



**SHIRE OF MENZIES**

# Agenda

**FOR THE AUDIT COMMITTEE MEETING  
TO BE HELD ON**

**27 February 2020**

**Commencing at 8.30am.**

**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 27 February 2020 in the Shire of Menzies Council Chambers commencing at 08.00am.

Peter Money  
Chief Executive Officer

27 February 2020

**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;
- and
- 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. This is 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 of 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:
  - 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 declared the meeting open at \_\_\_\_\_ am.

**2 ANNOUNCEMENT OF VISITORS**

There were no visitors

**3 RECORD OF ATTENDANCE**

**4 DECLARATIONS OF INTEREST**

**5 ANNOUNCEMENTS BY PRESIDING MEMBER WITHOUT DISCUSSION**

**6 CONFIRMATION / RECEIVAL OF MINUTES**

- **CONFIRMATION OF THE MINUTES OF THE AUDIT COMMITTEE  
MEETING HELD ON 01 October 2019 (*Provided under Separate Cover*)**

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

<b>No.</b>
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**MOVED: Cr**

**SECONDED: Cr**

*That the minutes of the Audit Committee Meeting held on Tuesday 01 October 2019  
be confirmed as a true and correct record.*

*Carried /*

## 12.1

### 12.1.1

#### **ADOPTION OF THE AUDIT REPORT AND FINANCIAL STATEMENTS 2018/2019**

<b>LOCATION:</b>	Shire of Menzies
<b>APPLICANT:</b>	Auditor General's Office
<b>DOCUMENT REF:</b>	As Applicable
<b>DISCLOSURE OF INTEREST:</b>	Nil
<b>DATE:</b>	27 February 2020
<b>AUTHOR:</b>	Peter Money Chief Executive Officer
<b>ATTACHMENTS:</b>	12.1.1-1 Financial Report 12.1.1-2 Independent Auditors Report 12.1.1-3 Audit Findings

#### **SUMMARY:**

The audited Financial Report, Independent Auditors Report and Audit Findings for the 2018/2019 financial year are presented to Council from the Audit Committee recommending adoption.

#### **BACKGROUND:**

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

The 2018/19 audit was conducted by RSM.

The Regulations require that the audit be completed and presented to the Audit Committee and Council prior to 31<sup>st</sup> December 2019. The auditors could only complete the audit by the date of the intended Audit Committee Meeting of 18/12/2019.

An Audit Committee Meeting was planned but a quorum was not available. An informal meeting was conducted with a member and staff via a video conference with the OAG and RSM.

#### **COMMENT:**

The December Council Meeting had been conducted on December 12, prior to receiving the auditor's reports.

For this reason, it was necessary to delay receipt and adoption of the Reports until the February 2020 meeting of Council.

**CONSULTATION:**

OAG  
RSM  
Manager Finance and Administration

**STATUTORY ENVIRONMENT:**

*Local Government Act 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:***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.

## **OFFICERS RECOMMENDATION:**

That Council:

1. Receive the Audit Committee's recommendations from its Meeting of 18 December 2019;  
and
2. Consider each of the Audit Committee's following Recommendations individually.

## **VOTING REQUIREMENTS:**

Absolute Majority.

Adoption of the 2018/2019 Financial Report as Recommended by the Audit Committee:

That Council Adopt the 2018/2019 Financial Report

## **VOTING REQUIREMENTS:**

Absolute Majority.

## **COUNCIL DECISION**

<b>COUNCIL RESOLUTION:</b>	<b>No.</b>
----------------------------	------------

**MOVED: Cr**

**SECONDED: Cr**

*Carried /*

Receival of the Independent Auditors Report as Recommended by the Audit Committee:

That Council receive the Independent Auditors Report.

## **VOTING REQUIREMENTS:**

Absolute Majority.

## **COUNCIL DECISION**

<b>COUNCIL RESOLUTION:</b>	<b>No.</b>
----------------------------	------------

**MOVED: Cr**

**SECONDED: Cr**

*Carried /*

Receival of the Audit Findings as Recommended by the Audit Committee

That Council receive the Audit Findings.

**VOTING REQUIREMENTS:**

Absolute Majority.

**COUNCIL DECISION**

<b>COUNCIL RESOLUTION:</b>	<b>No.</b>
----------------------------	------------

**MOVED: Cr**

**SECONDED: Cr**

*Carried /*

**SHIRE OF MENZIES**  
**FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2019**

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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 2019**

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

  
\_\_\_\_\_  
Chief Executive Officer

*Peter Anthony Money*  
\_\_\_\_\_  
Name of Chief Executive Officer



SHIRE OF MENZIES  
STATEMENT OF COMPREHENSIVE INCOME  
BY NATURE OR TYPE  
FOR THE YEAR ENDED 30TH JUNE 2019

	NOTE	2019 Actual \$	2019 Budget \$	2018 Actual \$
<b>Revenue</b>				
Rates	22(a)	3,123,507	3,163,515	3,035,767
Operating grants, subsidies and contributions	2(a)	2,938,278	1,439,517	3,027,985
Fees and charges	2(a)	398,736	269,080	246,983
Interest earnings	2(a)	337,268	224,501	312,795
Other revenue	2(a)	28,364	48,290	52,357
		<u>6,826,153</u>	<u>5,144,903</u>	<u>6,675,887</u>
<b>Expenses</b>				
Employee costs		(1,687,899)	(1,872,974)	(1,597,958)
Materials and contracts		(1,817,759)	(1,827,165)	(1,441,736)
Utility charges		(89,726)	(109,340)	(100,056)
Depreciation on non-current assets	9(b)	(2,013,495)	(2,774,749)	(2,392,955)
Interest expenses	2(b)	0	(7,000)	0
Insurance expenses		(137,988)	(124,470)	(127,351)
Other expenditure		(301,063)	(298,734)	(278,054)
		<u>(6,047,930)</u>	<u>(7,014,432)</u>	<u>(5,938,110)</u>
		778,223	(1,869,529)	737,777
<b>Non-operating grants, subsidies and contributions</b>				
Non-operating grants, subsidies and contributions	2(a)	1,279,246	3,212,556	2,274,434
Profit on asset disposals	9(a)	18,401	15,000	28,141
(Loss) on asset disposals and assets expensed	9(a)	(23,859)	(22,500)	(11,183)
(Loss) on revaluation of furniture and equipment	7(a)	(18,922)	0	0
(Loss) on revaluation of Parks and Ovals	8(a)	0	0	(84,699)
		<u>1,254,866</u>	<u>3,205,056</u>	<u>2,206,693</u>
<b>Net result for the period</b>		<b>2,033,089</b>	<b>1,335,527</b>	<b>2,944,470</b>
<b>Other comprehensive Income</b>				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Changes in asset revaluation surplus	10	639,667	0	(2,754,292)
<b>Total other comprehensive income for the period</b>		<b>639,667</b>	<b>0</b>	<b>(2,754,292)</b>
<b>Total comprehensive income for the period</b>		<b>2,672,756</b>	<b>1,335,527</b>	<b>190,178</b>

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



SHIRE OF MENZIES  
STATEMENT OF COMPREHENSIVE INCOME  
BY PROGRAM  
FOR THE YEAR ENDED 30TH JUNE 2019

	NOTE	2019 Actual \$	2019 Budget \$	2018 Actual \$
<b>Revenue</b>	2(a)			
Governance		7,676	0	164
General purpose funding		5,147,821	4,224,396	4,999,469
Law, order, public safety		6,554	3,200	2,965
Health		676	7,100	7,337
Housing		91,051	105,600	99,840
Community amenities		17,997	8,300	9,291
Recreation and culture		4,703	640	1,085
Transport		1,120,410	537,637	1,303,252
Economic services		396,793	206,690	196,913
Other property and services		32,472	51,340	55,571
		<u>6,826,153</u>	<u>5,144,903</u>	<u>6,675,887</u>
<b>Expenses</b>	2(b)			
Governance		(813,644)	(803,917)	(733,330)
General purpose funding		(165,567)	(185,769)	(224,429)
Law, order, public safety		(98,801)	(108,274)	(71,659)
Health		(92,394)	(114,370)	(94,238)
Housing		(141,944)	(167,276)	(140,908)
Community amenities		(243,779)	(295,312)	(214,083)
Recreation and culture		(744,806)	(922,015)	(638,518)
Transport		(2,317,032)	(3,323,040)	(2,581,706)
Economic services		(1,216,727)	(1,036,068)	(936,257)
Other property and services		(213,236)	(51,391)	(302,982)
		<u>(6,047,930)</u>	<u>(7,007,432)</u>	<u>(5,938,110)</u>
<b>Finance Costs</b>	2(b)			
Housing		0	(7,000)	0
		<u>0</u>	<u>(7,000)</u>	<u>0</u>
		778,223	(1,869,529)	737,777
Non-operating grants, subsidies and contributions	2(a)	1,279,246	3,212,556	2,274,434
Profit on disposal of assets	9(a)	18,401	15,000	28,141
(Loss) on disposal of assets and assets expensed	9(a)	(23,859)	(22,500)	(11,183)
(Loss) on revaluation of furniture and equipment	7(a)	(18,922)	0	0
(Loss) on revaluation of Parks and Ovals	8(a)	0	0	(84,699)
		<u>1,254,866</u>	<u>3,205,056</u>	<u>2,206,693</u>
<b>Net result for the period</b>		<u>2,033,089</u>	<u>1,335,527</u>	<u>2,944,470</u>
<b>Other comprehensive income</b>				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Changes in asset revaluation surplus	10	639,667	0	(2,754,292)
<b>Total other comprehensive income for the period</b>		<u>639,667</u>	<u>0</u>	<u>(2,754,292)</u>
<b>Total comprehensive income for the period</b>		<u>2,672,756</u>	<u>1,335,527</u>	<u>190,178</u>

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



SHIRE OF MENZIES  
STATEMENT OF FINANCIAL POSITION  
AS AT 30TH JUNE 2019

	NOTE	2019 \$	2018 \$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	3	10,633,767	12,408,650
Trade receivables	5	728,510	564,214
Inventories	6	10,706	5,157
<b>TOTAL CURRENT ASSETS</b>		<b>11,372,983</b>	<b>12,978,021</b>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	7	9,380,577	8,797,243
Infrastructure	8	117,269,232	113,590,657
<b>TOTAL NON-CURRENT ASSETS</b>		<b>126,649,809</b>	<b>122,387,900</b>
<b>TOTAL ASSETS</b>		<b>138,022,792</b>	<b>135,365,921</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	11	880,763	879,554
Employee related provisions	13	140,097	170,534
<b>TOTAL CURRENT LIABILITIES</b>		<b>1,020,860</b>	<b>1,050,088</b>
<b>NON-CURRENT LIABILITIES</b>			
Employee related provisions	13	81,268	67,925
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>81,268</b>	<b>67,925</b>
<b>TOTAL LIABILITIES</b>		<b>1,102,128</b>	<b>1,118,013</b>
<b>NET ASSETS</b>		<b>136,920,664</b>	<b>134,247,908</b>
<b>EQUITY</b>			
Retained surplus		17,138,002	15,235,528
Reserves - cash backed	4	8,497,246	8,366,631
Revaluation surplus	10	111,285,416	110,645,749
<b>TOTAL EQUITY</b>		<b>136,920,664</b>	<b>134,247,908</b>

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



SHIRE OF MENZIES  
STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 30TH JUNE 2019

		RETAINED	RESERVES	REVALUATION	TOTAL
	NOTE	SURPLUS	CASH BACKED	SURPLUS	EQUITY
		\$	\$	\$	\$
<b>Balance as at 1 July 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 for the period		2,944,470	0	0	2,944,470
Other comprehensive income	10	0	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>
Comprehensive income					
Net result for the period		2,033,089	0	0	2,033,089
Other comprehensive income	10	0	0	639,667	639,667
Total comprehensive income		2,033,089	0	639,667	2,672,756
Transfers from/(to) reserves		(130,615)	130,615	0	0
<b>Balance as at 30 June 2019</b>		<b>17,138,002</b>	<b>8,497,246</b>	<b>111,285,416</b>	<b>136,920,664</b>

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

SHIRE OF MENZIES  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 30TH JUNE 2019

	NOTE	2019 Actual \$	2019 Budget \$	2018 Actual \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
<b>Receipts</b>				
Rates		3,034,101	2,981,523	3,324,540
Operating grants, subsidies and contributions		2,926,494	1,439,517	3,073,827
Fees and charges		398,736	269,080	246,983
Interest received		337,268	224,501	312,795
Goods and services tax received		354,329	218,424	37,150
Other revenue		28,364	48,290	52,357
		<u>7,079,292</u>	<u>5,181,335</u>	<u>7,047,652</u>
<b>Payments</b>				
Employee costs		(1,794,834)	(1,902,046)	(1,464,141)
Materials and contracts		(1,732,258)	(1,251,366)	(1,285,123)
Utility charges		(89,726)	(109,340)	(100,056)
Interest expenses		0	(7,000)	0
Insurance paid		(137,988)	(124,470)	(127,351)
Goods and services tax paid		(417,435)	0	(156,318)
Other expenditure		(301,063)	(300,234)	(278,054)
		<u>(4,473,304)</u>	<u>(3,694,456)</u>	<u>(3,411,043)</u>
<b>Net cash provided by / (used in) operating activities</b>	14	<u>2,605,988</u>	<u>1,486,879</u>	<u>3,636,609</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Payments for purchase of property, plant & equipment		(832,668)	(1,937,950)	(818,087)
Payments for construction of infrastructure		(4,980,291)	(5,211,723)	(2,945,051)
Non-operating grants, subsidies and contributions		1,279,246	3,212,556	2,274,434
Proceeds from sale of property, plant & equipment		152,842	129,000	165,072
<b>Net cash provided by / (used in) investment activities</b>		<u>(4,380,871)</u>	<u>(3,808,117)</u>	<u>(1,323,632)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Repayment of borrowings		0	(21,837)	0
Proceeds from new borrowings		0	500,000	0
<b>Net cash provided by / (used in) financing activities</b>		<u>0</u>	<u>478,163</u>	<u>0</u>
<b>Net increase (decrease) in cash held</b>		<u>(1,774,883)</u>	<u>(1,843,075)</u>	<u>2,312,977</u>
Cash at beginning of year		12,408,650	12,408,651	10,095,673
<b>Cash and cash equivalents at the end of the year</b>	14	<u>10,633,767</u>	<u>10,565,576</u>	<u>12,408,650</u>

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

SHIRE OF MENZIES  
RATE SETTING STATEMENT  
FOR THE YEAR ENDED 30TH JUNE 2019

	NOTE	2019 Actual \$	2019 Budget \$	2018 Actual \$
<b>OPERATING ACTIVITIES</b>				
Net current assets at start of financial year - surplus/(deficit)	23 (b)	3,731,834	3,730,680	5,631,192
		3,731,834	3,730,680	5,631,192
<b>Revenue from operating activities (excluding rates)</b>				
Governance		7,676	0	164
General purpose funding		2,024,314	1,060,881	1,963,702
Law, order, public safety		6,554	3,200	2,965
Health		676	7,100	7,337
Housing		91,051	105,600	99,840
Community amenities		17,997	8,300	9,291
Recreation and culture		4,703	640	1,085
Transport		1,138,811	552,637	1,327,169
Economic services		396,793	206,690	196,913
Other property and services		32,472	51,340	59,795
		3,721,047	1,996,388	3,668,261
<b>Expenditure from operating activities</b>				
Governance		(813,644)	(803,916)	(733,330)
General purpose funding		(173,967)	(185,769)	(224,429)
Law, order, public safety		(98,801)	(108,274)	(71,659)
Health		(92,394)	(114,370)	(94,238)
Housing		(141,944)	(174,276)	(140,908)
Community amenities		(243,779)	(295,312)	(214,083)
Recreation and culture		(744,806)	(922,015)	(638,518)
Transport		(2,332,491)	(3,345,540)	(2,592,150)
Economic services		(1,216,727)	(1,036,068)	(936,257)
Other property and services		(232,158)	(51,391)	(388,420)
		(6,090,711)	(7,036,931)	(6,033,992)
Non-cash amounts excluded from operating activities	23(a)	2,020,783	2,782,249	2,503,044
Amount attributable to operating activities		3,382,953	1,472,386	5,768,505
<b>INVESTING ACTIVITIES</b>				
Non-operating grants, subsidies and contributions		1,279,246	3,212,556	2,274,434
Proceeds from disposal of assets	9(a)	152,842	129,000	165,072
Purchase of property, plant and equipment	7(a)	(832,668)	(1,937,950)	(818,087)
Purchase and construction of infrastructure	8(a)	(4,980,291)	(5,211,723)	(2,945,051)
Amount attributable to investing activities		(4,380,871)	(3,808,117)	(1,323,632)
<b>FINANCING ACTIVITIES</b>				
Repayment of borrowings	12(b)	0	(21,837)	0
Proceeds from borrowings	12(b)	0	500,000	0
Transfers to reserves (restricted assets)	4	(1,268,636)	(2,504,625)	(3,895,806)
Transfers from reserves (restricted assets)	4	1,138,021	1,198,678	147,000
Amount attributable to financing activities		(130,615)	(827,784)	(3,748,806)
Surplus/(deficit) before imposition of general rates		(1,128,533)	(3,163,515)	696,067
Total amount raised from general rates	22(a)	3,123,507	3,163,515	3,035,767
Surplus/(deficit) after imposition of general rates	23(b)	1,994,974	0	3,731,834

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

## 1. BASIS OF PREPARATION

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

The *Local Government (Financial Management) Regulations 1996* take precedence over Australian Accounting Standards. Regulation 16 prohibits a local government from recognising as assets Crown land that is a public thoroughfare, such as land under roads, and land not owned by but under the control or management of the local government, unless it is a golf course, showground, racecourse or recreational facility of State or regional significance. Consequently, some assets, including land under roads acquired on or after 1 July 2008, have not been recognised in this financial report. This is not in accordance with the requirements of AASB 1051 *Land Under Roads* paragraph 15 and AASB 116 *Property, Plant and Equipment* paragraph 7.

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 affect 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.

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 25 to these financial statements.

## 2. REVENUE AND EXPENSES

### (a) Revenue

#### Grant Revenue

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

	2019 Actual \$	2019 Budget \$	2018 Actual \$
<b>Operating grants, subsidies and contributions</b>			
Governance	0	0	84
General purpose funding	1,677,990	821,540	1,641,638
Law, order, public safety	6,522	3,000	2,965
Recreation and culture	909	0	46
Transport	1,120,291	537,637	1,303,252
Economic services	122,793	77,340	80,000
Other property and services	9,773	0	0
	<u>2,938,278</u>	<u>1,439,517</u>	<u>3,027,985</u>
<b>Non-operating grants, subsidies and contributions</b>			
Recreation and culture	47,301	72,871	128,335
Transport	1,121,945	2,547,685	2,146,099
Economic services	110,000	592,000	0
	<u>1,279,246</u>	<u>3,212,556</u>	<u>2,274,434</u>
<b>Total grants, subsidies and contributions</b>	<u>4,217,524</u>	<u>4,652,073</u>	<u>5,302,419</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 21. 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 reporting period.

## 2. REVENUE AND EXPENSES

### (a) Revenue (Continued)

	2019 Actual \$	2019 Budget \$	2018 Actual \$
<b>Other revenue</b>			
Reimbursements and recoveries	10,109	6,200	6,926
Other	18,255	42,090	45,431
	<u>28,364</u>	<u>48,290</u>	<u>52,357</u>
<b>Fees and Charges</b>			
General purpose funding	8,792	13,750	9,094
Law, order, public safety	32	200	0
Health	676	7,100	7,337
Housing	90,982	105,600	99,840
Community amenities	17,997	7,800	8,443
Recreation and culture	3,794	640	1,039
Economic services	273,684	128,950	116,337
Other property and services	2,779	5,040	4,893
	<u>398,736</u>	<u>269,080</u>	<u>246,983</u>

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

### Interest earnings

Reserve accounts interest	208,232	90,000	57,269
Rates instalment and penalty interest (refer Note 22(b))	105,392	114,501	124,156
Other interest earnings	23,644	20,000	131,370
	<u>337,268</u>	<u>224,501</u>	<u>312,795</u>

### SIGNIFICANT ACCOUNTING POLICIES

#### Interest earnings

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

#### Interest earnings (Continued)

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

### (b) Expenses

#### Auditors remuneration

- Audit of the Annual Financial Report

	2019 Actual \$	2019 Budget \$	2018 Actual \$
	32,469	20,000	7,850
	<u>32,469</u>	<u>20,000</u>	<u>7,850</u>
<b>Interest expenses (finance costs)</b>			
Borrowings (refer Note 12(b))	0	7,000	0
	<u>0</u>	<u>7,000</u>	<u>0</u>
<b>Rental charges</b>			
- Operating leases	37,293	38,939	36,995
	<u>37,293</u>	<u>38,939</u>	<u>36,995</u>

### 3. CASH AND CASH EQUIVALENTS

	NOTE	2019 \$	2018 \$
Cash at bank and on hand		10,633,767	12,408,650
		<u>10,633,767</u>	<u>12,408,650</u>
<b>Comprises:</b>			
- Unrestricted cash and cash equivalents		2,132,836	4,039,686
- Restricted cash and cash equivalents		<u>8,500,931</u>	<u>8,368,964</u>
		10,633,767	12,408,650
The following restrictions have been imposed by regulations or other externally imposed requirements:			
<b>Reserve accounts</b>			
Leave reserve	4	201,642	197,364
Building reserve	4	2,298,078	2,003,260
Plant reserve	4	1,395,073	1,427,758
Road reserves	4	1,529,390	1,730,661
Main Street reserve	4	138,105	135,175
Staff Amenities reserve	4	74,299	72,722
TV reserve	4	17,590	17,216
Caravan Park reserve	4	434,027	424,818
Bitumen reserve	4	397,087	388,662
Rates creditors reserve	4	50,119	48,788
Niagara Dam reserve	4	1,349,520	1,320,884
Water reserve	4	98,143	96,059
Economic Development reserve	4	0	402,678
Waste Management reserve	4	102,766	100,586
Former Post Office reserve	4	<u>411,407</u>	<u>0</u>
		8,497,246	8,366,631
<b>Other restricted cash and cash equivalents</b>			
Unspent grants/contributions	21	<u>3,685</u>	<u>2,333</u>
<b>Total restricted cash and cash equivalents</b>		8,500,931	8,368,964

### SIGNIFICANT ACCOUNTING POLICIES

#### Cash and cash equivalents

Cash and cash equivalents include cash on hand, cash at bank, deposits available on demand with banks and other short term highly liquid investments, with original maturities of three months or less, that are readily convertible to known amounts of cash

#### Cash and cash equivalents (Continued)

and which are subject to an insignificant risk of change in value. Bank overdrafts are reported as short term borrowings in current liabilities in the statement of financial position.

	2019				2019				2019				2018			
	Actual	Opening	Actual	Transfer	Actual	Transfer	Actual	Closing	Budget	Transfer	Budget	Closing	Actual	Opening	Actual	Transfer
4. RESERVES - CASH BACKED	Balance	Balance	Balance	to	Balance	to	Balance	Balance	Opening	(from)	Opening	Balance	Balance	Balance	(from)	Balance
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
(a) Leave reserve	197,364	4,278	0	201,642	197,364	2,123	0	199,487	192,460	4,904	192,460	0	197,364	0	197,364	0
(e) Building reserve	2,003,260	405,161	(110,343)	2,298,078	2,003,260	380,726	(161,000)	2,222,986	1,161,096	872,164	1,161,096	(30,000)	2,003,260	0	2,003,260	(30,000)
(f) Plant reserve	1,427,758	353,315	(386,000)	1,395,073	1,427,758	337,841	(396,000)	1,369,599	932,561	612,197	932,561	(117,000)	1,427,758	0	1,427,758	(117,000)
(g) Road reserves	1,730,661	37,729	(239,000)	1,529,390	1,730,660	1,348,904	(239,000)	2,840,564	474,836	1,255,825	474,836	0	1,730,661	0	1,730,661	0
(h) Main Street reserve	135,175	2,930	0	138,105	135,175	1,454	0	136,629	131,578	3,597	131,578	0	135,175	0	135,175	0
(i) Staff Amenities reserve	72,722	1,577	0	74,299	72,722	782	0	73,504	70,915	1,807	70,915	0	72,722	0	72,722	0
(j) TV reserve	17,216	374	0	17,590	17,215	185	0	17,400	16,789	427	16,789	0	17,216	0	17,216	0
(k) Caravan Park reserve	424,818	9,209	0	434,027	424,818	4,570	0	429,388	316,747	108,071	316,747	0	424,818	0	424,818	0
(l) Bitumen reserve	388,662	8,425	0	397,087	388,662	4,181	0	392,843	379,618	9,044	379,618	0	388,662	0	388,662	0
(m) Rates creditors reserve	48,788	1,331	0	50,119	48,788	525	0	49,313	47,576	1,212	47,576	0	48,788	0	48,788	0
(n) Niagara Dam reserve	1,320,884	28,636	0	1,349,520	1,320,885	14,209	0	1,335,094	800,049	520,835	800,049	0	1,320,884	0	1,320,884	0
(o) Water reserve	96,059	2,084	0	98,143	96,061	1,033	0	97,094	93,600	2,459	93,600	0	96,059	0	96,059	0
(p) Economic Development reserve	402,678	0	(402,678)	0	402,678	0	(402,678)	0	0	0	0	0	402,678	0	402,678	0
(q) Waste Management reserve	100,586	2,180	0	102,766	100,585	1,082	0	101,667	0	100,586	0	0	100,586	0	100,586	0
(r) Former Post Office reserve	0	411,407	0	411,407	0	407,010	0	407,010	0	0	0	0	0	0	0	0
	8,366,631	1,268,636	(1,138,021)	8,497,246	8,366,631	2,504,625	(1,198,678)	9,672,578	4,617,825	3,895,806	4,617,825	(147,000)	8,366,631	0	8,366,631	0

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
(a) Leave reserve	Perpetual	To be used to fund annual and long service leave requirements.
(e) Building reserve	Perpetual	To be used for the acquisition of future building and renovation of existing buildings.
(f) Plant reserve	Perpetual	To be used for the purchase of major plant.
(g) Road reserves	Perpetual	To be used to fund major road works.
(h) Main Street reserve	Perpetual	Established for the beautification of the main street.
(i) Staff Amenities reserve	Perpetual	Established for the purpose of providing staff housing and amenities.
(j) TV reserve	Perpetual	To be used to fund upgrades to the rebroadcasting equipment.
(k) Caravan Park reserve	Perpetual	Established for the purpose of upgrading the caravan park.
(l) Bitumen reserve	Perpetual	Established to fund future resealing of roads.
(m) Rates creditors reserve	Perpetual	Established for future rates claims.
(n) Niagara Dam reserve	Perpetual	Established for ongoing upgrade of Niagara Dam valve workings and other maintenance.
(o) Water reserve	Perpetual	Established to provide a water park.
(p) Economic Development reserve	Perpetual	To provide for new or additional services in the Shire in partnership with Not for Profit organisations.
(q) Waste Management reserve	Perpetual	To provide for the statutory reinstatement and development of the reserve.
(r) Former Post Office reserve	Perpetual	To provide for the restoration and maintenance of the Former Post Office

## 5. TRADE RECEIVABLES

### Current

Rates receivable
Sundry receivables
GST receivable
Allowance for impairment of receivables
Accrued income/Payments in Advance

2019	2018
\$	\$
828,183	710,858
23,926	26,391
261,491	198,385
(413,176)	(385,257)
28,086	13,837
728,510	564,214

### SIGNIFICANT ACCOUNTING POLICIES

#### Trade and other receivables

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

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

#### Impairment and risk exposure

Information about the impairment of trade receivables and their exposure to credit risk and interest rate risk can be found in Note 24.

#### Previous accounting policy: Impairment of trade receivables

In the prior year, the impairment of trade receivables was assessed based on the incurred loss model. Individual receivables which were known to be uncollectible were written off by reducing the carrying amount directly. The other receivables were assessed collectively to determine whether there was objective evidence that an impairment had been incurred but not yet identified. For these receivables the estimated impairment losses were recognised in a separate provision for impairment.

#### Classification and subsequent measurement

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

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

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

## 6. INVENTORIES

### Current

Fuel and materials

2019	2018
\$	\$
10,706	5,157
10,706	5,157

The following movements in inventories occurred during the year:

### Carrying amount at 1 July

Additions to inventory

### Carrying amount at 30 June

5,157	5,157
5,549	0
10,706	5,157

## 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.

### Land held for resale

Land held for development and resale is valued at the lower of cost and net realisable value. Cost includes the cost of acquisition, development, borrowing costs and holding costs until completion of development.

### Land held for resale (Continued)

Borrowing costs and holding charges incurred after development is completed are expensed.

Gains and losses are recognised in profit or loss at the time of signing an unconditional contract of sale if significant risks and rewards, and effective control over the land, are passed onto the buyer at this point.

Land held for resale is classified as current except where it is held as non-current based on the Council's intentions to release for sale.

## 7. PROPERTY, PLANT AND EQUIPMENT

### (a) 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	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 2017</b>	684,000	1,951,700	4,666,200	6,617,900	7,301,900	23,110	1,478,874	8,803,884
Additions	0	41,191	348,123	389,314	389,314	103,738	325,035	818,087
(Disposals)	0	0	0	0	0	0	(148,114)	(148,114)
Depreciation (expense)	0	(118,377)	(243,169)	(361,546)	(361,546)	(40,794)	(324,082)	(726,422)
Transfers	0	300,000	(254,990)	45,010	45,010	0	4,798	49,808
<b>Carrying amount at 30 June 2018</b>	684,000	2,174,514	4,516,164	6,690,678	7,374,678	86,054	1,336,511	8,797,243
<b>Comprises:</b>								
Gross carrying amount at 30 June 2018	684,000	2,292,892	4,756,965	7,049,857	7,733,857	130,738	1,882,326	9,746,921
Accumulated depreciation at 30 June 2018	0	(118,378)	(240,801)	(359,179)	(359,179)	(44,684)	(545,815)	(949,678)
<b>Carrying amount at 30 June 2018</b>	684,000	2,174,514	4,516,164	6,690,678	7,374,678	86,054	1,336,511	8,797,243
Additions	0	49,590	265,537	315,127	315,127	41,103	476,438	832,668
(Disposals)	0	0	0	0	0	(8,400)	(149,900)	(158,300)
Revaluation increments / (decrements) transferred to revaluation surplus	0	0	0	0	0	0	639,667	639,667
Revaluation (loss) / reversals transferred to profit or loss	0	0	0	0	0	(18,922)	0	(18,922)
Depreciation (expense)	0	(120,051)	(260,347)	(380,398)	(380,398)	(12,565)	(318,816)	(711,779)
<b>Carrying amount at 30 June 2019</b>	684,000	2,104,053	4,521,354	6,625,407	7,309,407	87,270	1,983,900	9,380,577
<b>Comprises:</b>								
Gross carrying amount at 30 June 2019	684,000	2,342,481	5,022,501	7,364,982	8,048,982	87,270	1,978,829	10,115,081
Accumulated depreciation at 30 June 2019	0	(238,428)	(501,147)	(739,575)	(739,575)	0	5,071	(734,504)
Carrying amount at 30 June 2019	684,000	2,104,053	4,521,354	6,625,407	7,309,407	87,270	1,983,900	9,380,577

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

### (b) 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
Buildings - non-specialised	2 & 3	Market approach using recent market data for similar properties	Independent Registered Valuer and Management Valuation	June 2017	Improvements to land using construction costs (Level 2) and current condition, residual values and remaining useful life assessments (Level 3) inputs.
Buildings - specialised	2 & 3	Market approach using recent market data for similar properties	Independent Registered Valuer and Management Valuation	June 2017	Improvements to land using construction costs (Level 2) and current condition, residual values and remaining useful life assessments (Level 3) inputs.
<b>Furniture and equipment</b>	2 & 3	Cost approach using depreciated replacement cost	Management Valuation	June 2019	Purchase costs (Level 2) and current condition, residual values and remaining useful life assessments (Level 3) inputs.
<b>Plant and equipment</b>	2 & 3	Cost approach using depreciated replacement cost	Management Valuation	June 2019	Purchase costs (Level 2) and current condition, residual values and remaining useful life assessments (Level 3) inputs.

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

During the period there were no changes in the valuation techniques used by the local government to determine the fair value of property, plant and equipment using either level 2 or level 3 inputs.

## 8. INFRASTRUCTURE

### (a) 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	Other infrastructure	Footpaths	Parks and Ovals	Total Infrastructure
	\$	\$	\$	\$	\$
<b>Balance at 1 July 2017</b>	112,104,952	2,815,332	71,979	208,675	115,200,938
Additions	2,519,127	250,745	58,648	116,531	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	0	(84,699)	(84,699)
Depreciation (expense)	(1,542,528)	(78,930)	(7,756)	(37,319)	(1,666,533)
Transfers	0	(106,730)	0	56,922	(49,808)
<b>Carrying amount at 30 June 2018</b>	109,742,712	3,464,964	122,871	260,110	113,590,657
<b>Comprises:</b>					
Gross carrying amount at 30 June 2018	109,742,712	3,464,964	230,583	260,110	113,698,369
Accumulated depreciation at 30 June 2018	0	0	(107,712)	0	(107,712)
<b>Carrying amount at 30 June 2018</b>	109,742,712	3,464,964	122,871	260,110	113,590,657
Additions	4,386,393	586,350	0	7,548	4,980,291
Depreciation (expense)	(1,141,737)	(145,358)	(7,753)	(6,868)	(1,301,716)
<b>Carrying amount at 30 June 2019</b>	112,987,368	3,905,956	115,118	260,790	117,269,232
<b>Comprises:</b>					
Gross carrying amount at 30 June 2019	114,129,105	4,047,798	230,583	267,658	118,675,144
Accumulated depreciation at 30 June 2019	(1,141,737)	(141,842)	(115,465)	(6,868)	(1,405,912)
<b>Carrying amount at 30 June 2019</b>	112,987,368	3,905,956	115,118	260,790	117,269,232

## 8. INFRASTRUCTURE (Continued)

### (b) Fair Value Measurements

Asset Class	Fair Value Hierarchy	Valuation Technique	Basis of Valuation	Date of Last Valuation	Inputs Used
Roads	2 & 3	Cost approach using depreciated replacement cost	Management Valuation	June 2018	Construction costs (Level 2) and current conditions, residual values and remaining useful life assessments (Level 3) inputs.
Other infrastructure	2 & 3	Cost approach using depreciated replacement cost	Management Valuation	June 2018	Construction costs (Level 2) and current conditions, residual values and remaining useful life assessments (Level 3) inputs.
Footpaths	2 & 3	Cost approach using depreciated replacement cost	Management Valuation	June 2015	Construction costs (Level 2) and current conditions, residual values and remaining useful life assessments (Level 3) inputs.
Parks and Ovals	2 & 3	Cost approach using depreciated replacement cost	Management Valuation	June 2018	Construction costs (Level 2) and current conditions, residual values and remaining useful life assessments (Level 3) inputs.

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.

## 9. PROPERTY, PLANT AND EQUIPMENT (INCLUDING INFRASTRUCTURE)

### SIGNIFICANT ACCOUNTING POLICIES

#### Fixed assets

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

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

All assets are initially recognised at cost where the fair value of the asset at date of acquisition is equal to or above \$5,000. All assets are 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 and no more than five 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.

### AUSTRALIAN ACCOUNTING STANDARDS - INCONSISTENCY

#### 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.

#### 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.

SHIRE OF MENZIES  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2019

9. PROPERTY, PLANT AND EQUIPMENT (INCLUDING INFRASTRUCTURE) (Continued)

(a) Disposals of Assets and assets expensed

	2019 Actual Net Book Value	2019 Actual Sale Proceeds	2019 Actual Profit	2019 Actual Loss	2019 Budget Net Book Value	2019 Budget Sale Proceeds	2019 Budget Profit	2019 Budget Loss	2018 Actual Net Book Value	2018 Actual Sale Proceeds	2018 Actual Profit	2018 Actual Loss
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Plant and equipment - disposal	138,500	152,842	18,401	(4,059)	136,500	129,000	15,000	(22,500)	148,114	165,072	28,141	(11,183)
Furniture and equipment - Assets under \$5,000 expensed	8,400	0	0	(8,400)				0				0
Plant and equipment - Assets under \$5,000 expensed	11,400	0	0	(11,400)				0				0
	158,300	152,842	18,401	(23,859)	136,500	129,000	15,000	(22,500)	148,114	165,072	28,141	(11,183)

	2019 Actual Net Book Value	2019 Actual Sale Proceeds	2019 Actual Profit	2019 Actual Loss
	\$	\$	\$	\$
Plant and Equipment				
General purpose funding	8,400		0	(8,400)
Transport	149,900	152,842	18,401	(15,459)
	158,300	152,842	18,401	(23,859)

The following assets were disposed of during the year.

	2019 Actual Net Book Value	2019 Actual Sale Proceeds	2019 Actual Profit	2019 Actual Loss
	\$	\$	\$	\$
Plant and Equipment				
Transport				
P0180 Mercedes 8 wheel truck	84,000	101,233	17,233	0
P0161 Tri Axle drop deck trailer	35,000	32,822	0	(2,178)
P0197 Ford Ranger 4x4 Dualcab	17,500	16,527	0	(973)
P0127 Kubota generator camp	1,500	592	0	(908)
P0128 Generator 12.5 KVA	500	1,668	1,168	0
Floor mounted hydraulic crane	2,200	0	0	(2,200)
P0215 Coastmac 8x5 Offroad Trailer	5,800	0	0	(5,800)
P0173 Digga Cleena Roadsweeper	1,100	0	0	(1,100)
P0194 Ingersol Rand Air compressor	1,300	0	0	(1,300)
P0189 Digger Slasher mower	1,000	0	0	(1,000)
Transport Total	149,900	152,842	18,401	(15,459)
Furniture and equipment				
General Purpose Funding				
4 cabinet filing compactus	2,200		0	(2,200)
Leather upholstered swivel chairs	1,600		0	(1,600)
Wooden shelf unit - Chambers	1,300		0	(1,300)
Speed queen Industrial Coin operated washer	1,800			(1,800)
Speed queen Industrial washer/dryer	1,500		0	(1,500)
	8,400	0	0	(8,400)

## 9. PROPERTY, PLANT AND EQUIPMENT (INCLUDING INFRASTRUCTURE) (Continued)

### (b) Depreciation

	2019 Actual	2019 Budget	2018 Actual
	\$	\$	\$
Buildings - non-specialised	120,051	0	118,377
Buildings - specialised	260,347	367,131	243,169
Furniture and equipment	12,565	28,566	40,794
Plant and equipment	318,816	340,906	324,082
Roads	1,141,737	1,970,862	1,542,528
Other infrastructure	145,358	19,516	78,930
Footpaths	7,753	7,024	7,756
Parks and Ovals	6,868	40,744	37,319
	2,013,495	2,774,749	2,392,955

### SIGNIFICANT ACCOUNTING POLICIES

#### Depreciation

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

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

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

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

#### Depreciation rates

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

Asset Class	Useful life
Buildings	20 to 50 years
Furniture and equipment	4 to 10 years
Plant and equipment	5 to 15 years
Sealed roads and streets	
formation	not depreciated
pavement	50 years
seal	
- bituminous seals	20 years
- asphalt surfaces	25 years
Gravel roads	
formation	not depreciated
pavement	50 years
Footpaths - slab	20 years
Sewerage piping	100 years
Water supply piping and drainage systems	75 years

#### Depreciation (Continued)

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

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

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

# 10. REVALUATION SURPLUS

	2019 Opening Balance	2019 Revaluation Increment	2019 Revaluation (Decrement)	Total Movement on Revaluation	2019 Closing Balance	2018 Opening Balance	2018 Revaluation Increment	2018 Revaluation (Decrement)	Total Movement on Revaluation	2018 Closing Balance
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revaluation surplus - Land - freehold land	680,443	0	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	3,250,986	0	0	0	3,250,986
Revaluation surplus - Buildings - specialised	217,456	0	0	0	217,456	217,456	0	0	0	217,456
Revaluation surplus - Plant and equipment	703,442	639,667	0	639,667	1,343,109	703,442	0	0	0	703,442
Revaluation surplus - Roads	105,024,948	0	0	0	105,024,948	108,363,787	0	(3,338,839)	(3,338,839)	105,024,948
Revaluation surplus - Other infrastructure	768,474	0	0	0	768,474	183,927	584,547	0	584,547	768,474
	110,645,749	639,667	0	639,667	111,285,416	113,400,041	584,547	(3,338,839)	(2,754,292)	110,645,749

Movements on revaluation of property, plant and equipment (including infrastructure) are not able to be reliably attributed to a program as the assets were revalued by class as provided for by AASB 116 Aus 40.1.

## 11. TRADE AND OTHER PAYABLES

### Current

Sundry creditors  
Income received in advance  
Accrued salaries and wages  
ATO liabilities  
Accrued expenses  
Payroll Creditors

	2019	2018
	\$	\$
Sundry creditors	618,919	656,124
Income received in advance	26,321	26,321
Accrued salaries and wages	46,463	30,756
ATO liabilities	0	105,548
Accrued expenses	155,998	29,397
Payroll Creditors	33,062	31,408
	<u>880,763</u>	<u>879,554</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.

SHIRE OF MENZIES  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2019

12. INFORMATION ON BORROWINGS

(a) Borrowings	2019		2018	
	\$	\$		
Current	0	0	0	0
Non-current	0	0	0	0
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(b) Repayments - Borrowings	Loan Number	Institution	Interest Rate	30 June 2019		30 June 2019		30 June 2019		30 June 2019		30 June 2019		30 June 2018		30 June 2018		30 June 2018	
				Actual Principal	Actual Interest	Actual Principal	Actual Interest	Budget Principal	Budget Interest	Budget Principal	Budget Interest	Actual Principal	Actual Interest	Actual Principal	Actual Interest	Actual Principal	Actual Interest	Actual Principal	Actual Interest
				1 July 2018 <td>outstanding<td>1 July 2018<td>outstanding<td>1 July 2018<td>outstanding<td>1 July 2018<td>outstanding<td>1 July 2018<td>outstanding<td>1 July 2017<td>outstanding<td>1 July 2017<td>outstanding<td>1 July 2017<td>outstanding</td></td></td></td></td></td></td></td></td></td></td></td></td></td></td>	outstanding <td>1 July 2018<td>outstanding<td>1 July 2018<td>outstanding<td>1 July 2018<td>outstanding<td>1 July 2018<td>outstanding<td>1 July 2017<td>outstanding<td>1 July 2017<td>outstanding<td>1 July 2017<td>outstanding</td></td></td></td></td></td></td></td></td></td></td></td></td></td>	1 July 2018 <td>outstanding<td>1 July 2018<td>outstanding<td>1 July 2018<td>outstanding<td>1 July 2018<td>outstanding<td>1 July 2017<td>outstanding<td>1 July 2017<td>outstanding<td>1 July 2017<td>outstanding</td></td></td></td></td></td></td></td></td></td></td></td></td>	outstanding <td>1 July 2018<td>outstanding<td>1 July 2018<td>outstanding<td>1 July 2018<td>outstanding<td>1 July 2017<td>outstanding<td>1 July 2017<td>outstanding<td>1 July 2017<td>outstanding</td></td></td></td></td></td></td></td></td></td></td></td>	1 July 2018 <td>outstanding<td>1 July 2018<td>outstanding<td>1 July 2018<td>outstanding<td>1 July 2017<td>outstanding<td>1 July 2017<td>outstanding<td>1 July 2017<td>outstanding</td></td></td></td></td></td></td></td></td></td></td>	outstanding <td>1 July 2018<td>outstanding<td>1 July 2018<td>outstanding<td>1 July 2017<td>outstanding<td>1 July 2017<td>outstanding<td>1 July 2017<td>outstanding</td></td></td></td></td></td></td></td></td></td>	1 July 2018 <td>outstanding<td>1 July 2018<td>outstanding<td>1 July 2017<td>outstanding<td>1 July 2017<td>outstanding<td>1 July 2017<td>outstanding</td></td></td></td></td></td></td></td></td>	outstanding <td>1 July 2018<td>outstanding<td>1 July 2017<td>outstanding<td>1 July 2017<td>outstanding<td>1 July 2017<td>outstanding</td></td></td></td></td></td></td></td>	1 July 2018 <td>outstanding<td>1 July 2017<td>outstanding<td>1 July 2017<td>outstanding<td>1 July 2017<td>outstanding</td></td></td></td></td></td></td>	outstanding <td>1 July 2017<td>outstanding<td>1 July 2017<td>outstanding<td>1 July 2017<td>outstanding</td></td></td></td></td></td>	1 July 2017 <td>outstanding<td>1 July 2017<td>outstanding<td>1 July 2017<td>outstanding</td></td></td></td></td>	outstanding <td>1 July 2017<td>outstanding<td>1 July 2017<td>outstanding</td></td></td></td>	1 July 2017 <td>outstanding<td>1 July 2017<td>outstanding</td></td></td>	outstanding <td>1 July 2017<td>outstanding</td></td>	1 July 2017 <td>outstanding</td>	outstanding
				\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Particulars																			
Housing																			
WATC			2.80%	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
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\* WA Treasury Corporation

All other loan repayments were financed by general purpose revenue.

## 12. INFORMATION ON BORROWINGS (Continued)

	2019	2018
	\$	\$
<b>(c) Undrawn Borrowing Facilities</b>		
<b>Credit Standby Arrangements</b>		
Credit card limit	25,000	25,000
Credit card balance at balance date	(7,772)	(13,395)
<b>Total amount of credit unused</b>	<b>17,228</b>	<b>11,605</b>

### SIGNIFICANT ACCOUNTING POLICIES

#### Financial liabilities

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

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

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

#### Borrowing costs

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

#### Risk

Information regarding exposure to risk can be found at Note 24.

### 13. EMPLOYEE RELATED PROVISIONS

#### Employee Related Provisions

#### Opening balance at 1 July 2018

Current provisions

Non-current provisions

Additional provision

Amounts used

Balance at 30 June 2019

#### Comprises

Current

Non-current

	Provision for Annual Leave \$	Provision for Long Service Leave \$	Total \$
Opening balance at 1 July 2018			
Current provisions	121,521	49,013	170,534
Non-current provisions	0	67,925	67,925
	121,521	116,938	238,459
Additional provision	(69,303)	(19,679)	(88,982)
Amounts used	65,973	5,915	71,888
Balance at 30 June 2019	118,191	103,174	221,365
Comprises			
Current	118,191	21,906	140,097
Non-current	0	81,268	81,268
	118,191	103,174	221,365

#### Amounts are expected to be settled on the following basis:

Less than 12 months after the reporting date

More than 12 months from reporting date

Expected reimbursements from other WA local governments

	Annual Leave		Long Service Leave	
	2019	2018	2019	2018
	\$	\$	\$	\$
Less than 12 months after the reporting date	118,191	121,521	21,906	49,013
More than 12 months from reporting date	0	0	87,947	91,104
Expected reimbursements from other WA local governments	0	0	(6,679)	(23,179)
	118,191	121,521	103,174	116,938

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

### SIGNIFICANT ACCOUNTING POLICIES

#### Employee benefits

##### Short-term employee benefits

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

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

##### Other long-term employee benefits

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.

## 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:

	2019 Actual	2019 Budget	2018 Actual
	\$	\$	\$
Cash and cash equivalents	10,633,767	10,565,576	12,408,650

### Reconciliation of Net Cash Provided By Operating Activities to Net Result

Net result	2,033,089	1,335,527	2,944,470
Non-cash flows in Net result:			
Depreciation	2,013,495	2,774,749	2,392,955
(Profit)/loss on sale of asset	5,458	7,500	(16,958)
Loss on revaluation of fixed assets	18,922	0	84,699
Changes in assets and liabilities:			
(Increase)/decrease in receivables	(164,296)	(181,993)	215,446
(Increase)/decrease in inventories	(5,549)	(1,843)	3,365
Increase/(decrease) in payables	1,209	765,495	244,718
Increase/(decrease) in provisions	(17,094)	0	42,348
Grants and non-operating contributions for the development of assets	(1,279,246)	(3,212,556)	(2,274,434)
Net cash from operating activities	2,605,988	1,486,879	3,636,609

## 15. TOTAL ASSETS CLASSIFIED BY FUNCTION AND ACTIVITY

	2019	2018
	\$	\$
Governance	5,100	4,800
General purpose funding	2,917,456	4,655,021
Law, order, public safety	175,145	148,199
Housing	2,247,252	2,728,067
Community amenities	3,297,165	3,022,633
Recreation and culture	5,024,438	4,434,493
Transport	118,404,566	115,292,110
Economic services	3,776,317	3,447,026
Other property and services	2,175,353	1,633,572
	<u>138,022,792</u>	<u>135,365,921</u>

## 16. CONTINGENT LIABILITIES

The Shire of Menzies has in compliance with the Contaminated Sites Act 2003 section 11 listed sites to be possible spources of contamination:

- Memorial M995306 ML, Lot 8 on Plan 222795 as shown in the certificate of title 1096/558 known as Shenton Street, Menzies WA 6436.

Until the Shire conducts an investigation to determine the presence and scope of contamination, assess the risk and degree with the Department of Water and Environment Regulation the need and criteria for remediation, the Shire is unable to accurately quantify its clean-up liabilities for potentially contaminated sites.

The Shire is continuing to monitor the sites and will progressively undertake site investigations and remediation on a risk based approach. This approach is consistant with the Department of Water and Environment Regulation guidelines.

## 17. CAPITAL AND LEASING COMMITMENTS

### (a) Capital Expenditure Commitments

Contracted for:

- capital expenditure projects

2019	2018
\$	\$
0	2,782,234
0	2,782,234

Payable:

- not later than one year

0 2,782,234

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

### (b) Operating Lease Commitments

Non-cancellable operating leases contracted for but not capitalised in the accounts.

Payable:

- not later than one year

- later than one year but not later than five years

2019	2018
\$	\$
41,607	41,607
66,774	1,083,006
108,381	1,124,613

## 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.

## 18. RELATED PARTY TRANSACTIONS

### Elected Members Remuneration

The following fees, expenses and allowances were paid to council members and/or the President.

	2019 Actual	2019 Budget	2018 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	34,938	37,000	33,876
Telecommunications allowance	7,699	7,700	7,700
	143,337	145,400	142,276

### Key Management Personnel (KMP) Compensation Disclosure

The total of remuneration paid to KMP of the Shire during the year are as follows:

	2019 Actual	2018 Actual
	\$	\$
Short-term employee benefits	377,093	409,412
Post-employment benefits	69,938	64,396
Other long-term benefits	44,387	20,252
Termination benefits	52,015	0
	543,433	494,060

#### Short-term employee benefits

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

#### Post-employment benefits

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

#### Other long-term benefits

These amounts represent long service benefits and annual leave benefits accruing during the year.

#### Termination benefits

These amounts represent termination benefits paid to KMP (Note: may or may not be applicable in any given year).

## 18. RELATED PARTY TRANSACTIONS (Continued)

### 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:	2019	2018
	Actual	Actual
	\$	\$
Sale of goods and services	6,818	6,573
Purchase of goods and services	0	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.

#### ii. Other Related Parties

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

#### iii. Entities subject to significant influence by the Shire

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

[illegible]

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

## Interests in joint arrangements (Continued)

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

## 20. MAJOR LAND TRANSACTIONS

The Shire did not participate in any major land transactions during the 2018/19 financial year.

## 21. CONDITIONS OVER GRANTS/CONTRIBUTIONS

Grant/Contribution	Opening Balance <sup>(1)</sup>	Received <sup>(2)</sup>	Expended <sup>(3)</sup>	Closing Balance <sup>(1)</sup>	Received <sup>(2)</sup>	Expended <sup>(3)</sup>	Closing Balance
	1/07/17	2017/18	2017/18	30/06/18	2018/19	2018/19	30/06/19
	\$	\$	\$	\$	\$	\$	\$
Law, order, public safety							
DFES Operating Grant	3,948	2,965	(4,580)	2,333	6,522	(5,170)	3,685
Transport							
Roads to Recovery	110,116	1,171,037	(1,281,153)	0	0	0	0
Tjuntjunjarra Access Road	61,200	146,223	(207,423)	0	0	0	0
<b>Total</b>	<b>175,264</b>	<b>1,320,225</b>	<b>(1,493,156)</b>	<b>2,333</b>	<b>6,522</b>	<b>(5,170)</b>	<b>3,685</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.

## 37

### (a) Rates

**Total amount raised from general rate**

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

## 22. RATING INFORMATION (Continued)

### (b) Interest Charges & Instalments

Instalment Options	Date Due	Instalment Plan Admin Charge \$	Instalment Plan Interest Rate %	Unpaid Rates Interest Rate %
<b>Option One</b>				
Payment in full by a single payment	20 Sep 2018	0.00	0.00%	11.00%
<b>Option Two</b>				
Payment in four equal instalments at intervals of not less than two months	20 Sep 2018	0.00	0.00%	11.00%
	22 Nov 2018	10.00	5.50%	11.00%
	24 Jan 2019	10.00	5.50%	11.00%
	21 Mar 2019	10.00	5.50%	11.00%
		<b>2019 Actual \$</b>	<b>2019 Budget \$</b>	<b>2018 Actual \$</b>
Interest on unpaid rates		96,879	114,501	120,191
Interest on instalment plan		8,513	0	3,965
Charges on instalment plan		8,792	6,875	7,944
		<b>114,184</b>	<b>121,376</b>	<b>132,100</b>

## 23. RATE SETTING STATEMENT INFORMATION

		2018/19 Budget (30 June 2019)	2018/19 Carried Forward) (30 June 2019)	2018/19 Brought Forward) (1 July 2018)
Note		\$	\$	\$
<b>(a) Non-cash amounts excluded from operating activities</b>				
The following non-cash revenue or expenditure has been excluded from amounts attributable to operating activities within the Rate Setting Statement in accordance with <i>Financial Management Regulation 32</i> .				
<b>Adjustments to operating activities</b>				
Less: Profit on asset disposals	9(a)	(18,401)	(15,000)	(28,141)
Movement in employee benefit provisions		(17,092)	0	42,348
Add: Loss on disposal of assets and assets expensed	9(a)	23,859	22,500	11,183
Add: Loss on revaluation of fixed assets	7(a), 8(a)	18,922	0	84,699
Add: Depreciation on assets	9(b)	2,013,495	2,774,749	2,392,955
<b>Non cash amounts excluded from operating activities</b>		<b>2,020,783</b>	<b>2,782,249</b>	<b>2,503,044</b>
<b>(b) Surplus/(deficit) after imposition of general rates</b>				
The following current assets and liabilities have been excluded from the net current assets used in the Rate Setting Statement in accordance with <i>Financial Management Regulation 32</i> to agree to the surplus/(deficit) after imposition of general rates.				
<b>Adjustments to net current assets</b>				
Less: Reserves - restricted cash	4	(8,497,246)	(9,672,578)	(8,366,631)
Add: Cash backed provision for leave		140,097	0	170,532
<b>Total adjustments to net current assets</b>		<b>(8,357,149)</b>	<b>(9,672,578)</b>	<b>(8,196,099)</b>
<b>Net current assets used in the Rate Setting Statement</b>				
Total current assets		11,372,983	11,372,578	12,978,021
Less: Total current liabilities		(1,020,860)	(1,700,000)	(1,050,088)
Less: Total adjustments to net current assets		(8,357,149)	(9,672,578)	(8,196,099)
<b>Net current assets used in the Rate Setting Statement</b>		<b>1,994,974</b>	<b>0</b>	<b>3,731,834</b>

## 24. FINANCIAL RISK MANAGEMENT

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

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

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

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

### (a) Interest rate risk

#### Cash and cash equivalents

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

Excess cash and cash equivalents are invested in fixed interest rate term deposits which do not expose the Shire to cash flow interest rate risk. Cash and cash equivalents required for working capital are held in variable interest rate accounts and non-interest bearing accounts. Carrying amounts of cash and cash equivalents at the 30 June and the weighted average interest rate across all cash and cash equivalents and term deposits held disclosed as financial assets at amortised cost are reflected in the table below.

	Weighted Average Interest Rate	Carrying Amounts	Fixed Interest Rate	Variable Interest Rate	Non Interest Bearing
	%	\$	\$	\$	\$
<b>2019</b>					
Cash and cash equivalents	1.79%	10,633,767	8,497,246	2,135,767	755
<b>2018</b>					
Cash and cash equivalents	1.68%	12,408,650	863,939	3,768,470	841

#### Sensitivity

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

	2019	2018
	\$	\$
Impact of a 1% movement in interest rates on profit and loss and equity*	21,358	37,685

\* Holding all other variables constant

#### Borrowings

Borrowings are subject to interest rate risk - the risk that movements in interest rates could adversely affect funding costs. The Shire manages this risk by borrowing long term and fixing the interest rate to the situation considered the most advantageous at the time of negotiation. The Shire does not consider there to be any interest rate risk in relation to borrowings. Details of interest rates applicable to each borrowing may be found at Note 12(b).

## 24. FINANCIAL RISK MANAGEMENT (Continued)

### (b) Credit risk

#### Trade Receivables

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

Credit risk on rates and annual charges is minimised by the ability of the Shire to recover these debts as a secured charge over the land, that is, the land can be sold to recover the debt. 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 applies the AASB 9 simplified approach to measuring expected credit losses using a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, rates receivable are separated from other trade receivables due to the difference in payment terms and security for rates receivable.

The expected loss rates are based on the payment profiles of rates and fees and charges over a period of 36 months before 1 July 2018 or 1 July 2019 respectively and the corresponding historical losses experienced within this period. Historical credit loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors such as the ability of ratepayers and residents to settle the receivables. Housing prices and unemployment rates have been identified as the most relevant factor in repayment rates, and accordingly adjustments are made to the expected credit loss rate based on these factors. There are no material receivables that have been subject to a re-negotiation of repayment terms.

The loss allowance as at 30 June 2019 (on adoption of AASB 9) was determined as follows for rates receivable.

	Current	More than 1 year past due	More than 2 years past due	More than 3 years past due	Total
<b>30 June 2019</b>					
Rates receivable					
Expected credit loss	0.27%	1.12%	24.65%	1.41%	
Gross carrying amount	294,341	105,667	85,605	342,570	828,183
Loss allowance	799	1,185	21,102	4,833	27,919

Additional \$385,257 allowance for impairment was provided mainly for mining rates known not to be recoverable.

No expected credit loss was forecast on 1 July 2018 as it was deemed immaterial.

No expected credit loss was forecast on 1 July 2018 or 30 June 2019 for sundry debtors as it was deemed immaterial.

## 24. FINANCIAL RISK MANAGEMENT (Continued)

### (c) Liquidity risk

#### Payables

Payables are subject to liquidity risk – that is the risk that insufficient funds may be on hand to meet payment obligations as and when they fall due. The Shire manages this risk by monitoring its cash flow requirements and liquidity levels and maintaining an adequate cash buffer. Payment terms can be extended and overdraft facilities drawn upon if required and disclosed in Note 12(c).

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

	Due within 1 year	Due between 1 & 5 years	Due after 5 years	Total contractual cash flows	Carrying values
	\$	\$	\$	\$	\$
<b>2019</b>					
Payables	855,371	0	0	855,371	855,371
	855,371	0	0	855,371	855,371
<b>2018</b>					
Payables	748,063	0	0	748,063	748,063
	748,063	0	0	748,063	748,063

## 25. TRUST FUNDS

Funds held at balance date which are required to be held in trust and which are not included in the financial statements are as follows:

	1 July 2018	Amounts Received	Amounts Paid	30 June 2019
	\$	\$	\$	\$
Housing bonds	1,680	0	(1,680)	0
Pet Bonds	200	0	(200)	0
	1,880	0	(1,880)	0

## 26. EVENTS OCCURRING AFTER THE END OF THE REPORTING PERIOD

The Shire did not have any events occurring after the end of the reporting period.

## 27. INITIAL APPLICATION OF AUSTRALIAN 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 associated with the amendment of existing standards, the only new standard with material application is AASB 9 *Financial Instruments*.

### AASB 9 Financial instruments

AASB 9 *Financial Instruments* replaces AASB 139 *Financial Instruments: Recognition and Measurement* for annual reporting periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Shire applied AASB 9 prospectively, with an initial application date of 1 July 2018. The adoption of AASB 9 has resulted in changes in accounting policies and no adjustments to the amounts recognised in the financial statements. In accordance with AASB 9.7.2.15, the Shire has not restated the comparative information which continues to be reported under AASB 139.

#### (a) Classification and measurement

Under AASB 9, financial assets are subsequently measured at amortised cost, fair value through other comprehensive income (fair value through OCI) or fair value through profit or loss (fair value through P/L). The classification is based on two criteria: the Shire's business model for managing the assets; and whether the assets' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding.

The assessment of the Shire's business model was made as of the date of initial application, 1 July 2018. The assessment of whether contractual cash flows on financial assets are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

## 27. INITIAL APPLICATION OF AUSTRALIAN ACCOUNTING STANDARDS (Continued)

The classification and measurement requirements of AASB 9 did not have a significant impact on the Shire. The following are the changes in the classification of the Shire's financial assets:

- Trade receivables and Loans and advances (i.e. Other debtors) classified as Loans and receivables as at 30 June 2018 are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. These are classified and measured as Financial assets at amortised cost beginning 1 July 2018.
- The Shire did not designate any financial assets as at fair value through profit and loss.

### (b) Impairment

The adoption of AASB 9 has fundamentally changed the Shire's accounting for impairment losses for financial assets by replacing AASB 139's incurred loss approach with a forward-looking expected credit loss (ECL) approach. AASB 9 requires the Shire to recognise an allowance for ECLs for all financial assets not held at fair value through P/L.

An assessment was performed to measure expected credit losses taking into account past events, current conditions and forecasts of future economic conditions. Any adjustments from adoption were deemed immaterial and have not been recognised directly in accumulated surplus/deficit.

## 28. CHANGE IN ACCOUNTING POLICY

Paragraph 17A (5) of *Local Government (Financial Management) Regulations 1996* came into operation on the 1 July 2018. The regulation stated an asset is to be excluded from the assets of a local government if the fair value of the asset at the date of acquisition by the local government is under \$5,000.

The Shire of Menzies has retrospectively applied the change in its accounting policy to comply with the regulation and excluded assets with a fair value of under \$5,000 at the time of acquisition from the assets of the Shire.

Based on the assessment performed, the Shire expensed \$19,800 in the Statement of Comprehensive Income for the current year given that the amount was considered immaterial to restate the retained surplus as at 1 July 2018.

The impacts of the changes in the accounting policy are disclosed at Note 7 and Note 9(a).

## 29. NEW ACCOUNTING STANDARDS AND INTERPRETATIONS FOR APPLICATION IN FUTURE YEARS

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.

This note explains management's assessment of the new and amended pronouncements that are relevant to the Shire, the impact of the adoption of AASB 15 *Revenue from Contracts with Customers*, AASB 16 *Leases* and AASB 1058 *Income for Not-for-Profit Entities*. These standards are applicable to future reporting periods and have not yet been adopted.

### (a) Revenue from Contracts with Customers

The Shire adopted AASB 15 *Revenue from Contracts with Customers* (issued December 2014) on 1 July 2019 resulting in changes in accounting policies. In accordance with the transition provisions AASB 15, the Shire adopted the new rules retrospectively with the cumulative effect of initially applying these rules recognised on 1 July 2019. In summary adoption of AASB 15 is expected to immaterially increase contract liabilities recognised on the balance sheet at the date of initial application. (1 July 2019).

### (b) Leases

The Shire adopted AASB 16 *Leases* retrospectively from 1 July 2019 which resulted in changes in accounting policies. In accordance with the transition provisions of AASB 16, the Shire has applied this Standard to its leases retrospectively, with the cumulative effect of initially applying AASB 16 recognised on 1 July 2019. In applying the AASB 16 under the specific transition provisions chosen, the Shire will not restate comparatives for prior reporting periods.

On adoption of AASB 16, the Shire will recognise lease liabilities in relation to leases which had previously been classified as an 'operating lease' applying AASB 117. These lease liabilities will be measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate on 1 July 2019.

On adoption of AASB 16, the Shire will recognise a right-of-use asset in relation to a lease which had previously been classified as an 'operating lease' applying AASB 117. This right-of-use asset is to be measured as if AASB 16 had been applied since its commencement date by the carrying amount but discounted using the lessee's incremental borrowing rate as on 1 July 2019.

On adoption of AASB 16 *Leases* (issued February 2016), for leases which had previously been classified as an 'operating lease' when applying AASB 117, the Shire is not required to make any adjustments on transition for leases for which the underlying asset is of low value. Assets for which the fair value as at the date of acquisition is under \$5,000 are not recognised as an asset in accordance with Financial Management Regulation 17A (5).

In applying AASB 16 for the first time, the Shire will use the following practical expedient permitted by the standard.

- The exclusion of initial direct costs from the measurement of the right-of-use asset at the date of initial application.

The Shire has assessed that, based on the number of operating leases held by the Shire, the impact is not considered to be material.

## 29. NEW ACCOUNTING STANDARDS AND INTERPRETATIONS FOR APPLICATION IN FUTURE YEARS (Continued)

### (c) Income For Not-For-Profit Entities

The Shire adopted AASB 1058 *Income for Not-for-Profit Entities* (issued December 2016) on 1 July 2019 which will result in changes in accounting policies. In accordance with the transition provisions AASB 1058, the Shire will adopt the new rules retrospectively with the cumulative effect of initially applying AASB 1058 recognised at 1 July 2019. Comparative information for prior reporting periods shall not be restated in accordance with AASB 1058 transition requirements.

In applying AASB 1058 retrospectively with the cumulative effect of initially applying the Standard on 1 July 2019, the impact of which is being assessed.

Prepaid rates are, until the taxable event for the rates has occurred, refundable at the request of the ratepayer. Therefore the rates received in advance give rise to a financial liability that is within the scope of AASB 9. On 1 July 2019 the prepaid rates will be recognised as a financial asset and a related amount recognised as a financial liability and no income recognised by the Shire. When the taxable event occurs the financial liability will be extinguished and the Shire will recognise income for the prepaid rates that have not been refunded.

Assets that were acquired for consideration, that were significantly less than fair value principally to enable the Shire to further its objectives, may have been measured on initial recognition under other Australian Accounting Standards at a cost that was significantly less than fair value. Such assets are not required to be remeasured at fair value.

**SHIRE OF MENZIES**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2019**

**30. 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 regularity to ensure the carrying value does not differ materially from that which would be determined using fair value at the end of the reporting period.

### 31. ACTIVITIES/PROGRAMS

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

#### PROGRAM NAME AND OBJECTIVES

##### GOVERNANCE

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

To collect revenue to allow for the provision of services.

The reporting of the Shire's general rating income and the recognition of the Western Australian Grants Commission payment together with interest on investments and costs associated with the collection of funds.

##### LAW, ORDER, PUBLIC SAFETY

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

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

##### HEALTH

To provide an operational framework for environmental and community health.

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

##### EDUCATION AND WELFARE

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

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

##### HOUSING

To provide and maintain housing.

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

##### COMMUNITY AMENITIES

To provide services required by the community.

Rubbish collection services, operation of rubbish disposal sites, litter control, construction and maintenance of urban storm water drains, protection of the environment and administration of town planning schemes, cemetery and public conveniences.

##### RECREATION AND CULTURE

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

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

##### TRANSPORT

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

Construction and maintenance of roads, grids, footpaths, depots, cycle ways, parking facilities and traffic control. Cleaning of streets and maintenance of street trees, street lighting and the maintenance of the Council's airstrips.

##### ECONOMIC SERVICES

To help promote the Shire and its economic well being.

The reporting of income and expenditure including the operation of Council's caravan park and administration of the Building Code of Australia.

##### OTHER PROPERTY AND SERVICES

To monitor and control Shire's overheads operating accounts.

Involves the expenditure and allocation of employee overheads and plant costs. Also included is the accounting for private works, salary and wages reconciliation and other incomes and expenditure not included elsewhere.

## 32. FINANCIAL RATIOS

	2019 Actual	2018 Actual	2017 Actual
Current ratio	3.26	5.24	9.59
Asset consumption ratio	0.98	0.99	0.79
Asset renewal funding ratio	N/A	N/A	1.00
Asset sustainability ratio	2.79	1.49	0.46
Debt service cover ratio	N/A	N/A	N/A
Operating surplus ratio	0.19	0.21	0.60
Own source revenue coverage ratio	0.64	0.61	0.59

The above ratios are calculated as follows:

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



## Auditor General

### INDEPENDENT AUDITOR'S REPORT

#### To the Councillors 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 2019, 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 2019 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 annual 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 annual financial report, which describes the basis of accounting. The annual financial report has been prepared for the purpose of fulfilling the Shire's annual 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 an annual financial report that is free from material misstatement, whether due to fraud or error.

In preparing the annual 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 annual 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 annual 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 annual 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 annual 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 annual financial report, including the disclosures, and whether the annual 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:

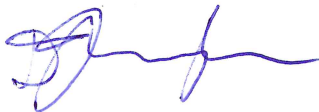
- (i) The following material matters indicating non-compliance with Part 6 of the *Local Government Act 1995*, the Local Government (Financial Management) Regulations 1996 or applicable financial controls of any other written law were identified during the course of my audit:
  - a. The Shire has not reported the Asset Renewal Funding Ratio for 2018 or 2019 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.
  - b. There was no independent review of reconciliations for the Shire's municipal or the cash maximiser and trust accounts.
  - c. There was no independent review of journals that have been input to the accounting system up to May 2019. Accounting journals can represent significant adjustments to previously approved accounting transactions, and should therefore be appropriately reviewed and approved.
- (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 ratios for 2017 in Note 32 of the annual financial report were audited by another auditor when performing their audit of the Shire for the year ending 30 June 2017. The auditor expressed an unmodified opinion on the annual financial report for that year.

### 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 2019 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 annual financial report described above. It does not provide an opinion on any other information which may have been hyperlinked to/from this annual financial report. If users of the annual 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 annual financial report to confirm the information contained in this website version of the annual financial report.



DON CUNNINGHAME  
ASSISTANT AUDITOR GENERAL FINANCIAL AUDIT  
Delegate of the Auditor General for Western Australia  
Perth, Western Australia  
19 December 2019

## SHIRE OF MENZIES

PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2019

## FINDINGS IDENTIFIED DURING THE FINAL AUDIT

INDEX OF FINDINGS	RATING		
	Significant	Moderate	Minor
1. Non-compliance with Local Government Regulations 1996	<input type="checkbox"/>		
<b>Prior year issues</b>			
2. Asset renewal funding ratio	<input type="checkbox"/>		

## 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.

## 1. Non-compliance with Local Government Regulations 1996

**Findings:**

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

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

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

**SHIRE OF MENZIES****PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2019****FINDINGS IDENTIFIED DURING THE FINAL AUDIT****Rating: Significant****Implication:**

Non-compliance with *Regulation 17A(5) of the Financial Management Regulations*, in addition assets balances are likely to be misstated.

**Recommendation:**

The Shire should

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

**Management Comment:**

An Attractive Items list has been maintained for the year ended 30 June 2019.

There are dedicated accounts in our new chart of accounts so that assets under \$5,000 are expensed. Capital jobs are reviewed for those that may have been budgeted as over \$5,000 but actually cost less than \$5,000.

**Responsible Person:**

Jeanette Taylor, Manager of Finance and Administration.

**Completion Date:**

Ongoing

**Prior year issue****2. Asset Renewal Funding Ratio****Finding:**

We noted that the Shire has not reported the asset renewal funding ratio for 2019 and 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.

**SHIRE OF MENZIES**

**PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2019**

**FINDINGS IDENTIFIED DURING THE FINAL AUDIT**

**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 and include asset renewal funding ratio in the Shire's financial report

**Management Comments:**

The Asset Management Plan is being reviewed this year by Moore Stephens.

**Responsible Person:**

Moore Stephens

**Completion Date:**

Was scheduled for November 2019, however due to unforeseen circumstances was delayed. Expected completion is early 2020.

## 12.1

### 12.1.2

### COMPLIANCE AUDIT RETURN 2019

<b>LOCATION:</b>	Shire of Menzies
<b>APPLICANT:</b>	Department of Local Government
<b>DOCUMENT REF:</b>	Department of Local Government
<b>DISCLOSURE OF INTEREST:</b>	Nil
<b>DATE:</b>	28 November 2019
<b>AUTHOR:</b>	Peter Money Chief Executive Officer
<b>ATTACHMENT:</b>	12.1.2-1 Draft Compliance Audit Return 2019

### SUMMARY

This item recommends that Council adopt the Compliance Audit Return 2019 as prepared by Moore Stephens.

### BACKGROUND

Each year, Council is required to complete an annual compliance audit return (CAR) for the calendar year immediately preceding (1<sup>st</sup> January to 31<sup>st</sup> December) as published by the Department for Local Government and Communities. The CAR is then to be reviewed by the Audit Committee and a report presented to Council prior to the adoption of the CAR.

This year, the CAR was again reviewed and completed by Moore Stephens, as part of the four year Shared Statutory Compliance Services agreement established through the Northern Goldfields Collaborative Group (NGCG). Tanya Browning, Manager Local Government Advisory from Moore Stephens attended the Shire offices from 29-31<sup>st</sup> January 2020, during which time the CAR was completed through interviews with senior staff and the inspection of various documents and records including:

- Minute books
- Tender Register
- Financial Interest & Return Register
- Complaints Register
- Delegations Register

The CAR is one of the tools that allow Council to monitor how the organisation is functioning in regard to compliance with the Local Government Act 1995 and provides the Audit and Risk Committee the opportunity to report to Council any cases of non-compliance or where full compliance was not achieved.

This process also provides opportunity for the Audit and Risk Committee to consider matters that may require further review within ongoing risk framework assessments and actions.

The Audit & Risk Committee reviewed the CAR at its meeting held 27 February 2020, and resolved to recommend the adoption of the report to the Council and that the Shire President and Chief Executive Officer be authorised to sign the Compliance Audit Return for submission to the Department of Local Government. Minutes of that meeting are attached to this report as well as the 2019 CAR.

Through the completion of the 2019 CAR, there were three instances of non-compliance noted, the first relating to review of delegations, the second relating to the lodgement of primary returns and the third relating to procurement under \$150,000 where insufficient evidence was available to support compliance with Council's purchasing policy.

During the review, it was noted delegations to committees and delegations made under Division 4 Part 5 of the *Local Government Act 1995* had not been reviewed during the 2018/19 financial year. The review of delegations was noted during the Review of Financial Management, Legislative Compliance and Internal Controls (performed in April 2019) and it is possible the changeover of staff very soon after the review contributed to the review of delegations not being undertaken. The review of delegations has now been completed at the Ordinary meeting of Council held 27 February 2020.

Primary returns are required to be lodged within three months of the start date of a relevant person. A primary return was noted as not being received within the required three months after the start day of a relevant person in the course of completing the review. The primary return has since been received, and the Chief Executive Officer has now prepared the necessary follow up reporting as required by legislation.

In relation to the procurement non-compliance, it was observed controls have improved in this area, however there were still instances noted during the review period where it was unable to be substantiated the appropriate number of quotations had been obtained in accordance with the purchasing policy. This matter was also noted in the 2018/19 management letter following the Shire's annual audit. Systems have been reviewed during 2019 to assist with managing compliance with the purchasing policy.

Systems are also now in place to provide shared statutory compliance services through the NGCG, in an effort to reduce the risk of future instances of non-compliance relating to these matters.

## **COMMENT**

As applicable

## **CONSULTATION**

Moore Stephens

## STATUTORY ENVIRONMENT

Regulation 14 of the *Local Government (Audit) Regulations 1996* provides that:

- (1) A local government is to carry out a compliance audit for the period 1 January to 31 December in each year;
- (2) After carrying out a compliance audit the local government is to prepare a compliance audit return in a form approved by the Minister;
- (3A) The local government's audit committee is to review the compliance audit return and is to report to the council the results of that review;
- (3) After the audit committee has reported to the council under sub regulation (3A), the compliance audit return is to be —
  - (a) presented to the council at a meeting of the council;
  - (b) adopted by the council; and
  - (c) recorded in the minutes of the meeting at which it is adopted.

Regulation 14 of the *Local Government (Audit) Regulations 1996* details the requirements with regard to certifying the CAR and issuing to the Departmental CEO

Section 7.13(1)(i) of the *Local Government Act 1995* refers to the provisions within regulations with regard to audits.

## POLICY IMPLICATIONS

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

## FINANCIAL IMPLICATIONS

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

## RISK ASSESSMENT

This item has been evaluated against the Shire's Risk Management Strategy, Risk Assessment Matrix. The perceived level of risk is medium prior to treatment.

## STRATEGIC IMPLICATIONS

### *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.

### *14.2 Strong sense of community maintained*

- Our community will have access to all necessary service requirements.

#### *14.3 Active civic leadership achieved*

- 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.

#### *14.4 Heritage & Natural assets conserved*

- Heritage and cultural places and items will be protected.
- A strengthening of our cultural and heritage awareness and values.

### **VOTING REQUIREMENTS**

Absolute Majority

### **OFFICERS RECOMMENDATION**

That the Council adopt the Compliance Audit Return for 2019 as shown in the attachment following this report, and that the Shire President and Chief Executive Officer be authorised to sign the Compliance Audit Return for submission to the Department of Local Government.

### **COUNCIL DECISION**

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

**SECONDED: Cr**

*Carried /*

### **SIGNATURE**

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Chief Executive Officer



Department of  
**Local Government, Sport  
and Cultural Industries**

## Menzies - Compliance Audit Return 2019

### Certified Copy of Return

Please submit a signed copy to the Director General of the Department of Local Government, Sport and Cultural Industries together with a copy of section of relevant minutes.

Commercial Enterprises by Local Governments					
No	Reference	Question	Response	Comments	Respondent
1	s3.59(2)(a)(b)(c) F&G Reg 7,9	Has the local government prepared a business plan for each major trading undertaking in 2019?	N/A		Moore Stephens
2	s3.59(2)(a)(b)(c) F&G Reg 7,10	Has the local government prepared a business plan for each major land transaction that was not exempt in 2019?	N/A		Moore Stephens
3	s3.59(2)(a)(b)(c) F&G Reg 7,10	Has the local government prepared a business plan before entering into each land transaction that was preparatory to entry into a major land transaction in 2019?	N/A		Moore Stephens
4	s3.59(4)	Has the local government complied with public notice and publishing requirements of each proposal to commence a major trading undertaking or enter into a major land transaction for 2019?	N/A		Moore Stephens
5	s3.59(5)	Did the Council, during 2019, resolve to proceed with each major land transaction or trading undertaking by absolute majority?	N/A		Moore Stephens



<b>Delegation of Power / Duty</b>					
<b>No</b>	<b>Reference</b>	<b>Question</b>	<b>Response</b>	<b>Comments</b>	<b>Respondent</b>
1	s5.16, 5.17, 5.18	Were all delegations to committees resolved by absolute majority?	N/A		Moore Stephens
2	s5.16, 5.17, 5.18	Were all delegations to committees in writing?	N/A		Moore Stephens
3	s5.16, 5.17, 5.18	Were all delegations to committees within the limits specified in section 5.17?	N/A		Moore Stephens
4	s5.16, 5.17, 5.18	Were all delegations to committees recorded in a register of delegations?	N/A		Moore Stephens
5	s5.18	Has Council reviewed delegations to its committees in the 2018/2019 financial year?	N/A		Moore Stephens
6	s5.42(1), 5.43 Admin Reg 18G	Did the powers and duties of the Council delegated to the CEO exclude those as listed in section 5.43 of the Act?	Yes		Moore Stephens
7	s5.42(1)(2) Admin Reg 18G	Were all delegations to the CEO resolved by an absolute majority?	Yes	Item 12.5.7 OMC 29/03/2018 Council resolution 1387	Moore Stephens
8	s5.42(1)(2) Admin Reg 18G	Were all delegations to the CEO in writing?	Yes	Delegations are in writing and signed within the delegations register. The register is available to all staff at the administration office.	Moore Stephens
9	s5.44(2)	Were all delegations by the CEO to any employee in writing?	Yes	Delegations are in writing and signed within the delegations register. The register is available to all staff at the administration office.	Moore Stephens
10	s5.45(1)(b)	Were all decisions by the Council to amend or revoke a delegation made by absolute majority?	N/A		Moore Stephens
11	s5.46(1)	Has the CEO kept a register of all delegations made under the Act to him and to other employees?	Yes		Moore Stephens
12	s5.46(2)	Were all delegations made under Division 4 of Part 5 of the Act reviewed by the delegator at least once during the 2018/2019 financial year?	No	Last review 29/03/2018 Item 12.5.7 OMC 29/03/2018 Council resolution 1387.	Moore Stephens
13	s5.46(3) Admin Reg 19	Did all persons exercising a delegated power or duty under the Act keep, on all occasions, a written record as required?	Yes	Monthly report submitted to Council	Moore Stephens

<b>Disclosure of Interest</b>					
<b>No</b>	<b>Reference</b>	<b>Question</b>	<b>Response</b>	<b>Comments</b>	<b>Respondent</b>



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No	Reference	Question	Response	Comments	Respondent
1	s5.67	If a member disclosed an interest, did he/she ensure that they did not remain present to participate in any discussion or decision-making procedure relating to the matter in which the interest was disclosed (not including participation approvals granted under s5.68)?	Yes		Moore Stephens
2	s5.68(2)	Were all decisions made under section 5.68(1), and the extent of participation allowed, recorded in the minutes of Council and Committee meetings?	N/A		Moore Stephens
3	s5.73	Were disclosures under section 5.65 or 5.70 recorded in the minutes of the meeting at which the disclosure was made?	Yes		Moore Stephens
4	s5.73	Where the CEO had an interest relating to a gift under section 5.71A(1), was written notice given to the Council?	N/A		Moore Stephens
5	s5.73	Where the CEO had an interest relating to a gift in a matter in respect of a report another employee is providing advice on under section 5.71A (3), was the nature of interest disclosed when the advice or report was provided?	N/A		Moore Stephens
6	s5.75(1) Admin Reg 22 Form 2	Was a primary return lodged by all newly elected members within three months of their start day?	No		Moore Stephens
7	s5.75(1) Admin Reg 22 Form 2	Was a primary return lodged by all newly designated employees within three months of their start day?	Yes		Moore Stephens
8	s5.76(1) Admin Reg 23 Form 3	Was an annual return lodged by all continuing elected members by 31 August 2019?	Yes		Moore Stephens
9	s5.76(1) Admin Reg 23 Form 3	Was an annual return lodged by all designated employees by 31 August 2019?	Yes		Moore Stephens
10	s5.77	On receipt of a primary or annual return, did the CEO, (or the Mayor/ President in the case of the CEO's return) on all occasions, give written acknowledgment of having received the return?	Yes		Moore Stephens
11	s5.88(1)(2) Admin Reg 28	Did the CEO keep a register of financial interests which contained the returns lodged under section 5.75 and 5.76?	Yes		Moore Stephens
12	s5.88(1)(2) Admin Reg 28	Did the CEO keep a register of financial interests which contained a record of disclosures made under sections 5.65, 5.70 and 5.71, in the form prescribed in Administration Regulation 28?	Yes		Moore Stephens
13	s5.89A Admin Reg 28A	Did the CEO keep a register of gifts which contained a record of disclosures made under section 5.71A, in the form prescribed in Administration Regulation 28A?	Yes		Moore Stephens



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No	Reference	Question	Response	Comments	Respondent
14	s5.88 (3)	Has the CEO removed all returns from the register when a person ceased to be a person required to lodge a return under section 5.75 or 5.76?	Yes		Moore Stephens
15	s5.88(4)	Have all returns lodged under section 5.75 or 5.76 and removed from the register, been kept for a period of at least five years, after the person who lodged the return ceased to be a council member or designated employee?	Yes		Moore Stephens
16	s5.103 Admin Reg 34C & Rules of Conduct Reg 11	Where an elected member or an employee disclosed an interest in a matter discussed at a Council or committee meeting where there was a reasonable belief that the impartiality of the person having the interest would be adversely affected, was it recorded in the minutes?	N/A		Moore Stephens
17	s5.70(2)	Where an employee had an interest in any matter in respect of which the employee provided advice or a report directly to the Council or a Committee, did that person disclose the nature of that interest when giving the advice or report?	N/A		Moore Stephens
18	s5.70(3)	Where an employee disclosed an interest under s5.70(2), did that person also disclose the extent of that interest when required to do so by the Council or a Committee?	N/A		Moore Stephens
19	s5.103(3) Admin Reg 34B	Has the CEO kept a register of all notifiable gifts received by Council members and employees?	Yes		Moore Stephens

### Disposal of Property

No	Reference	Question	Response	Comments	Respondent
1	s3.58(3)	Was local public notice given prior to disposal for any property not disposed of by public auction or tender (except where excluded by Section 3.58(5))?	N/A		Moore Stephens
2	s3.58(4)	Where the local government disposed of property under section 3.58(3), did it provide details, as prescribed by section 3.58(4), in the required local public notice for each disposal of property?	N/A		Moore Stephens



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<b>Elections</b>					
<b>No</b>	<b>Reference</b>	<b>Question</b>	<b>Response</b>	<b>Comments</b>	<b>Respondent</b>
1	Elect Reg 30G (1) (2)	Did the CEO establish and maintain an electoral gift register and ensure that all 'disclosure of gifts' forms completed by candidates and received by the CEO were placed on the electoral gift register at the time of receipt by the CEO and in a manner that clearly identifies and distinguishes the candidates?	Yes		Moore Stephens
2	Elect Reg 30G(3) & (4)	Did the CEO remove any 'disclosure of gifts' forms relating to an unsuccessful candidate or a successful candidate that completed the term of office from the electoral gift register, and retain those forms separately for a period of at least 2 years?	N/A		Moore Stephens

<b>Finance</b>					
<b>No</b>	<b>Reference</b>	<b>Question</b>	<b>Response</b>	<b>Comments</b>	<b>Respondent</b>
1	s7.1A	Has the local government established an audit committee and appointed members by absolute majority in accordance with section 7.1A of the Act?	Yes	OMC 31/10/2019 item 11.2	Moore Stephens
2	s7.1B	Where a local government determined to delegate to its audit committee any powers or duties under Part 7 of the Act, did it do so by absolute majority?	N/A	Audit committee has no delegated authority	Moore Stephens
3	s7.3(1)	Was the person(s) appointed by the local government under s7.3(1) to be its auditor, a registered company auditor?	N/A	Office of the Auditor General (OAG) was appointed auditor for 2017/18 & 2018/19	Moore Stephens
4	s7.3(1), 7.6(3)	Was the person or persons appointed by the local government to be its auditor, appointed by an absolute majority decision of Council?	N/A		Moore Stephens
5	Audit Reg 10	Was the Auditor's report(s) for the financial year(s) ended 30 June received by the local government within 30 days of completion of the audit?	Yes		Moore Stephens
6	s7.9(1)	Was the Auditor's report for the financial year ended 30 June 2019 received by the local government by 31 December 2019?	Yes	Received 19/12/2019	Moore Stephens
7	S7.12A(3)	Where the local government determined that matters raised in the auditor's report prepared under s7.9 (1) of the Act required action to be taken, did the local government, ensure that appropriate action was undertaken in respect of those matters?	N/A	No OMC since 2019 report received in December 2019 from auditors. Will be considered at next meeting.	Moore Stephens



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No	Reference	Question	Response	Comments	Respondent
8	S7.12A (4)	Where the auditor identified matters as significant in the auditor's report (prepared under s7.9(1) of the Act), did the local government prepare a report stating what action had been taken or it intended to take with respect to each of the matters and give a copy to the Minister within 3 months after receipt of the audit report?	N/A	No OMC since 2019 report received in December 2019 from auditors. Report will be considered at next meeting.	Moore Stephens
9	S7.12A (5)	Within 14 days after the local government gave a report to the Minister under s7.12A(4)(b), did the CEO publish a copy of the report on the local government's official website?	N/A		Moore Stephens
10	Audit Reg 7	Did the agreement between the local government and its auditor include the objectives of the audit?	N/A		Moore Stephens
11	Audit Reg 7	Did the agreement between the local government and its auditor include the scope of the audit?	N/A		Moore Stephens
12	Audit Reg 7	Did the agreement between the local government and its auditor include a plan for the audit?	N/A		Moore Stephens
13	Audit Reg 7	Did the agreement between the local government and its auditor include details of the remuneration and expenses to be paid to the auditor?	N/A		Moore Stephens
14	Audit Reg 7	Did the agreement between the local government and its auditor include the method to be used by the local government to communicate with, and supply information to, the auditor?	N/A		Moore Stephens



<b>Integrated Planning and Reporting</b>					
<b>No</b>	<b>Reference</b>	<b>Question</b>	<b>Response</b>	<b>Comments</b>	<b>Respondent</b>
1	s5.56 Admin Reg 19DA (6)	Has the local government adopted a Corporate Business Plan. If Yes, please provide adoption date of the most recent Plan in Comments?	Yes	Item 12.4.2 OMC 25/07/2019	Moore Stephens
2	s5.56 Admin Reg 19DA (4)	Has the local government reviewed the Corporate Business Plan in the 2018-2019 Financial Year. If Yes, please provide date of Council meeting the review was adopted at?	N/A	No review since adoption of 2019-23 plan as above	Moore Stephens
3	s5.56 Admin Reg 19C	Has the local government adopted a Strategic Community Plan. If Yes, please provide adoption date of the most recent Plan in Comments?	Yes	SCP 2013-2023 adopted at OMC 24/04/2013 (item 12.4.3)	Moore Stephens
4	s5.56 Admin Reg 19C (4)	Has the local government reviewed the current Strategic Community Plan. If Yes, please provide date of most recent review by Council in Comments.  Note: If the current Strategic Community Plan was adopted after 1/1/2016, please respond N/A and provide adoption date in Comments?	Yes	Item 12.5.3 OMC 30/07/2015. Major review currently being undertaken.	Moore Stephens
5	S5.56 Admin Reg 19DA (3)	Has the local government developed an Asset Management Plan(s) that covers all asset classes. If Yes, please provide the date of the most recent Plan adopted by Council in Comments?	Yes	Asset Management Framework 2013-2017 adopted OMC 27/06/2013 (item 12.4.5)  Review of the AMP is currently in progress through engagement of consultants.	Moore Stephens
6	S5.56 Admin Reg 19DA (3)	Has the local government developed a Long Term Financial Plan. If Yes, please provide the adoption date of the most recent Plan in Comments?	Yes	LTFP 2014-2029 adopted 01/08/2013 (item 12.4.4)  Review of the LTFP is currently in progress through engagement of consultants.	Moore Stephens
7	S5.56 Admin Reg 19DA (3)	Has the local government developed a Workforce Plan. If Yes, please provide adoption date of the most recent Plan in comments?	Yes	WFP 2013-2017 adopted 29/11/2012 (item 11.4.4)  Review of the WFP is currently in progress through engagement of consultants.	Moore Stephens



<b>Local Government Employees</b>					
<b>No</b>	<b>Reference</b>	<b>Question</b>	<b>Response</b>	<b>Comments</b>	<b>Respondent</b>
1	Admin Reg 18C	Did the local government approve the process to be used for the selection and appointment of the CEO before the position of CEO was advertised?	Yes	OMC 25/10/2018 (item 12.5.6)	Moore Stephens
2	s5.36(4) s5.37(3), Admin Reg 18A	Were all vacancies for the position of CEO and other designated senior employees advertised and did the advertising comply with s.5.36(4), 5.37(3) and Admin Reg 18A?	Yes	CEO vacancy advertised as required	Moore Stephens
3	Admin Reg 18F	Was the remuneration and other benefits paid to a CEO on appointment the same remuneration and benefits advertised for the position of CEO under section 5.36(4)?	Yes		Moore Stephens
4	Admin Regs 18E	Did the local government ensure checks were carried out to confirm that the information in an application for employment was true (applicable to CEO only)?	Yes		Moore Stephens
5	s5.37(2)	Did the CEO inform Council of each proposal to employ or dismiss a designated senior employee?	Yes	OMC 28/03/2019 (item 14.2)	Moore Stephens



<b>Official Conduct</b>					
<b>No</b>	<b>Reference</b>	<b>Question</b>	<b>Response</b>	<b>Comments</b>	<b>Respondent</b>
1	s5.120	Where the CEO is not the complaints officer, has the local government designated a senior employee, as defined under s5.37, to be its complaints officer?	N/A	CEO is complaints officer	Moore Stephens
2	s5.121(1)	Has the complaints officer for the local government maintained a register of complaints which records all complaints that result in action under s5.110(6)(b) or (c)?	Yes		Moore Stephens
3	s5.121(2)(a)	Does the complaints register maintained by the complaints officer include provision for recording of the name of the council member about whom the complaint is made?	Yes		Moore Stephens
4	s5.121(2)(b)	Does the complaints register maintained by the complaints officer include provision for recording the name of the person who makes the complaint?	Yes		Moore Stephens
5	s5.121(2)(c)	Does the complaints register maintained by the complaints officer include provision for recording a description of the minor breach that the standards panel finds has occurred?	Yes		Moore Stephens
6	s5.121(2)(d)	Does the complaints register maintained by the complaints officer include the provision to record details of the action taken under s5.110(6)(b) or (c)?	Yes		Moore Stephens



Optional Questions					
No	Reference	Question	Response	Comments	Respondent
1	Financial Management Reg 5 (2)(c)	Did the CEO review the appropriateness and effectiveness of the local government's financial management systems and procedures in accordance with Local Government (Financial Management) Regulation 5 (2)(c) within the 3 years prior to 31 December 2019? If yes, please provide date of Council resolution in comments?	Yes	OMC 25/07/2019 (item 12.4.3)	Moore Stephens
2	Audit Reg 17	Did the CEO review the appropriateness and effectiveness of the local government's systems and procedures in relation to risk management, internal control and legislative compliance in accordance with Local Government (Audit) Regulation 17 within the 3 years prior to 31 December 2019? If yes, please provide date of Council resolution in comments?	Yes	OMC 25/07/2019 (item 12.4.3)	Moore Stephens
3	Financial Management Reg 5A.	Did the local government provide AASB 124 related party information in its annual report(s) tabled at an electors meeting(s) during calendar year 2019?	Yes	Page 52 of 2017/18 annual report.	Moore Stephens
4	S6.4(3)	Did the local government submit to its auditor by 30 September 2019 the balanced accounts and annual financial report for the year ending 30 June 2019?	No	Extension was approved to submit by 31 October 2019, and compliance was met with this amended deadline.	Moore Stephens

Tenders for Providing Goods and Services					
No	Reference	Question	Response	Comments	Respondent
1	s3.57 F&G Reg 11	Did the local government invite tenders on all occasions (before entering into contracts for the supply of goods or services) where the consideration under the contract was, or was expected to be, worth more than the consideration stated in Regulation 11(1) of the Local Government (Functions & General) Regulations (Subject to Functions and General Regulation 11(2))?	Yes		Moore Stephens
2	F&G Reg 12	Did the local government comply with F&G Reg 12 when deciding to enter into multiple contracts rather than inviting tenders for a single contract?	N/A		Moore Stephens
3	F&G Reg 14(1) & (3)	Did the local government invite tenders via Statewide public notice?	Yes		Moore Stephens
4	F&G Reg 14 & 15	Did the local government's advertising and tender documentation comply with F&G Regs 14, 15 & 16?	Yes		Moore Stephens



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No	Reference	Question	Response	Comments	Respondent
5	F&G Reg 14(5)	If the local government sought to vary the information supplied to tenderers, was every reasonable step taken to give each person who sought copies of the tender documents or each acceptable tenderer, notice of the variation?	Yes		Moore Stephens
6	F&G Reg 16	Did the local government's procedure for receiving and opening tenders comply with the requirements of F&G Reg 16?	Yes		Moore Stephens
7	F&G Reg 18(1)	Did the local government reject the tenders that were not submitted at the place, and within the time specified in the invitation to tender?	Yes		Moore Stephens
8	F&G Reg 18 (4)	In relation to the tenders that were not rejected, did the local government assess which tender to accept and which tender was most advantageous to the local government to accept, by means of written evaluation criteria?	Yes		Moore Stephens
9	F&G Reg 17	Did the information recorded in the local government's tender register comply with the requirements of F&G Reg 17 and did the CEO make the tenders register available for public inspection?	Yes		Moore Stephens
10	F&G Reg 19	Did the CEO give each tenderer written notice advising particulars of the successful tender or advising that no tender was accepted?	Yes		Moore Stephens
11	F&G Reg 21 & 22	Did the local governments advertising and expression of interest documentation comply with the requirements of F&G Regs 21 and 22?	N/A		Moore Stephens
12	F&G Reg 23(1)	Did the local government reject the expressions of interest that were not submitted at the place and within the time specified in the notice?	N/A		Moore Stephens
13	F&G Reg 23(4)	After the local government considered expressions of interest, did the CEO list each person considered capable of satisfactorily supplying goods or services?	N/A		Moore Stephens
14	F&G Reg 24	Did the CEO give each person who submitted an expression of interest, a notice in writing in accordance with Functions & General Regulation 24?	N/A		Moore Stephens
15	F&G Reg 24AC (1) & (2)	Has the local government established a policy on procurement of goods and services from pre-qualified suppliers in accordance with the regulations?	N/A		Moore Stephens
16	F&G Reg 24AD(2)	Did the local government invite applicants for a panel of pre-qualified suppliers via Statewide public notice?	N/A		Moore Stephens
17	F&G Reg 24AD(4) & 24AE	Did the local government's advertising and panel documentation comply with F&G Regs 24AD(4) & 24AE?	N/A		Moore Stephens



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No	Reference	Question	Response	Comments	Respondent
18	F&G Reg 24AF	Did the local government's procedure for receiving and opening applications to join a panel of pre-qualified suppliers comply with the requirements of F&G Reg 16 as if the reference in that regulation to a tender were a reference to a panel application?	N/A		Moore Stephens
19	F&G Reg 24AD(6)	If the local government sought to vary the information supplied to the panel, was every reasonable step taken to give each person who sought detailed information about the proposed panel or each person who submitted an application, given notice of the variation?	N/A		Moore Stephens
20	F&G Reg 24AH(1)	Did the local government reject the applications to join a panel of pre-qualified suppliers that were not submitted at the place, and within the time specified in the invitation for applications?	N/A		Moore Stephens
21	F&G Reg 24AH(3)	In relation to the applications that were not rejected, did the local government assess which application (s) to accept and which application(s) were most advantageous to the local government to accept, by means of written evaluation criteria?	N/A		Moore Stephens
22	F&G Reg 24AG	Did the information recorded in the local government's tender register about panels of pre-qualified suppliers, comply with the requirements of F&G Reg 24AG?	N/A		Moore Stephens
23	F&G Reg 24AI	Did the CEO send each person who submitted an application, written notice advising if the person's application was accepted and they are to be part of a panel of pre-qualified suppliers, or, that the application was not accepted?	N/A		Moore Stephens
24	F&G Reg 24E	Where the local government gave a regional price preference, did the local government comply with the requirements of F&G Reg 24E including the preparation of a regional price preference policy?	N/A		Moore Stephens
25	F&G Reg 24F	Did the local government comply with the requirements of F&G Reg 24F in relation to an adopted regional price preference policy?	Yes	OMC 29/11/2012 (item 11.4.5 decision number 0256)	Moore Stephens
26	F&G Reg 11A	Does the local government have a current purchasing policy that comply with F&G Reg 11A(3) in relation to contracts for other persons to supply goods or services where the consideration under the contract is, or is expected to be, \$150,000 or less?	Yes	Policy 4.2 Purchasing Policy	Moore Stephens



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No	Reference	Question	Response	Comments	Respondent
27	F&G Reg 11A	Did the local government comply with it's current purchasing policy in relation to the supply of goods or services where the consideration under the contract is, or is expected to be \$150,000 or less or worth \$150,000 or less?	No	Non compliance noted in audit report. Systems and procedures since reviewed in an effort to reduce future potential non compliance.	Moore Stephens

I certify this Compliance Audit return has been adopted by Council at its meeting on \_\_\_\_\_

\_\_\_\_\_  
Signed Mayor / President, Menzies

\_\_\_\_\_  
Signed CEO, Menzies

## 12.1

### 12.1.3

### SIGNIFICANT AUDIT FINDINGS 2018/2019

<b>LOCATION:</b>	Shire of Menzies
<b>APPLICANT:</b>	Shire of Menzies
<b>DOCUMENT REF:</b>	As Applicable
<b>DISCLOSURE OF INTEREST:</b>	Nil
<b>DATE:</b>	27 February 2020
<b>AUTHOR:</b>	Peter Money Chief Executive Officer
<b>ATTACHMENT:</b>	Nil

#### **SUMMARY:**

This item recommends the Audit Committee refer this report to Council for adoption.

#### **BACKGROUND:**

If the Auditor General or a local government's appointed auditor reports a significant matter in an Audit Report, Section 7.12A of the Local Government Act 1995 (the Act) requires a response from the local government. The requirements of these responses are:

- a. Upon receipt of the Auditor's report, the local government must prepare a report for its Audit Committee to address the significant matters raised and outline what action(s) the local government has taken or intends to take in respect of each of the matters raised;
- b. The Audit Committee Minutes and the Report to the Minister are referred to Council for proper review and endorsement of any proposed actions;
- c. Within three (3) months of receipt of the Auditor's report, a copy of the Council-endorsed report must be provided to the Minister; and
- d. Within 14 days of providing a copy of the report to the Minister, a copy must be published on the local government's website.

A local government is not considered compliant with its statutory obligations until all of the above actions have been completed.

## **COMMENT:**

There were two (2) matters identified as significant in the 2018/2019 Audit and these are recorded below with the actions already taken or yet to be taken:

### **1. Ongoing FINDING**

#### **Findings:**

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

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

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

#### **Rating: Significant**

#### **Implication:**

Non-compliance with regulation 17A(5) of the Financial Management Regulations , in addition assets balances are likely to be misstated.

#### **Recommendation:**

The Shire should:

- a. review the fixed asset register to ensure all items acquired for less than \$5,000 have been expensed.
- b. consider monitoring the assets excluded from the fixed asset register by including all or some of these assets in 'attractive items register'

#### **Management Comment:**

An Attractive Items list has been maintained for the year ended 30 June 2019.

There are dedicated accounts in our new chart of accounts so that assets under \$5,000 are expensed. Capital jobs are reviewed for those that may have been budgeted as over \$5,000 but actually cost less than \$5,000.

#### **Responsible Person:**

Jeanette Taylor, Manager of Finance and Administration.

**Completion Date:** Ongoing

**Prior Year Issue**  
**Asset Renewal Funding Ratio**

**Finding:**

We noted that the Shire has not reported the asset renewal funding ratio for 2019 and 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 and include asset renewal funding ratio in the Shire's financial report

**Management Comments:**

The Asset Management Plan is being reviewed this year by Moore Stephens.

**Responsible Person:**

Moore Stephens

**Completion Date:**

This was scheduled for November 2019, however due to unforeseen circumstances was delayed.

Expected completion is early 2020.

**CONSULTATION:**

Jeanette Taylor - MFA

**STATUTORY ENVIRONMENT:**

Local Government (Audit) Regulations 16

**POLICY IMPLICATIONS:**

Nil.

## FINANCIAL IMPLICATIONS:

Nil.

## RISK ASSESSMENT:

<u><b>Risk Statement</b></u>	<u><b>Level of Risk</b></u>	<u><b>Risk Mitigation Strategy</b></u>
Failure to comply with Regulations can lead to misstatements	Significant	All the matters considered significant have been corrected and processes implemented to prevent further occurrences

## STRATEGIC IMPLICATIONS:

### *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 refers this report to Council for adoption.

## COUNCIL DECISION

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

**SECONDED: Cr**

*Carried /*

## 12.1

### 12.1.4 RISK MANAGEMENT ACTIVITIES UPDATE DECEMBER 2019

<b>LOCATION:</b>	Shire of Menzies
<b>APPLICANT:</b>	Shire of Menzies
<b>DOCUMENT REF:</b>	As Applicable
<b>DISCLOSURE OF INTEREST:</b>	Nil
<b>DATE:</b>	27 February 2020
<b>AUTHOR:</b>	Peter Money Chief Executive Officer
<b>ATTACHMENT:</b>	12.1.4-1 Risk Profiles Dec 2019 12.1.4-2 Risk Summary Report Dec 2019

#### SUMMARY:

That Council receive the draft risk profiles as attached and the above report updating risk management activities undertaken to date.

#### 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 the delivery of statutory support and compliance services.

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

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

This report would usually be presented to the Audit Committee but was not received in time and the December 2019 Audit Meeting did not happen due to there being no quorum.

#### **COMMENT:**

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

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

In August 2019, Moore Stephens conducted a site visit with the NGCG to review and update the risk profiles for each local government, and to populate the draft risk register with updated controls to calculate residual risks to be reported to the Audit and Risk Committee. The risk profiles are attached for the Committee’s information and to be utilised to further update the risk register. The risk register is to be also updated with applicable recommendations (including best practice initiatives) resulting from focus audits and other reports recently published by the Office of the Auditor General (OAG) relating to the local government sector, in consultation with staff.

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

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

<b>Risk Category</b>	<b>No. Of High Or Extreme Rated Risks Identified</b>	<b>No. Of High Or Extreme Rated Risks After Treatment</b>	<b>No. Of New Risks Identified (September 2019)</b>	<b>No. Of Risks Closed (September 2019)</b>
Performance	2	1	0	0
Environmental	2	2	0	0
Reputational Damage	2	2	0	0
Financial	4	2	0	0
Service Delivery / Business Interruption	4	3	0	0
Legislative / Regulatory / Policy/ Occupational Safety and Health	5	3	0	0

## **CONSULTATION:**

Tanya Browning – Moore Stephens

## **STATUTORY ENVIRONMENT:**

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

## **POLICY IMPLICATIONS:**

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

## **FINANCIAL IMPLICATIONS:**

Provision is included in the 2019/20 Adopted Budget for Moore Stephens to deliver Statutory Compliance Services, including risk management, in line with the awarded tender.

## **RISK ASSESSMENT:**

One of Council's responsibilities in risk management is to be satisfied risks are identified, managed and controlled appropriately, to achieve Shire's strategic objectives, as well as to support the allocation of funds / resources to treat risks as required.

The Chief Executive Officer and executive team plays a key role in the establishment and development of an effective risk management framework. To ensure the successful delivery of the Strategic Planning objectives, the strategy requires ongoing monitoring and revision for alignment to the Plan for the Future.

One role of the audit committee is to monitor identified strategic high-level risks and their treatment solutions to ensure the community receives the services delivered effectively as outlined within the Plan for the Future.

Monitoring and reviewing activities will continue to provide evidence of the appropriateness and effectiveness of systems and procedures in regard to risk management, internal control and legislative compliance, as required by the *Local Government (Audit) Regulations 1996*. The Risk Management Strategy also provides direction for the implementation of risk management activities.

Strategic references within the Shire of Menzies Strategic Community Plan 2013-2023 demonstrate connections between services and the desired outcomes and community vision for the Shire of Menzies, particularly in relation to Governance services in this instance such as 14.3.5 Sustainable Resource Management - Ensure resources are managed effectively; Prepare timely accurate reports on the Shire's activities, budgets, plans and performance..

This item has been evaluated against the Shire of Menzies' Risk Management Strategy, Risk Assessment Matrix. The perceived level of risk is high prior to treatment, the progression of risk management activities aligned with the Risk Management Strategy will reduce the risk to low.

## **STRATEGIC IMPLICATIONS:**

### *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 Council receive the draft risk profiles as attached and the above report updating risk management activities undertaken to date.

## **COUNCIL DECISION**

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

**SECONDED: Cr**

*Carried /*

## Risk Category (as defined within Risk Management Strategy): Performance

### Risk Description and Scope:

Ability to achieve key outcomes, within current resources, potential loss of infrastructure, including (but not limited to):

- Monitoring deliverables with external suppliers
- Poor management of external contractors/suppliers
- Supplier sustainability
- Infrastructure outputs not meeting expectations
- Assets not fit for purpose or inadequately designed
- Ineffective usage and downtime of assets
- Maintenance and planning
- Financial management associated with asset management practices

### Causes:

- Failures in contract management processes, including planning and monitoring
- Poor procurement processes
- Funding restrictions
- Complexity / specialised work and lack of internal skills and resources
- Geographical isolation and availability of suitable vendors
- Poor or inadequate scheduling of maintenance and inspections
- Historical practices and existing contracts
- Inadequate skill level and/or training of personnel

### Controls:

Appropriate?	Effectiveness:	Controls in Place:
Yes	Partially Effective	Asset management plan
Yes	Partially Effective	Fleet management system
Yes	Partially Effective	Contract register
Yes	Ineffective	Review meetings (to be implemented)
Yes	Partially Effective	Monitoring processes and maintenance schedules
Yes	Effective	Legal advice (contract review and development)
Yes	Ineffective	Financial assessments undertaken for contract works over a nominated threshold

### Risk Treatments:

Date First Identified:	Responsible Officer:	Due Date:	Risk Treatments/ Actions/ Updates:
1/02/2019	CEO	31/03/2020	<ul style="list-style-type: none"> <li>• Review standard tender/RFQ/contract content</li> </ul>
1/02/2019	MFA	31/03/2020	<ul style="list-style-type: none"> <li>• Procurement and evaluation training refresher to relevant officers</li> </ul>
1/02/2019	CEO	30/06/2020	<ul style="list-style-type: none"> <li>• Review / update asset management plan and long term financial plan</li> </ul>
1/02/2019	CEO	31/03/2020	<ul style="list-style-type: none"> <li>• Articulate maintenance and inspection schedules</li> </ul>
1/02/2019	CEO	30/06/2020	<ul style="list-style-type: none"> <li>• Define levels of service</li> </ul>
1/02/2019	MFA	30/06/2020	<ul style="list-style-type: none"> <li>• Establish contract register</li> </ul>
1/02/2019	CEO	30/06/2020	<ul style="list-style-type: none"> <li>• Implement system where review meetings are regularly held</li> </ul>

**Risk Category (as defined within Risk Management Strategy):****Environmental Risk****Risk Description and Scope:**

Harm to the environment, through inadequate prevention, identification, enforcement and management of environmental issues, including (but not limited to):

- Failure to identify and effectively manage contaminated sites (including groundwater)
- Waste facilities (landfill and liquid waste)
- Weed control
- Inadequate control and management of reclaimed water (irrigation etc)
- Illegal dumping
- Illegal clearing and/or land use

**Causes:**

- Inadequate local laws/planning schemes
- Deficiencies in relation to management of waste facilities
- Poor systems and processes / reporting controls
- Insufficient comprehension of management and compliance requirements

**Controls:**

Appropriate?	Effectiveness:	Controls in Place:
Yes	Ineffective	Landfill / Waste Management Plans (to be developed/reviewed)
Yes	Ineffective	Staffing and Supervision at landfill and waste sites (to be reviewed)
Yes	Effective	Planning Application Process
Yes	Partially Effective	Liquid Waste Monitoring Processes
Yes	Effective	Adhere to relevant licence conditions
Yes	Ineffective	Pollution insurance

**Risk Treatments:**

Date First Identified:	Responsible Officer:	Due Date:	Risk Treatments/ Actions/ Updates:
1/02/2019	EHO	31/03/2020	<ul style="list-style-type: none"> <li>• Articulate operating arrangements for waste disposal facilities</li> </ul>
1/03/2019	WS	31/03/2020	<ul style="list-style-type: none"> <li>• Establish systems/processes to monitor waste volumes for liquid waste disposal facilities</li> </ul>
1/03/2019	CEO	30/06/2020	<ul style="list-style-type: none"> <li>• Provision to be included in future budget for consultant to be engaged to assist with development of waste management plans</li> </ul>
5/03/2019	EHO	31/03/2020	<ul style="list-style-type: none"> <li>• Workflow diagrams being developed for administration staff when processing front counter transactions for unmanned waste facilities</li> </ul>
1/03/2019	CEO	30/06/2020	<ul style="list-style-type: none"> <li>• Advocate / lobby relevant government agencies for feral pest / weed management resources</li> </ul>
1/03/2019	MFA	1/03/2020	<ul style="list-style-type: none"> <li>• Annual review / consideration of pollution insurance</li> </ul>

## Risk Category (as defined within Risk Management Strategy):

### Reputational Damage

#### Risk Description and Scope:

Adverse publicity, resulting from actions/activities including (but not limited to):

- Incorrect advice to customers, Council or regulatory bodies
- Officers / elected members operating outside of limits of authority
- Decisions based on incorrect or inaccurate data
- Delays in services to customers
- Failure to maintain effective engagement with community
- Planning initiatives (local and strategic)
- Infrastructure projects

#### Causes:

- Lack of procedures/training
- Human error / staffing constraints (including difficulty to attract and retain professional/qualified staff) / vexatious complainants
- Funding
- Poor communication / relationship management with stakeholders
- Inadequate documentation and/or processes

#### Controls:

Appropriate?	Effectiveness:	Controls in Place:
Yes	Partially Effective	Documented procedures and checklists
Yes	Effective	Management controls and oversight
Yes	Ineffective	Elected member and staff training matrices (to be developed)
Yes	Ineffective	Communications strategy (to be developed)
Yes	Partially Effective	Code of Conduct
Yes	Effective	Current social media policy

#### Risk Treatments:

Date First Identified:	Responsible Officer:	Due Date:	Risk Treatments/ Actions/ Updates:
1/02/2019	CEO	31/03/2020	<ul style="list-style-type: none"> <li>• Develop communication strategy</li> </ul>
1/02/2019	CEO	31/03/2020	<ul style="list-style-type: none"> <li>• Develop risk based elected member and staff training matrix (include performance measures to target training, particularly with consideration to following established procedures and policies)</li> </ul>
1/02/2019	DCEO	30/06/2020	<ul style="list-style-type: none"> <li>• Develop additional documented procedures and checklists</li> </ul>
1/02/2019	DCEO	30/06/2020	<ul style="list-style-type: none"> <li>• Undertake refresher training on Code of Conduct</li> </ul>

**Risk Category (as defined within Risk Management Strategy):****Financial****Risk Description and Scope:**

Loss of assets, impact on annual revenues or costs, external audit issues, mismanagement of funds, including (but not limited to):

- Cyber crime
- Fraud
- Theft (such as cash, stock, valuables)
- Incorrect processing of financial transactions
- Qualified audit reports
- Non compliance with statutory requirements

**Causes:**

- Burglary / break in
- Inadequate controls and/or supervision
- Poor physical security
- Insufficient IT system security and controls

**Controls:**

Appropriate?	Effectiveness:	Controls in Place:
Yes	Partially effective	Security/restricted access
Yes	Effective	CCTV and lighting
Yes	Ineffective	Internal audit function (in development)
Yes	Partially effective	Internal procedures and checklists
Yes	Effective	IT Security and Firewalls

**Risk Treatments:**

Date First Identified:	Responsible Officer:	Due Date:	Risk Treatments/ Actions/ Updates:
1/02/2019	CEO	30/06/2020	<ul style="list-style-type: none"> <li>• Conduct ICT Security Review and develop ICT Strategic Plan</li> </ul>
1/02/2019	CEO	31/03/2020	<ul style="list-style-type: none"> <li>• Review physical security controls and access</li> </ul>
1/02/2019	CEO	30/06/2020	<ul style="list-style-type: none"> <li>• Conduct training with relevant staff for awareness of fraud and other scams</li> </ul>
1/02/2019	CEO	31/03/2020	<ul style="list-style-type: none"> <li>• Regularly review and update controls and procedures relating to financial processes</li> </ul>
1/02/2019	CEO	30/06/2020	<ul style="list-style-type: none"> <li>• Develop internal audit function</li> </ul>

## Risk Category (as defined within Risk Management Strategy): Service Delivery/Business Interruption

### Risk Description and Scope:

Loss of service, disruption in business processes or impact to service delivery (including through lack of skilled resources), through circumstances including (but not limited to):

- Natural disaster or weather event
- Malicious damage (such as vandalism)
- Lack of properly trained staff to respond to an incident
- Insufficient continuity planning
- Failure of infrastructure and/or equipment
- Insufficient operation of infrastructure and/or IT equipment
- Reduction in availability of services at venues/facilities
- Inadequate succession planning

### Causes:

- Inadequate training for response staff
- Lack of testing and review of continuity plans
- Natural disaster or weather event
- Inadequate planning for response to incidents
- Breakdown in communication infrastructure (phone lines etc)
- Poorly maintained equipment/systems

### Controls:

Appropriate?	Effectiveness:	Controls in Place:
Yes	Effective	Data backups
Yes	Partially effective	Business continuity and disaster recovery plans
Yes	Ineffective	LEMC responses and training
Yes	Partially effective	Operational procedures by venue/facility
Yes	Partially effective	Scenario testing and response evaluation

### Risk Treatments:

Date First Identified:	Responsible Officer:	Due Date:	Risk Treatments/ Actions/ Updates:
1/02/2019	CEO	31/03/2020	<ul style="list-style-type: none"> <li>• Review LEMA as required</li> </ul>
1/02/2019	CEO	31/03/2020	<ul style="list-style-type: none"> <li>• Engage DFES to review LEMC structure and potential collaboration with Leonora LEMC</li> </ul>
1/02/2019	MFA	31/03/2020	<ul style="list-style-type: none"> <li>• Develop/review/test business continuity and disaster recovery plans</li> </ul>
1/02/2019	MFA	30/06/2020	<ul style="list-style-type: none"> <li>• Test data restore from backups</li> </ul>
1/02/2019	CEO	31/03/2020	<ul style="list-style-type: none"> <li>• Develop risk based staff training matrix</li> </ul>
1/02/2019	CEO	31/03/2020	<ul style="list-style-type: none"> <li>• Formalise review of facilities and procedures</li> </ul>

## Risk Category (as defined within Risk Management Strategy): Legislative/Regulatory/Policy/Occupational Safety and Health

### Risk Description and Scope:

Misconduct, injury, failure to meet statutory, regulatory or compliance requirements, including (but not limited to):

- Collusion between internal and external parties
- Intent to deliberately circumvent approved procedures, limitations of authority and policies
- Unauthorised access to property and /or information, including unauthorised distribution of property and/or information
- Falsifying information or data for publication
- Failure to correctly assess and action regulatory requirements
- Non compliance with OSH statutory requirements through inadequate policy, framework, systems and procedures
- Poor procedures/practices (including HR)

### Causes:

- Lack of or poor controls for authorisations
- Inadequate security restrictions/measures
- Insufficient training or skilled staff
- Inadequate compliance frameworks
- Ineffective monitoring and communication of updates and changes to legislation
- Poor internal processes and review
- Inadequate OSH procedures and practices
- Insufficient commitment or mandate from senior management

### Controls:

Appropriate?	Effectiveness:	Controls in Place:
Yes	Ineffective	Internal audit function (in development)
Yes	Partially effective	Internal procedures and checklists
Yes	Effective	Legal and / or professional advice
Yes	Partially Effective	OSH Audits (LGIS)
Yes	Partially Effective	OSH Risk Register
Yes	Effective	Landing strip inspections

### Risk Treatments:

Date First Identified:	Responsible Officer:	Due Date:	Risk Treatments/ Actions/ Updates:
1/02/2019	CEO	31/03/2020	<ul style="list-style-type: none"> <li>• Implement actions/recommendations from OSH audits</li> </ul>
1/02/2019	CEO	31/03/2020	<ul style="list-style-type: none"> <li>• Develop risk based staff training matrix</li> </ul>
1/02/2019	CEO	30/06/2020	<ul style="list-style-type: none"> <li>• Review induction processes, content and delivery</li> </ul>
1/02/2019	CEO	31/03/2020	<ul style="list-style-type: none"> <li>• Develop and implement contractor induction, code of conduct and review procedures</li> </ul>
1/02/2019	CEO	30/06/2020	<ul style="list-style-type: none"> <li>• Regularly review and update controls, procedures and checklists</li> </ul>
1/02/2019	CEO	30/06/2020	<ul style="list-style-type: none"> <li>• Develop internal audit function</li> </ul>
1/02/2019	CEO	30/06/2020	<ul style="list-style-type: none"> <li>• Review and update HR controls and monitoring</li> </ul>

## Risk Summary Report - October 2019- December 2019

Risk Context:	Risk ID:	Risk Assessment Category	Risk Issue and Failure Modes	Audit Com. Action Requested:	Risk Treatments/ Actions/ Updates:	Future Actions Required:	Date Identified:	Date Reassessed:	Residual Risk Rating:
Operating	20.00	Reputational Damage	Operational activities conducted erroneously, or not performed within required time frames.	Noting	Change to timing of consultant visits for updates to IPR documents, including Asset Management and Long Term Financial Plans (existing plans now outdated).	Review and finalise IPR documents to meet statutory obligations.	1/07/2019	1/12/2019	High

- 7 ELECTED MEMBERS MOTION OF WHICH PREVIOUS NOTICE HAVE BEEN GIVEN**
- 8 NEW BUSINESS OF AN URGENT NATURE INTRODUCED BY DECISION OF THE MEETING**
- 9 ITEMS FOR CONSIDERATION BEHIND CLOSED DOORS**
- 10 NEXT MEETING**

The next meeting of the Audit Committee to be held at a time to be announced.
- 11 CLOSURE OF MEETING**