclosure requirements under sections 5.82 & 5.83 of the <i>Local Government Act 1995</i> . In its current form, the policy could confuse elected members and designated employees of their obligations with disclosures required of them.  <b>Improvement:</b> Update the Code of Conduct to include guidance on disclosure requirements referred to at sections 5.82 & 5.83 of the <i>Local Government Act 1995</i> , relating to disclosure of gifts and contribution to travel for elected members and designated employees.
2.8 Risk Management Policy	Policy to set out the Shire's approach to articulate its commitment to Risk Management.	The current Policy is based on a superseded Risk Management Standard. An amended policy aligned to the current Risk Management Standard ISO 31000:2018 has been drafted and awaiting presentation to and consideration by Council.  <b>Improvement:</b> Adopt updated Policy aligned to the current Risk Management Standard ISO 31000:2018.
3.4 Complaints – Administrative Policy	Policy to provide guidance to the Shire's approach to managing complaints.	The Policy does not provide for the handling of complaints against the CEO. A complaints register is also required to be maintained under the policy. Presently, the only complaints register maintained is that required under section 5.121(1) of the <i>Local Government Act 1995</i> .  <b>Improvement:</b> Review and amend the policy to provide a mechanism for the handling and resolution of complaints regarding the CEO. Establish a complaints register as required under the policy, or update the record keeping requirement of the policy.

Policy	Purpose / Goal	Matters Identified / Improvements
Internal Control Policy	A policy to evidence Council's commitment to internal controls and their importance to the organisation.	<p>Currently, no policy on internal controls has been adopted by Council.</p> <hr/> <p><b>Improvement:</b> Development and adoption of an Internal Control Policy will help formalise Council's commitment to internal controls, based on risk management principles.</p>
Legislative Compliance Policy	A policy to evidence Council's commitment to legislative compliance and its importance to the organisation.	<p>Currently, no policy on internal legislative compliance has been adopted by Council.</p> <hr/> <p><b>Improvement:</b> Development and adoption of an internal legislative compliance policy will help formalise Council's commitment to legislative compliance.</p>
Policy Review	Routine review of Policies to help ensure they remain current.	<p>Policies are reviewed annually by Council to help ensure they remain current. The 'history' (review / amendment) date does not include revocation date where policies have been reviewed and re-adopted. Individual policies read 'adopted' with two differing sequential dates. A history summary is included at the rear of the policy manual with full review history information.</p> <hr/> <p><b>Improvements:</b> Following review of Policies by Council, update the latest 'history' date on the Policy to provide an accurate record of when the Policy was reviewed, amended and adopted.</p>
4.5 Credit Card Facilities	Policy to regulate the use of Corporate Credit cards issued to employees.	<p>The Policy requires cardholders to bear the cost of any charges deemed by Council to be of a personal nature. Under the <i>Local Government Act 1995</i> the Council has no administrative authority (and so no authority) to determine whether credit card charges are of a personal nature.</p> <hr/> <p><b>Improvements:</b> Update policy to reference appropriate officers to review credit card statements and invoices for possible costs incurred which are of a personal nature.</p>
6.2 Harassment and Grievances Policy	Policy and procedure to set out the Shire's approach to managing complaints of harassment.	<p>The current Policy provides direction where a complaint is made against the CEO, in that it is to be lodged with the Shire President. It does not provide clear direction as to how the Shire President is to deal with complaints against the CEO.</p> <hr/> <p><b>Improvement:</b> Review and amend the policy to articulate how complaints against the CEO are to be investigated, such as through the engagement of independent persons to investigate.</p>

Policy	Purpose / Goal	Matters Identified / Improvements
4.2 Purchasing and Tenders	<p>Provide a best practice approach and procedures for purchasing.</p> <p>Provide for compliance with the <i>Local Government Act 1995</i> and <i>Functions and General Regulations 1996</i>.</p> <p>Ensure consistency for all purchasing activities that integrates within all the Shire of Menzies operational areas.</p>	<p>The Policy provides no direction in relation to contract variations and extensions for contracts awarded or against a written specification (i.e. those not issued by tender). Extension of contracts and associated price changes are also not covered by the Policy. For contracts awarded by tender, legislation provides minimum requirements.</p> <p>Purchasing limits for various officers are not defined within the Purchasing Policy. They are defined under Policy 4.10 Financial Management – Payment of Accounts and Purchasing Authority Limits.</p> <p>Inconsistencies of tender thresholds are noted within Policy 4.2 and accompanying schedules.</p> <p>The Policy does not provide purchasing requirements for procurement of goods or services in accordance with the exemptions under <i>Local Government (Functions and General) Regulations 1996</i> Regulation 11(2), regardless of the value of expenditure. Although the policy allows this, the CEO is required to have systems and procedures to ensure controls exist for purchases made using these exemptions.</p> <p><b>Improvements:</b></p> <p>Amend the Policy to provide the following:</p> <ul style="list-style-type: none"> <li>Prohibit price variations to existing contracts awarded by tender other than those provided within the original contract, as required by <i>Local Government (Functions and General) Regulations 1996</i> Regulation 11(2) (j) (iv). Procedures should also be developed for the authorisation of variations allowed for by the regulations.</li> <li>Purchasing requirements for the issuing of contract variations and extensions for contracts not awarded by public tender. Consideration should be given to circumstances where the contract value increase over a policy threshold level, due to the variation or extension.</li> <li>Define purchasing limits for officers who are able to authorise purchase orders or contracts to procure goods or services on behalf of the Shire by referencing Council approved Policy 4.10 Financial Management – Payment of Accounts and Purchasing Authority Limits.</li> <li>Review Policy 4.2 and update tender threshold limits where inconsistencies exist.</li> <li>Insert quotation requirements for procurement of goods or services made under the exemptions under <i>Local Government (Functions and General) Regulations 1996</i> Regulation 11(2).</li> </ul>

## 7.0 Framework Implementation

### 7.1 Strategic and Operational Plans

The Council has several strategic and operational plans which form the basis of entity level controls and entity level risk assessments.

The Shire of Menzies has entered into a four year contract for the provision of shared statutory compliance services with the Shires of Wiluna, Leonora and Laverton. This includes development and updates of existing integrated planning and reporting (IPR) documents. The Shire is presently in the first year of this agreement.

A list of plans reviewed is provided in Appendix C - Plans Examined. The table below details areas for possible improvement in relation to the plans examined.

Plan	Purpose / Goal	Matters Identified / Improvements
Business Continuity Plan	Plan to facilitate organised decision-making in the event of a major incident impacting the Shire's ability to continue normal operations.	<p>A Business Continuity Plan is yet to be developed and tested.</p> <p><b>Improvement:</b> Develop a Business Continuity Plan and test to ensure validity. Identify and document key business continuity risks along with the treatments, to reduce the risk to an acceptable level.</p>
ICT Strategic Plan	Plan to guide the future development and delivery of ICT services and address the handling of ICT disaster recovery.	<p>An ICT Plan highlighting and addressing ICT risks and how they are to be addressed was not available for inspection.</p> <p>Presently IT support services and advice regarding security etc is received from a number of contractors. Agreements are in place with most consultants, with the exception of one where no formal agreement exists.</p> <p><b>Improvement:</b> Develop an ICT Strategic Plan identifying and documenting key ICT risks along with the treatments to reduce the risk to an acceptable level. (It is noted this is scheduled to occur through the shared statutory compliance group).</p> <p>Careful development of a strategy will assist in developing a scope to articulate service level agreements for a range of IT services to be potentially issued to different providers.</p>
Asset Management Plan	Plan prepared to assist the Shire to improve the way it delivers services through its infrastructure assets such as roads, drainage, footpaths, public open space and buildings.	<p>The Shire's Asset Management Framework 2013-2017 was finalised in June 2013 which included the asset management plan. The plan has not been reviewed since it was finalised and is now out of date.</p> <p><b>Improvement:</b> Progress the review / update to the asset management plan and present to Council for adoption. (It is noted this is scheduled to occur through the shared statutory compliance group).</p>

Plan	Purpose / Goal	Matters Identified / Improvements
Strategic Community Plan	A community based plan to guide the strategic direction of the Shire.	<p>The Strategic Community Plan has not had a major review within four years as required by <i>Local Government (Administration) Regulations 1996 19C (4)</i>.</p> <p><b>Improvement:</b> To help ensure compliance and provide sound planning direction to the organisation the Strategic Community Plan should be reviewed every four years. (It is noted this is scheduled to occur through the shared statutory compliance group).</p>
Corporate Business Plan	A plan to guide the internal operations of the Shire in delivering services to the community.	<p>The Corporate Business Plan has not been reviewed annually as required by <i>Local Government (Administration) Regulations 1996 19DA (4)</i>.</p> <p><b>Improvement:</b> To help ensure compliance and provide sound planning direction to the organisation, the Corporate Business Plan should be reviewed annually. (It is noted this is scheduled to occur through the shared statutory compliance group).</p>
Long Term Financial Plan	Financial report to achieve the strategies set out in the Council's Strategic Community Plan.	<p>The Long Term Financial Plan has not been reviewed since it was adopted. Although there is no documented requirement for timing of reviews, it is a key tool (aligned to the Corporate Business Plan and annual budget) for ensuring financial sustainability.</p> <p><b>Improvement:</b> Review the Long Term Financial Plan to monitor financial sustainability and maintain effective alignment with IPR documents. (It is noted this is scheduled to occur through the shared statutory compliance group).</p>
Workforce Plan	Document to enable appropriate planning of the workforce to deliver the Corporate Business Plan, and consider workforce implications of the Strategic Community Plan.	<p>The Workforce Plan has not been reviewed since it was adopted in 2012 and is now out of date.</p> <p><b>Improvement:</b> Review and update the Workforce Plan to maintain effective alignment with IPR documents. (It is noted this is scheduled to occur through the shared statutory compliance group).</p>
Local Emergency Management Arrangements (LEMA)	To ensure that arrangements for emergency management in the local government's district are prepared.	<p>LEMA documentation was not available for inspection during our review.</p> <p><b>Improvement:</b> Ensure LEMA documentation is produced and issued as required under the authority of S. 41(1) of the <i>Emergency Management Act 2005</i>, endorsed by the Shire of Menzies Local Emergency Management Committee (LEMC) and tabled with the District Emergency Management Committee (DEMC).</p>

## 7.2 Operational and Financial Procedures

In seeking to achieve its stated vision, the Shire of Menzies delivers a number of services to the community. Meetings were undertaken with key staff in each of the areas of service responsibility, as well as examination of documented processes, to determine the practices applied to issues of risk management, internal controls and legislative compliance. A summary of the reviews undertaken to evaluate the controls is included at Appendix C.

The Shire of Menzies has entered into a four year contract for the provision of shared statutory compliance services with the Shires of Wiluna, Leonora and Laverton. This includes delivery of a 'risk management support package' to comply with Regulation 17 of the *Local Government (Audit) Regulations 1996*. The Shire is presently in the first year of this agreement.

Considering the number of services provided and the current staff resourcing, a risk based approach to the prioritisation of the review and development of new procedures is recommended. The table below details areas of suggested improvement in relation to policies and procedures examined.

Component	Purpose / Goal	Matters Identified / Improvements
Risk Management Procedures	Procedures and practices to set out a uniform approach to the identification, assessment, management, reporting and monitoring of risks.	<p>Risk Management activities currently undertaken are largely undocumented. A draft Risk Management Strategy has been developed but has not yet been considered by the Audit Committee.</p> <hr/> <p><b>Improvement:</b> Risk management procedures and process to be developed in accordance with the latest risk management standard (ISO 31000:2018). (It is noted this is scheduled to occur through the shared statutory compliance group).</p> <hr/> <p>Implement risk management procedures and processes throughout the organisation.</p> <hr/> <p>Finalise draft Risk Management Strategy.</p>
Procedure Changes	Process to control and manage change to procedures.	<p>Process for amending or changing procedures are not formalised. This creates opportunities for unilateral undocumented changes to procedures and a breakdown in key controls.</p> <hr/> <p><b>Improvement:</b> Establish process for the development, review, amendment and authorisation of procedures, checklists and other internal control documentation, to assist with managing changes to procedures.</p>

Component	Purpose / Goal	Matters Identified / Improvements
Procurement Tender Assessment	Procedures for the procurement of goods or services, and to provide probity for the assessment of tenders received.	<p>The Shire sometimes uses a panel of officers identified by the project officer, to assess the tenders and provide a score against assessment criteria. Members of the panel are expected to declare an interest if one exists. Documented procedures are not in place to require the declaration of interest and confidentiality to be signed prior to tender submissions being passed over for inspection.</p> <p><b>Improvement:</b> To help ensure probity and fairness when assessing tenders, procedures for the declaration of interests prior to assessing tender should be documented.</p>
Procurement Assessment	Procedures to provide probity for the assessment of procurement options received.	<p>In certain cases, a panel is utilised to assess responses to requests for quotations. We did not observe any documented formal requirements when undertaking these assessments.</p> <p><b>Improvements:</b> To help support probity and fairness when assessing responses to requests for quotation, the process undertaken should be documented. The process to be followed should require a higher level of probity and due diligence, the higher the value or risk associated with the purchase.</p>
ICT Security	Procedures and practices to ensure the security of IT information, systems and data.	<p>We noted from staff representations that controls exist in relation to the access to IT systems, both physical access to hardware and network access to software and data. These controls are highly dependent on the knowledge of the CEO.</p> <p><b>Improvement:</b> Undertake a comprehensive IT security review, articulate current practices and implement findings of the review.</p>
Checklists	Checklists document the completion of multiple steps within an overall process.	<p>Checklists of key functions are maintained for selected functions. Checklists were not maintained and evidenced for all standard routine functions such as end of month reconciliations and reporting across the organisation.</p> <p><b>Improvement:</b> Creation and maintenance of standard checklists may assist in evidencing key points of control and serve as a reminder. Checklists are of assistance in ensuring compliance with repetitive legislative compliance tasks.</p>

Component	Purpose / Goal	Matters Identified / Improvements
Post Office Operations	Controls in relation to the operation of the Post Office.	<p>Accepting the procedures and processes of the Post Office are largely governed by Australia Post, there is limited review and oversight of operations by senior management to ensure compliance with the Local Government Act 1995, Shire policies and procedures in relation to items such as procurement.</p> <hr/> <p><b>Improvements:</b></p> <p>A full review of procedures and controls is required to determine practical procedures for the operation and oversight of the Post Office, to ensure compliance and minimise risks.</p>
Credit Card Usage	To enable purchases or payments where normal creditor facilities are not available.	<p>A policy exists guiding staff as to the appropriate use, exclusions, and management of Shire credit cards. An instance was noted where a creditor charged a portion of accommodation to the Shire's credit card which was of a personal nature, despite a request from the staff member to be separately billed for the personal portion of the accommodation expense.</p> <hr/> <p><b>Improvement:</b></p> <p>Controls were in place to detect this occurrence, which was also reported by the officer in possession of the credit card immediately. Records were maintained to support the correspondence surrounding the event, as well as documentary evidence that the personal portion of the expenditure was repaid at the earliest opportunity. These controls and practices are strongly encouraged to continue.</p>

Component	Purpose / Goal	Matters Identified / Improvements
Tender Assessment	Procedures to provide probity for the assessment of tenders received.	<p>No procedures were available for the assessment of tenders against the selection criteria. We noted several instances where a tender scope was developed by an external consultant, who also undertook the only assessment of the tender. No procedures or correspondence were available to ensure the independence of persons in assessing the tender. We note the consultant who undertook the assessments is currently engaged to oversee the works, review applications for payment by the supplier and plan works to be undertaken.</p> <p><b>Improvements:</b> To help ensure probity and fairness when assessing tenders, procedures for the process to be undertaken in assessing tenders should be followed and documented with at least three persons assessing the tender independently of each other. Persons assessing any significant procurement should be required to declare any matters which may impact or be perceived to impact on their independence.</p> <p>For tenders already awarded, ensure dual reviews of invoices submitted continues to occur by appropriately authorised officers.</p>
Procurement Assessment	Procedures to provide probity for the assessment of procurement options received.	<p>No formal requirements were documented when undertaking assessments of major purchases.</p> <p><b>Improvements:</b> To help support probity and fairness, when assessing responses to requests for quotation the process undertaken should be documented. The level of probity and due diligence processes to be followed should be scaled depending on the value or risk associated with the purchase, with the higher the value or risk, the higher the level.</p> <p>Purchases over \$150,000 should be subject to the same assessment procedures as those applied to tenders in instances where an exemption from calling tenders exists.</p>
Workflow Diagrams	Workflow process diagrams create a visual representation of a process, clearly identifying key points of control and responsibility.	<p>Workflow diagrams have not been compiled for undocumented procedures.</p> <p><b>Improvement:</b></p> <p>In conjunction with, or as an alternative to, the development of documented procedures and checklists, update and development of workflow process diagrams may assist in clearly identifying controls and processes to be followed.</p>

Component	Purpose / Goal	Matters Identified / Improvements
Documented Procedures	Documented procedures by officers helps establish a standard methodology and identifies key controls for processes undertaken by officers.	<p>Limited documented procedures currently exist. We noted from staff representations, a number of procedures have recently been developed by staff or intentions are to develop procedures. This is encouraged.</p> <p><b>Improvement:</b> Opportunities exist to improve standard operating procedures and ensure they are documented with key controls clearly identified. Once these procedures are developed and implemented, they require constant monitoring for adherence and to ensure effectiveness.</p>
Overhead & Administration Allocations	To allocate indirect costs in a practical and efficient manner.	<p>No process is currently in place to determine the allocation of indirect costs. From staff representations, current allocation rates are based on historical estimates and reviewed informally during budget preparations each year. No calculation method to support the allocations was available.</p> <p><b>Improvement:</b> Undertake a review of activity based costings to support calculation of overhead and administration allocations.</p>
Rates	Rates are correctly imposed and rate system is properly maintained.	<p>Limited testing was performed as no documented procedures are currently in place for the reconciliation of Synergysoft valuations to the rolls supplied by the VGO. There is also no documented process to support recovery of outstanding rates/charges, and review/authorisation of valuations, modelling and billing.</p> <p>Consultants (who provide software and support for the Shire's Synergysoft systems) perform annual rate billing, however no evidence of authorisations and checks were available for testing.</p> <p><b>Improvement:</b> Presently, all reconciliations performed on the rating system are against user generated data. Procedures need to be established to ensure adequate reconciliations are performed comparing data within the Synergysoft system against data supplied by the VGO.</p> <p>Procedures also need to be articulated to demonstrate appropriate controls and authorisations exist when using third parties to assist with annual rates billing.</p>

Component	Purpose / Goal	Matters Identified / Improvements
Fixed Assets Register	Fixed assets are properly accounted for and controls are operating effectively	<p>At the time of our review visit, the 2017-18 asset register had not been rolled over, and no asset data had been processed through the asset register for the 2018-19 period. Staff advised auditors performing the 2017-18 audit had directed staff not to roll the asset register over until they were satisfied with 2017-18 asset revaluations. Delays with completion of the 2017-18 audit has resulted in no assets transactions being processed through the asset register for nine months of the 2018-19 financial period, increasing the risk of errors when 2018-19 asset data transactions are eventually processed en masse.</p> <p><b>Improvement:</b></p> <p>Auditors do not determine the final decision to delay rolling the asset register over. Corrections can made to asset data (if required) through journal entries. Management should consider rolling the asset register over and processing 2018-19 asset transactions as soon as possible.</p>
End of Month Processes	Processes for the completion of tasks and evidencing key points of control	<p>End of month processes appear to exist and from staff representations are routinely performed, however there was no evidence of procedures or review by an authorised officer independent of preparing/collating documentation.</p> <p><b>Improvement:</b></p> <p>Review of reports prepared each month is a useful mechanism to detect and rectify errors or anomalies which may exist. It also provides an opportunity to ensure staff are performing and reporting duties as required. Management are strongly encouraged to continue with the development of documented checklists and procedures to demonstrate appropriate controls and reviews are in place with monthly reporting and procedures.</p>
General Journal Entries	Journals are processed which are independently reviewed and approved.	<p>Internal control procedures over general journals are maintained for the level of operations. However the manual journal file noted some journals prepared are not signed by the authoriser to indicate independent review.</p> <p><b>Improvement:</b></p> <p>To help ensure that the journals entered are free from error or manipulation, it is suggested an appropriately authorised independent person is to review journals entered, and all journals in the manual journal file should be signed by the authoriser as evidence of review.</p>

Component	Purpose / Goal	Matters Identified / Improvements
Creditors Systems and Processes	Controls around the changes to supplier details within the EFT payment system.	<p>The Shire's current process of changing supplier banking details is inadequate, with no formal documented procedures in place. We are aware of many incidents of payment scams/frauds within the local government industry in recent years. As a consequence of this activity, controls around the changes to supplier details within the EFT payment system are essential.</p> <hr/> <p><b>Improvement:</b></p> <p>The process to assist officers with verifying changes of supplier details should be documented and provided to officers responsible with preparation and entry of creditors invoices for approval for payment. This should be supported with training/direction to remind staff of the need to be ever vigilant, to exercise a level of scepticism for all requests presented and, most importantly, to raise a concern if there is any doubt about the authenticity of a request for change of EFT payment details.</p>
Overdue Debtors	Timely collection and recovery of outstanding revenue.	<p>No consistent reporting to management, or processes to monitor and recover overdue debtor payments currently exist, and our testing noted several small overdue balances.</p> <hr/> <p><b>Improvement:</b></p> <p>Create and document procedures to ensure a transparent and consistent approach is applied to overdue debtors.</p>

### 7.3 Human Resource Management and Practices

A number of components constitute the organisation's human resource management practices and form an essential element of risk management, internal control and legislative compliance. Each of these elements is examined in the table below.

Component	Purpose / Goal	Matters Identified / Improvements
Staff Training	To ensure staff have access to ongoing and appropriate training.	<p>Staff training needs are currently identified on an ad-hoc basis. We understand management wishes to establish a more formal staff training structure.</p> <hr/> <p><b>Improvement:</b> Develop a staff training matrix to identify staff training needs relevant to their role is important to ensuring it is co-ordinated across the organisation.</p>
Employee Termination Procedures	Procedures to ensure staff physical and IT access is removed and Shire assets returned at the time of departure.	<p>No formal process or procedure is currently in place to ensure the appropriate termination of employees. Departmental managers are entrusted with responsibility of ensuring Shire assets are returned, however there is no structure in place to ensure that IT permissions and security codes are changed, or for Shire property (phones, vehicles, keys) to be returned prior to the employee finishing with the Shire.</p> <hr/> <p><b>Improvement:</b> Establish procedures or checklists to manage and document the termination of employees, ensuring access to IT systems, etc. is appropriately restricted and Shire assets are recovered.</p>
Employee Banking Details	Process to reduce opportunity for fraudulent activity with electronic banking.	<p>Changes to bank account details must be authorised by no less than two users.</p> <p>New employees banking details are entered by the payroll officer into Synergysoft, and details reviewed and confirmed by the Manager Finance and Administration. Checks are performed against the ABA file when payroll is processed to ensure bank account details have not been altered since the initial review was performed, however minimal evidence of these controls currently exist.</p> <hr/> <p><b>Improvement:</b> New employees banking details should continue to be verified against the ABA file for their first pay. Documented procedures to minimise risk of any employee banking details being changed prior to deposit of payroll and regular reviews of software audit trails are encouraged.</p>

Component	Purpose / Goal	Matters Identified / Improvements
Payroll Authorisation & Audit Trails	Procedure to allow for appropriate review and approval of changes made within the payroll system.	<p>Limited review of changes made to employee details and parameters is currently undertaken when each payroll is processed. Reliance is placed on officers responsible for processing and authorising payroll to remember individual details and identify any errors (such as deductions, superannuation contributions etc) when reviewing payroll reports for authorisation for payment.</p> <hr/> <p>Our limited testing noted some instances where the timesheet of an employee was authorised by a spouse.</p> <hr/> <p>Minimal documented controls exist in relation to authorisation and review of payroll by authorised staff. Current practices do not include reconciliation of total authorised payroll against the ABA file uploaded to the bank for authorisation.</p> <hr/> <p><b>Improvement:</b></p> <p>Procedures to minimise risk of unauthorised changes to employee details and regular reviews of software audit trails should be implemented. Where possible, segregation of duties should exist where employees responsible for processing payroll transactions are unable to make changes to employee banking details.</p> <hr/> <p>Although it is not unusual in regional local governments for family members to be employed and work together, appropriate controls are required to ensure risks of conflicts of interest are minimised. Segregation should be in place to ensure officers tasked with reviewing and authorising timesheets are not authorising the timesheets of closely related employees.</p> <hr/> <p>Implement documented procedures to ensure adequate controls are followed with regard to review and authorisation of payroll, and reconciliation of final fortnightly payroll reports against the ABA file.</p>

Component	Purpose / Goal	Matters Identified / Improvements
Payroll Exception Reporting	Procedures to assist with accurate processing of employee entitlements.	<p>The officers responsible for processing and reviewing payroll are tasked with review and capture of employee entitlements, allowances, deductions, etc. Reliance is placed on these officers to remember individual details and identify any errors when reviewing payroll reports for authorisation for payment. Staff have advised more formal documentation/checklists are intended to be created to assist with payroll processing, review and authorisation.</p> <hr/> <p><b>Improvement:</b> A full review of procedures and controls is required to determine practical procedures, documentation and controls for the accurate processing of payroll each fortnight. Details for each employee should be reviewed against individual employment contracts to capture allowances, deductions, entitlements etc, with appropriate review and authorisation for accuracy. Payroll exception reporting and review of audit trails should be undertaken to capture anomalies or unauthorised changes.</p>
Staff Contracts	To provide a documented record of the terms and conditions of each employee's contract of employment.	<p>Different forms of contract exist, with some employees having a signed conditional offer of employment. Our testing revealed that at least one employee has no form of contract on file at all, and no documentation to accurately support their current hourly rate of pay.</p> <hr/> <p><b>Improvement:</b> Ensure contracts of employment, defining roles, responsibilities and remuneration, are signed by both parties prior to employment commencing for all staff. Undertake a review of all personnel and establish contracts of employment for employees who do not have one, documenting their conditions of employment.</p>

## 7.4 Insurance

At present, the Manager Finance and Administration annually reviews the completeness of insurance, which is presented to the Chief Executive Officer for final review. Discussions are also held with the insurers annually and adjustments to policies and insurance levels made as considered appropriate. The insurance values of buildings, plant and equipment are based on the three-yearly valuations of building assets undertaken by registered valuers.

Component	Purpose / Goal	Matters Noted / Improvements
Contractor Insurance	Insurance cover maintained by contractors for damage caused when undertaking works for the Shire.	Contractors' insurances are not assessed prior to award of contracts in all cases. Reliance is placed on contract managers to ensure copies of insurances are provided.  <b>Improvement:</b> To help ensure all contractors have the relevant licences and have adequate insurance cover for the works they undertake for the Shire, procedures should be developed, and records maintained to ensure copies of contractor's insurances are held on file.

## 8.0 Framework Evaluation

Developing and implementing systems and procedures for risk management, legislative compliance and internal controls into an organisation can be a time consuming and expensive exercise with the potential to divert resources away from direct services. Considering the level of investment necessary to establish these systems, actions to monitor their effectiveness are an essential practice.

Over time, the relevancy of established controls may change, their purpose may be forgotten, or technology may offer a more efficient or effective way to achieve the initial goal. For these reasons, formal review procedures are required to ensure the resources applied to maintaining these systems, practices and controls are done so in the most efficient way.

Evidence of the monitoring of risk management, internal controls and legislative compliance is sourced from Minutes of Meetings, Registers of Disclosures and reports reviewed.

### 8.1 Council and Audit and Risk Committee

Regular monthly financial statements and lists of payments, made in the intervening period between each meeting, have been presented to the Council for review, as required by legislation. This provides the basis for high level oversight of the expenditure transactions of the organisation.

Component	Purpose / Goal	Matters Noted / Improvements
Council and Audit Risk Committee	Official record of proceedings and decisions.	Identified risks and assessments are included within agenda items for elected member consideration, but not recorded in an appropriate risk register.  <b>Improvement:</b> Identified risks relating to a Council decision communicated within the agenda item to be appropriately recorded in a risk register.

## 8.2 Strategic and Operational Registers

The Shire of Menzies has entered into a four year contract for the provision of shared statutory compliance services with the Shires of Wiluna, Leonora and Laverton. This includes delivery of a 'registers and records service' to comply with various legislative and regulatory requirements. The Shire is presently in the first year of this agreement.

A number of registers are maintained by the Shire of Menzies. The table below details areas for possible improvement in relation to these registers.

Register	Purpose / Goal	Matters Identified / Improvements
Risk Register	Provide a record of risk breaches and remedial action taken.	<p>A risk register in relation to high rated risks was not available to reflect identified risks, and if they have been adequately treated.</p> <p><b>Improvement:</b> Maintaining risk registers for all identified risks is important to help ensure appropriate recording and communication of high rated risks, along with providing a record to enable the verification of whether treatment plans have appropriately reduced the risk. It was noted a draft risk register is under development, continuation with this is encouraged.</p>
Investment Register	Register of investments held to evidence the nature and location of all investments and all transactions in relation to investments.	<p>An investment register is routinely maintained to evidence the nature and location of all investments and all related transactions. It was noted during the review the register had not been updated since 31 January 2019.</p> <p>The register does not provide information / evidence of the review and authorisation of investments each month.</p> <p><b>Improvement:</b> Recording the nature and location of all investments and related transactions is required by Regulation 19 (2) of the <i>Local Government (Financial Management) Regulations 1996</i>. Tracing of funds on maturity of investments is essential and record of where funds are transferred and who authorised the transfer should be maintained within the register.</p> <p>Maintaining printed copies of the investment register, reviewed and authorised by a senior manager independent of the control of the investments, prevents subsequent amendment to the register.</p>

Register	Purpose / Goal	Matters Identified / Improvements
Tender Register	Statutory register of tenders called.	<p>The tender register contains a record of officers who were present when tenders were opened. Our limited testing noted instances where tenders have been opened by consultants engaged for project management, without staff present.</p> <hr/> <p><b>Improvement:</b> Regulation 16(3)(a) of the <i>Local Government (Functions and General) Regulations 1996</i> requires at least two employees of a local government to be present when opening tenders, or one employee and at least one person authorised by the CEO to open tenders. Staff representations indicate the practice of consultants opening tenders has ceased.</p>
Delegation Register	Statutory register of delegations of authority.	<p>Delegation 3.1 makes delegation to the Shire President and Chief Bush Fire Control Officer to vary prohibited or restricted burning times. The delegation statement is not clear on the requirements of those exercising the delegation as provided under section 17 (7) (8) of the <i>Bush Fires Act 1954</i>.</p> <hr/> <p>Delegation 3.4 includes a sub delegation by the CEO to the Principal EHO/Building Surveyor. The individual currently performing these duties is a contractor sourced through the Shire of Leonora, and is not an employee of Council, therefore cannot be delegated authority under the <i>Building Act 2011</i>.</p> <hr/> <p>Delegation 4.1 makes reference to the EHO being an employee of Council. Presently, the EHO is a contractor seconded through the Shire of Leonora.</p> <hr/> <p><b>Improvement:</b> Review the delegation to ensure the requirements under the <i>Bush Fires Act 1954</i> are clear, particularly point 2 of the delegation statement (remove 'should' and consider replacing with a less ambiguous term).</p> <hr/> <p>Review and amend Delegation 3.4 to remove sub delegation, ensuring delegation remains with appropriately authorised officer of Council.</p> <hr/> <p>Review and amend Delegation 4.1 to reflect the engagement of a contractor rather than an employee.</p>

### 8.3 Annual Compliance Audit Returns (CAR)

Returns have been completed on a self-assessment basis and approved by Council each year. The CAR was completed in house by staff in 2017. For the 2018 period, the return was prepared and completed by an independent consultant (Moore Stephens) engaged by the Shire of Menzies.

No areas of non compliance were noted in 2017. Two areas of non-compliance were noted in relation to the Annual Compliance Audit Return 2018, the first being maintenance of a notifiable gifts register. The register was not maintained as no gifts had been declared as received, and therefore no entries existed. The second area of non compliance related to a disclosure under section 5.70 (2) of the *Local Government Act 1995* not being properly made. A compliant gift register has since been established, and improved guidance/forms relating to interest disclosures has been implemented by management.

### 8.4 Complaint Handling

Community complaints are recorded within the records management system and allocated to the relevant manager to address. Complaints are routinely followed up to ensure they have been adequately addressed.

Further, an official Complaints Register as required under section 5.121 of the *Local Government Act 1995* (i.e. breaches of conduct by Councillors) is appropriately maintained.

Component	Purpose / Goal	Matters Noted / Improvements
Customer Complaints Procedures	Procedures for the recording handling and resolution of customer complaints.	No procedures exist, or a customer complaints register maintained to follow up and ensure all complaints are adequately addressed. A register is required to be maintained under the current policy 3.4 Complaints – Administrative Policy. Currently, customer complaints are entered and managed through the records management system. A complaints register is only maintained where required under section 5.121(1) of the <i>Local Government Act 1995</i> .  <b>Improvement:</b> To help ensure all complaints are adequately resolved, a register of customer complaints received should be maintained.

## 8.5 Audit Practices

Council had appointed external financial auditors to the Shire of Menzies for the 2016-17 period, with the 2017-18 period being audited by the Office of the Auditor General (OAG). No items were raised during the 2016-17 period by the external auditors requiring improvement in relation to audit processes. At the time of our review, the 2017-18 audit remained ongoing.

The table below details areas for possible improvement in relation to audit processes.

Component	Purpose / Goal	Matters Noted / Improvements
Internal Audit	Internal audit monitors the level of compliance with internal procedures and process along with assessing the appropriateness of these procedures.	<p>Currently, no internal auditors have been appointed, and limited internal audit functions have been undertaken.</p> <hr/> <p><b>Improvement:</b></p> <p>We suggest that as the level of documented procedures increases, an expanded internal audit function to confirm adherence to documented policies and procedures may be required as recommended by the OAG to the industry in their report to parliament on the Audit of Local Government.</p>

## 8.6 Review required to be undertaken by the CEO

The CEO is required to undertake reviews of systems and procedures of the local government. The table below presents matters noted in relation to these reviews.

Component	Purpose / Goal	Matters Noted / Improvements
Audit Regulation 17 Review	CEO's review of the appropriateness and effectiveness of systems and procedures for Risk Management, Internal Controls and Legislative Compliance in accordance with Regulation 17 of <i>Local Government (Audit) Regulations 1996</i> .	No evidence of a previous review was made available.  <b>Improvements:</b> Ensure the next review is undertaken within the next three years as required by legislation.
Financial Management Review	Review of the appropriateness and effectiveness of the Financial Management systems and procedures of the local government required to be undertaken every three years by Regulation 5(2) of <i>Local Government (Financial Management) Regulations 1996</i> .	No evidence of a previous review was available for review.  <b>Improvement:</b> Ensure the next review is undertaken within the next three years as required by legislation.

## 9.0 Other Matters

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## Appendix A – Financial Management Systems Review

The following reviews were undertaken to evaluate the appropriateness and effectiveness of financial management system controls:

System	Description
Bank reconciliation and petty cash management	Examination of procedures and review of maintenance and management practices undertaken by staff
Trust funds	Examination of trust funds to determine proper accountability in the Shire's financial management system and compliance with regulatory requirements
Receipts and receivables	Examination of end of day banking procedures to determine if they were adequate in ensuring cash collection is being recorded and allocated properly to the general ledger. The receivables system including raising of invoices was also reviewed with limited testing in respect to allocation/posting
Rates	<p>The Shire's rating procedures were examined to determine if they were adequate in ensuring rates were being imposed or raised correctly. This also included inspection of the rate record, rate notices, instalment notices, valuation reconciliations and general ledger. We randomly selected and tested rate notices which included:</p> <ul style="list-style-type: none"> <li>- sighting the notices;</li> <li>- re-performing the calculations;</li> <li>- ascertaining whether the valuations applied agree to Landgate's valuation roll/report and rates per dollar imposed are as per adopted budget;</li> <li>- ensuring the rate system is properly updated; and</li> <li>- checking proper posting to the general ledger</li> </ul>
Purchases, payments and payables (including purchase orders)	<p>Random selection of payment transactions to determine whether purchases were authorised/budgeted and payments were supported, certified/authorised and correctly allocated. The Shire's purchases, payments and payables system was also examined to determine if adequate controls were in place in ensuring liabilities are properly recorded and payments are properly controlled.</p> <p>We are aware of many incidents of payment scams/frauds within the local government industry during recent years. As a consequence of this activity, we have had a specific focus on the controls around the changes to supplier details within the EFT payment system</p>
Payroll	<p>A sample of eight employees were randomly selected from four pay runs and detailed testing of each employee's pay was performed to help ensure:</p> <ul style="list-style-type: none"> <li>- the employee existed;</li> <li>- the correct rate of pay was used;</li> <li>- non-statutory deduction authorities are on hand;</li> <li>- time sheets were properly completed and authorised;</li> <li>- hours worked were properly authorised; and</li> <li>- allocations were reasonable and correctly posted</li> </ul> <p>The Shire's payroll system was also reviewed to determine if adequate controls were in place to help ensure wages and salaries are properly processed and payments are properly controlled</p>

System	Description
Credit card procedures	<p>A review of the Shire’s credit card procedures was performed to determine if adequate controls were in place. We randomly selected and tested credit card transactions to determine whether they are legitimate and usual in the context of the Shire’s operations. This included:</p> <ul style="list-style-type: none"> <li>- sighting tax invoices;</li> <li>- ascertaining whether the transaction is for bona fide Shire business; and</li> <li>- determining whether transactions are in line with the Shire’s policy</li> </ul>
Fixed assets (including depreciation, acquisition, and disposal of property)	<p>The fixed assets system including controls over acquisition and disposal of assets, updating of the fixed assets register, depreciation of fixed assets and reconciliation of the fixed assets register to the general ledger was examined. A sample of asset additions and disposals were judgmentally selected and testing performed to ensure:</p> <ul style="list-style-type: none"> <li>- the tax invoices existed;</li> <li>- correct posting to the general ledger;</li> <li>- fixed assets register was promptly updated; and</li> <li>- classification of assets was correct;</li> </ul> <p>In addition, a sample of four assets were judgmentally selected and testing performed to ensure the depreciation rates used are in line with the Shire’s policy</p>
Cost and administration allocation	<p>The Shire’s cost and administration allocation system was examined to determine if indirect costs have been properly reallocated to various jobs/programs. This included review of the allocation basis and rates used to ensure they are appropriate and regularly reviewed</p>
Financial reports	<p>The annual report, annual financial report and monthly financial reports were reviewed for compliance with legislative requirements</p>
Budget	<p>The 2018-19 budget document and documents surrounding budget adoption were reviewed to ensure compliance with regulatory requirements</p>

## Appendix B – Council Policies Examined

The Council Policies examined as part of the review were as follows:

Policy Topic	Policy Topic
1. COUNCIL / GOVERNANCE	4. FINANCIAL MANAGEMENT
1.1 Code of Conduct	4.1 Annual Budget – Preparation Timetable
1.2 Disclaimer	4.2 Purchasing and Tenders
1.3 Shire Logos	4.3 Regional Price Preference
1.4 Elected Members Records – Capture and Management	4.4 Donations, Sponsorship and Contributions
1.5 External Organisations – Council Representatives and Expenses	4.5 Credit Card Facilities
1.6 Recognition of Service – Elected Members	4.6 Debt Recovery – Outstanding Rates and Sundry Debtors
1.7 Enterprise Risk Management	4.7 Creditors – Preparation for Payment
1.8 Official Communication	4.8 Petty Cash and Till floats
2. ACCOUNTING / AUDIT	4.9 Investments
2.1 Valuation of Non-Current Assets	4.10 Financial Management – Payments of Accounts & Purchasing Authority Limits
2.2 Capitalization of Assets	4.11 Rating Strategy
2.3 Annual Verification of Assets	5. PERSONNEL
2.4 Goods and Services Tax	5.1 Acting Chief Executive Officer
2.5 Land under Roads	5.2 Designated Staff
3. ADMINISTRATION / ORGANISATION	5.3 Staff – Pre-employment requirements
3.1 Policy Manual – Changes to be Authorised	5.4 Equal Employment Opportunity
3.2 Conferences, Meetings & Training – Attendance and Expenses	5.5 Emergency Services – Call Outs Affecting Work Hours
3.3 Legal Representation Costs Indemnification	5.6 Staff – Salary Sacrifice
3.4 Complaints – Administrative	5.7 Superannuation
3.5 Professional Advice	5.8 Gratuitous Payments to Employees
3.6 Information Technology – Access and Use	5.9 Leave Accruals – Annual and Long Service
3.7 Staff Recruitment – Permanent, Part and Fulltime	5.10 Employees – Housing Allowance
3.8 Ordinary Council Meetings	5.11 Employees – Loyalty Pay
3.9 Meeting Venue	5.12 Local Government Industry Award
3.10 Agenda Format / Officer's Reports	5.13 Relocation Expenses
3.11 Council Forums / Briefing Sessions	5.14 Social Media Policy
3.12 Annual Performance – Chief Executive Officer	5.15 Use of Mobile Phones and GSP Satellite Devices

Policy Topic	Policy Topic
6. OCCUPATIONAL HEALTH AND SAFETY	12. WORKS, PLANT AND EQUIPMENT
6.1 Occupational Health and Safety	12.1 Plant Replacement Policy Schedule 12.1 – Plant Replacement Cycles
6.2 Harassment and Grievances Policy Schedule 6.2(a) – Harassment Policy Policy Schedule 6.2(b) – Complaints / Grievance Procedure	12.2 Shire Plant, Vehicles and Equipment
6.3 Personal Protection Equipment and Uniforms	12.3 Stock Grids
6.4 Fitness for Work Policy Schedule 6.4(a) – Fitness for Work Procedures Policy Schedule 6.4(b) – Drug Testing / Additional Information	12.4 Road Train Permits
7. LAW, ORDER AND PUBLIC SAFETY	12.5 Private Works
7.1 Dog Act – Enforcement	12.6 Retention of Stock Grids
7.2 Bush Fires Act – Enforcement	13. BUILDING / DEVELOPMENT
7.3 Impounded Goods	No Policies in this Section
7.4 Closed Circuit Television System	14. UNCLASSIFIED
8. ENVIRONMENTAL HEALTH	14.1 Flying of Australian Flag
8.1 Compulsory Waste Collection Service	14.2 Political and Elections Roadside Advertising
9. HOUSING	HISTORY SUMMARY
9.1 Shire Accommodation – Rental Charges	
9.2 Shire Housing – Tenancy Conditions	
9.3 Shire Housing – Inspections	
10. NATURAL RESOURCE MANAGEMENT	
10.1 Collection of Native Flora and Fauna	
10.2 Tree Policy	
11. PUBLIC FACILITIES	
11.1 Council Facilities – Alcohol Consumption	
12. WORKS, PLANT AND EQUIPMENT	

## Appendix C – Plans Examined

The Plans examined as part of the review were as follows:

Plan	Status
Strategic Community Plan	2013-2023 (reviewed July 2015)
Corporate Business Plan	2014-2018 (reviewed July 2015)
Asset Management Framework	2013-2017
Long Term Financial Plan	2014-2029
Workforce Plan	2013-2017
Code of Conduct	Reviewed 30 August 2018

## Appendix D – Strategic and Operational Registers Examined

The registers examined as part of the review were as follows:

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### Register

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Declarations of Interest Register

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Tender Register 2018-19

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Gifts and Travel Register

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Complaints Register (*s5.121 Local Government Act 1995*)

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Delegation Register (reviewed 29 March 2018)

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## Appendix E – Operational Guidelines

### Risk Management

*The internal control and risk management systems and programs are a key expression of a local government's attitude to effective controls. Good audit committee practices in monitoring internal control and risk management programs typically include:*

*Reviewing whether the local government has an effective risk management system and that material operating risks to the local government are appropriately considered;*

*Reviewing whether the local government has a current and effective Business Continuity Plan (including disaster recovery) which is tested from time to time;*

*Assessing the internal processes for determining and managing material operating risks in accordance with the local government's identified tolerance for risk, particularly in the following areas:*

- potential non-compliance with legislation, regulations and standards and local government's policies*
- important accounting judgements or estimates that prove to be wrong*
- litigation and claims*
- misconduct, fraud and theft*
- significant business risks, recognising responsibility for general or specific risk areas, for example, environmental risk, occupational health and safety, and how they are managed by the local government*

*Obtaining regular risk reports, which identify key risks, the status and the effectiveness of the risk management systems, to ensure that identified risks are monitored and new risks are identified, mitigated and reported;*

*Assessing the adequacy of local government processes to manage insurable risks and ensure the adequacy of insurance cover, and if applicable, the level of self-insurance;*

*Reviewing the effectiveness of the local government's internal control system with management and the internal and external auditors;*

*Assessing whether management has controls in place for unusual types of transactions and/or any potential transactions that might carry more than an acceptable degree of risk;*

*Assessing the local government's procurement framework with a focus on the probity and transparency of policies and procedures/processes and whether these are being applied;*

*Should the need arise, meeting periodically with key management, internal and external auditors, and compliance staff, to understand and discuss any changes in the local government's control environment; and*

*Ascertaining whether fraud and misconduct risks have been identified, analysed, evaluated, have an appropriate treatment plan which has been implemented, communicated, monitored and there is regular reporting and ongoing management of fraud and misconduct risks.*

## Legislative Compliance

*The compliance programs of a local government are a strong indication of attitude towards meeting legislative requirements. Audit committee practices in regard to monitoring compliance programs typically include:*

- a) Monitoring compliance with legislation and regulations*
- b) Reviewing the annual Compliance Audit Return and reporting to Council the results of that review*
- c) Staying informed about how management is monitoring the effectiveness of its compliance and making recommendations for change as necessary*
- d) Reviewing whether the local government has procedures for it to receive, retain and treat complaints, including confidential and anonymous employee complaints*
- e) Obtaining assurance that adverse trends are identified and review management's Plans to deal with these*
- f) Reviewing management disclosures in financial reports of the effect of significant compliance issues*
- g) Reviewing whether the internal and / or external auditors have regard to compliance and ethics risks in the development of their Audit Plan and in the conduct of audit projects, and report compliance and ethics issues to the audit committee*
- h) Considering the internal auditor's role in assessing compliance and ethics risks in their Plan;*
- i) Monitoring the local government's compliance frameworks dealing with relevant external legislation and regulatory requirements*
- j) Complying with legislative and regulatory requirements imposed on audit committee members, including not misusing their position to gain an advantage for themselves or another or to cause detriment to the local government and disclosing conflicts of interest*

## Internal Controls

*Internal controls are systems of policies and procedures that safeguard assets, ensure accurate and reliable financial reporting, promote compliance with laws and regulations and achieve effective and efficient operations.*

*These systems not only relate to accounting and reporting but also include communication processes both internally and externally, staff management and error handling.*

*Operational Guidelines prepared by the Department of Local Government and Communities (Audit in Local Government number 09 September 2013) provide the background to Internal Controls in the context of this review as follows:*

*'Internal control is a key component of a sound governance framework, in addition to leadership, long-term planning, compliance, resource allocation, accountability and transparency. Strategies to maintain sound internal controls are based on risk analysis of the internal operations of a local government.*

## Internal Controls (continued)

*An effective and transparent internal control environment is built on the following key areas:*

- k) integrity and ethics;*
- l) policies and delegated authority;*
- m) levels of responsibilities and authorities;*
- n) audit practices;*
- o) information system access and security;*
- p) management operating style; and*
- q) human resource management and practices.*

*Internal control systems involve policies and procedures that safeguard assets, ensure accurate and reliable financial reporting, promote compliance with legislation and achieve effective and efficient operations and may vary depending on the size and nature of the local government.*

*Aspects of an effective control framework will include:*

- a) delegation of authority;*
- b) documented policies and procedures;*
- c) trained and qualified employees;*
- d) system controls;*
- e) effective Policy and process review;*
- f) regular internal audits;*
- g) documentation of risk identification and assessment; and*
- h) regular liaison with auditor and legal advisors.*

*The following are examples of controls that are typically reviewed:*

- a) separation of roles and functions, processing and authorisation;*
- b) control of approval of documents, letters and financial records;*
- c) comparison of internal data with other or external sources of information;*
- d) limit of direct physical access to assets and records;*
- e) control of computer applications and information system standards;*
- f) limit access to make changes in data files and systems;*
- g) regular maintenance and review of financial control accounts and trial balances;*
- h) comparison and analysis of financial results with budgeted amounts;*
- i) the arithmetical accuracy and content of records;*
- j) report, review and approval of financial payments and reconciliations; and*
- k) comparison of the result of physical cash and inventory counts with accounting records.*

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**7 ELECTED MEMBERS MOTION OF WHICH PREVIOUS NOTICE HAVE BEEN GIVEN**

There were no Elected Members motions of which previous notice had been given.

**8 NEW BUSINESS OF AN URGENT NATURE INTRODUCED BY DECISION OF THE MEETING**

There was no new business of an urgent nature introduced by Decision of the Meeting.

**9 ITEMS FOR CONSIDERATION BEHIND CLOSED DOORS**

There were no items for consideration behind closed doors.

**10 NEXT MEETING**

The next meeting of the Audit Committee is yet to be announced.

**11 CLOSURE OF MEETING**

President Cr Greg Dwyer declared the Meeting closed at 06:15 PM

**I, \_\_\_\_\_ hereby certify that the Minutes of the Audit Committee Meeting held 28 February 2019 are confirmed as a true and correct record, as per the resolution of Audit Committee Meeting held 18 July 2019.**

**Signed: \_\_\_\_\_ Dated: 28 February 2019**