



APPENDICES

AUDIT & RISK COMMITTEE MEETING

To Be Held

Wednesday, 1 December 2021
Commencing at 2.00pm

At

Shire of Dardanup
ADMINISTRATION CENTRE EATON
1 Council Drive - EATON

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RISK ASSESSMENT TOOL**OVERALL RISK EVENT:** Annual Meeting 2020/21 Draft Auditor Report**RISK THEME PROFILE:**

3 - Failure to Fulfil Compliance Requirements (Statutory, Regulatory)

Choose an item.

RISK ASSESSMENT CONTEXT: Operational

CONSEQUENCE CATEGORY	RISK EVENT	PRIOR TO TREATMENT OR CONTROL			RISK ACTION PLAN (Treatment or controls proposed)	AFTER TREATMENT OR CONTROL		
		CONSEQUENCE	LIKELIHOOD	INHERENT RISK RATING		CONSEQUENCE	LIKELIHOOD	RESIDUAL RISK RATING
HEALTH	No risk event identified for this category.	Not Required - No Risk Identified	N/A	N/A	Not required	Not required.	Not required.	Not required.
FINANCIAL IMPACT	No risk event identified for this category.	Not Required - No Risk Identified	N/A	N/A	Not required	Not required.	Not required.	Not required.
SERVICE INTERRUPTION	No risk event identified for this category.	Not Required - No Risk Identified	N/A	N/A	Not required.	Not required.	Not required.	Not required.
LEGAL AND COMPLIANCE	Not meeting its compliance obligations pursuant to the Local Government (Audit) Regulations 1996 and Australian Accounting Standards.	Minor (2)	Rare (1)	Low (1 - 4)	Not required.	Not required.	Not required.	Not required.
REPUTATIONAL	Loss of reputation through non-compliance or mismanagement of funds.	Minor (2)	Rare (1)	Low (1 - 4)	Not required.	Not required.	Not required.	Not required.
ENVIRONMENT	No risk event identified for this category.	Not Required - No Risk Identified	N/A	N/A	Not required.	Not required.	Not required.	Not required.

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

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COMMUNITY VISION

Provide effective leadership in encouraging balanced growth and development of the Shire while recognising the diverse needs of the community.

Principal place of business:
Shire of Dardanup
1 Council Drive
EATON WA 6232

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

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

STATEMENT BY CHIEF EXECUTIVE OFFICER

The attached financial report of the Shire of Dardanup for the financial year ended 30 June 2021 is based on proper accounts and records to present fairly the financial position of the Shire of Dardanup at 30 June 2021 and the results of the operations for the financial year then ended in accordance with the Local Government Act 1995 and, to the extent that they are not inconsistent with the Act, the Australian Accounting Standards.

Signed on the [redacted] day of [redacted] 2021

André Schönfeldt
Chief Executive Officer

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

	NOTE	2021 Actual	2021 Budget	2020 Actual
		\$	\$	\$
Revenue				
Rates	30(a)	13,812,484	13,839,284	13,716,704
Operating grants, subsidies and contributions	2(a)	2,507,208	2,680,137	3,490,049
Fees and charges	2(a)	3,237,538	2,730,279	2,832,064
Interest earnings	2(a)	212,518	420,971	482,735
Other revenue	2(a)	28,096	28,091	24,686
		<u>19,797,844</u>	<u>19,698,762</u>	<u>20,546,238</u>
Expenses				
Employee costs		(10,661,612)	(10,505,383)	(10,599,210)
Materials and contracts		(4,278,695)	(4,914,621)	(4,175,275)
Utility charges		(589,476)	(552,620)	(574,898)
Depreciation on non-current assets	11(c)	(5,270,048)	(5,289,647)	(5,253,788)
Interest expenses	2(b)	(106,470)	(107,205)	(117,813)
Insurance expenses		(310,162)	(310,774)	(316,060)
Other expenditure		(420,346)	(394,316)	(333,680)
		<u>(21,636,809)</u>	<u>(22,074,566)</u>	<u>(21,370,724)</u>
		(1,838,965)	(2,375,804)	(824,486)
Non-operating grants, subsidies and contributions	2(a)	5,269,566	9,243,071	2,242,144
Profit on asset disposals	11(a)	18,861	0	1,170,841
(Loss) on asset disposals	11(a)	(1,322,374)	0	(122,079)
Fair value adjustments to financial assets at fair value through profit or loss		2,587	0	1,152
		<u>3,968,640</u>	<u>9,243,071</u>	<u>3,292,058</u>
Net result for the period		2,129,675	6,867,267	2,467,572
Other comprehensive income				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Changes in asset revaluation surplus	14	13,216,449	0	0
Total other comprehensive income for the period		13,216,449	0	0
Total comprehensive income for the period		15,346,124	6,867,267	2,467,572

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

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

	NOTE	2021 Actual	2021 Budget	2020 Actual
		\$	\$	\$
Revenue				
	2(a)			
Governance		23,980	28,800	5,720
General purpose funding		15,304,001	15,659,482	15,495,427
Law, order, public safety		647,418	474,905	596,148
Health		5,489	2,150	27,713
Education and welfare		10,017	6,000	7,205
Community amenities		1,592,566	1,484,654	1,526,710
Recreation and culture		1,633,968	1,374,782	2,404,911
Transport		153,523	396,841	173,095
Economic services		156,346	97,348	93,080
Other property and services		270,536	173,800	216,229
		<u>19,797,844</u>	<u>19,698,762</u>	<u>20,546,238</u>
Expenses				
	2(b)			
Governance		(1,084,777)	(1,208,142)	(1,186,604)
General purpose funding		(342,959)	(511,034)	(331,323)
Law, order, public safety		(1,736,559)	(1,617,758)	(1,710,790)
Health		(508,635)	(540,267)	(547,380)
Education and welfare		(830,402)	(783,530)	(750,714)
Community amenities		(2,803,888)	(2,844,739)	(2,636,457)
Recreation and culture		(7,582,880)	(7,531,334)	(7,610,617)
Transport		(6,050,106)	(6,195,082)	(5,821,036)
Economic services		(483,816)	(507,014)	(461,996)
Other property and services		(106,317)	(228,461)	(195,994)
		<u>(21,530,339)</u>	<u>(21,967,361)</u>	<u>(21,252,911)</u>
Finance Costs				
	2(b)			
Law, order, public safety		(175)	(2)	0
Health		0	0	(89)
Education and welfare		(1,495)	0	0
Community amenities		(1,317)	(5)	(1,686)
Recreation and culture		(62,059)	(65,095)	(66,776)
Transport		(22,173)	(23,169)	(24,942)
Economic services		(5,550)	(5,805)	(7,141)
Other property and services		(13,701)	(13,129)	(17,179)
		<u>(106,470)</u>	<u>(107,205)</u>	<u>(117,813)</u>
		<u>(1,838,965)</u>	<u>(2,375,804)</u>	<u>(824,486)</u>
Non-operating grants, subsidies and contributions	2(a)	5,269,566	9,243,071	2,242,144
Profit on disposal of assets	11(a)	18,861	0	1,170,841
(Loss) on disposal of assets	11(a)	(1,322,374)	0	(122,079)
Fair value adjustments to financial assets at fair value through profit or loss		2,587	0	1,152
		<u>3,968,640</u>	<u>9,243,071</u>	<u>3,292,058</u>
Net result for the period		2,129,675	6,867,267	2,467,572
Other comprehensive income				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Changes in asset revaluation surplus	14	13,216,449	0	0
Total other comprehensive income for the period		13,216,449	0	0
Total comprehensive income for the period		15,346,124	6,867,267	2,467,572

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

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

(Appendix AAR: 9.2A)

	NOTE	2021	2020	1 July 2019
		\$	Restated	Restated
		\$	\$	
CURRENT ASSETS				
Cash and cash equivalents	3	14,443,059	17,245,523	9,441,957
Trade and other receivables	6	1,047,165	1,472,111	819,479
Other financial assets	5(a)	12,600,296	8,400,000	10,000,000
Inventories	7	12,160	19,227	13,477
Other assets	8	160,131	42,807	174,332
TOTAL CURRENT ASSETS		28,262,811	27,179,668	20,449,245
NON-CURRENT ASSETS				
Trade and other receivables	6	134,563	118,063	111,904
Other financial assets	5(b)	73,807	71,220	70,068
Property, plant and equipment	9	42,018,867	31,539,906	32,453,361
Infrastructure	10	146,530,101	143,439,370	143,746,339
Intangible assets	13	0	0	1,920,902
Right-of-use assets	12(a)	533,672	505,893	0
TOTAL NON-CURRENT ASSETS		189,291,010	175,674,452	178,302,574
TOTAL ASSETS		217,553,821	202,854,120	198,751,819
CURRENT LIABILITIES				
Trade and other payables	15	3,741,597	3,062,746	2,359,794
Other liabilities	17	2,472,214	4,719,271	0
Lease liabilities	18(a)	167,440	143,625	0
Borrowings	19(a)	333,977	250,116	279,748
Employee related provisions	20	1,693,712	1,437,008	1,272,698
TOTAL CURRENT LIABILITIES		8,408,940	9,612,766	3,912,240
NON-CURRENT LIABILITIES				
Other liabilities	17	778,423	613,272	0
Lease liabilities	18(a)	372,271	365,128	0
Borrowings	19(a)	2,129,023	1,713,000	196,316
Employee related provisions	20	244,930	275,843	228,163
Other provisions	21	83,833	83,833	0
TOTAL NON-CURRENT LIABILITIES		3,608,480	3,051,076	2,191,279
TOTAL LIABILITIES		12,017,420	12,663,842	6,103,519
NET ASSETS		205,536,402	190,190,278	192,648,300
EQUITY				
Retained surplus		51,740,275	49,244,076	55,574,607
Reserves - cash/financial asset backed	4	21,838,892	22,205,416	16,412,005
Revaluation surplus	14	131,957,235	118,740,786	120,661,688
TOTAL EQUITY		205,536,402	190,190,278	192,648,300

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

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

(Appendix AAR: 9.2A)

		RESERVES CASH/FINANCIAL			
	NOTE	RETAINED SURPLUS	ASSET BACKED	REVALUATION SURPLUS	
		\$	\$	\$	
		\$		TOTAL EQUITY	
		\$		\$	
Balance as at 1 July 2019		52,569,915	16,412,005	118,740,786	187,722,706
Comprehensive income					
Net result for the period (restated)		2,467,572	0	0	2,467,572
Total comprehensive income		2,467,572	0	0	2,467,572
Transfers from reserves	4	3,827,660	(3,827,660)	0	0
Transfers to reserves	4	(9,621,071)	9,621,071	0	0
Balance as at 30 June 2020		49,244,076	22,205,416	118,740,786	190,190,278
Restated balance at 1 July 2020		49,244,076	22,205,416	118,740,786	190,190,278
Comprehensive income					
Net result for the period		2,129,675	0	0	2,129,675
Other comprehensive income	14	0	0	13,216,449	13,216,449
Total comprehensive income		2,129,675	0	13,216,449	15,346,124
Transfers from reserves	4	7,607,708	(7,607,708)	0	0
Transfers to reserves	4	(7,241,185)	7,241,185	0	0
Balance as at 30 June 2021		51,740,275	21,838,892	131,957,235	205,536,402

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

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

(Appendix AAR: 9.2A)

	NOTE	2021 Actual	2021 Budget	2020 Actual Restated
		\$	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts				
Rates		14,016,550	13,839,284	13,715,947
Operating grants, subsidies and contributions		3,084,938	370,127	2,915,019
Fees and charges		3,181,452	2,730,279	2,780,189
Interest received		212,518	420,971	482,735
Goods and services tax received		782,390	0	1,708,777
Other revenue		28,096	28,091	24,686
		21,305,944	17,388,752	21,627,353
Payments				
Employee costs		(10,660,067)	(10,505,383)	(10,036,268)
Materials and contracts		(3,532,992)	(4,914,621)	(3,733,725)
Utility charges		(589,476)	(552,620)	(574,898)
Interest expenses		(109,543)	(107,205)	(117,813)
Insurance paid		(310,162)	(310,774)	(316,060)
Goods and services tax paid		(1,022,021)	0	(1,703,681)
Other expenditure		(420,346)	(394,316)	(333,680)
		(16,644,607)	(16,784,919)	(16,816,125)
Net cash provided by operating activities	22	4,661,337	603,833	4,811,228
CASH FLOWS FROM INVESTING ACTIVITIES				
Payments for financial assets at amortised cost		(4,200,296)	0	0
Payments for purchase of property, plant & equipment	9(a)	(2,633,891)	(6,484,017)	(668,589)
Payments for construction of infrastructure	10(a)	(4,353,160)	(8,395,059)	(3,498,870)
Non-operating grants, subsidies and contributions	2(a)	3,160,370	9,243,071	4,653,828
Proceeds for financial assets at amortised cost - term deposits		0	0	1,600,000
Proceeds from sale of property, plant & equipment	11(a)	229,045	257,969	1,333,892
Net cash provided by (used in) / provided by investment activities		(7,797,932)	(5,378,036)	3,420,261
CASH FLOWS FROM FINANCING ACTIVITIES				
Repayment of borrowings	19(b)	(250,116)	(250,116)	(279,748)
Payments for principal portion of lease liabilities	18(b)	(165,751)	(119,658)	(148,175)
Proceeds from new borrowings	19(b)	750,000	750,000	0
Net cash provided by (used in) financing activities		334,133	380,226	(427,923)
Net increase (decrease) in cash held		(2,802,462)	(4,393,977)	7,803,566
Cash at beginning of year		17,245,523	20,723,669	9,441,957
Cash and cash equivalents at the end of the year	22	14,443,061	16,329,692	17,245,523

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

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

(Appendix AAR: 9.2A)

	NOTE	2021 Actual \$	2021 Budget \$	2020 Actual \$
OPERATING ACTIVITIES				
Net current assets at start of financial year - surplus				
	31 (c)	474,501	382,052	404,751
		474,501	382,052	404,751
Revenue from operating activities (excluding rates)				
Governance		23,980	28,800	5,720
General purpose funding		1,841,695	2,168,619	2,126,374
Law, order, public safety		647,418	474,905	596,148
Health		5,489	2,150	27,713
Education and welfare		10,017	6,000	7,205
Community amenities		1,592,566	1,484,654	1,526,710
Recreation and culture		1,638,555	1,374,782	2,404,911
Transport		156,737	396,841	173,095
Economic services		167,042	97,348	94,232
Other property and services		273,487	173,800	1,387,070
		6,356,986	6,207,899	8,349,178
Expenditure from operating activities				
Governance		(1,084,777)	(1,208,142)	(1,186,604)
General purpose funding		(342,959)	(511,034)	(331,323)
Law, order, public safety		(1,736,734)	(1,617,760)	(1,710,790)
Health		(508,635)	(540,267)	(547,469)
Education and welfare		(831,897)	(783,530)	(750,714)
Community amenities		(2,805,205)	(2,844,744)	(2,641,373)
Recreation and culture		(8,090,255)	(7,596,429)	(7,739,832)
Transport		(6,356,082)	(6,218,251)	(5,878,151)
Economic services		(489,366)	(512,819)	(469,137)
Other property and services		(713,273)	(241,590)	(237,410)
		(22,959,183)	(22,074,566)	(21,492,803)
Non-cash amounts excluded from operating activities	31(a)	4,249,214	2,979,637	6,657,079
Amount attributable to operating activities		(11,878,482)	(12,504,978)	(6,081,795)
INVESTING ACTIVITIES				
Non-operating grants, subsidies and contributions	2(a)	5,269,566	9,243,071	2,242,144
Proceeds from disposal of assets	11(a)	229,045	257,969	1,333,892
Purchase of property, plant and equipment	9(a)	(2,633,891)	(6,484,017)	(668,589)
Purchase and construction of infrastructure	10(a)	(4,353,160)	(8,395,059)	(3,498,870)
		(1,488,440)	(5,378,036)	(591,423)
Non-cash amounts excluded from investing activities	31(b)	165,151	0	0
Amount attributable to investing activities		(1,323,289)	(5,378,036)	(591,423)
FINANCING ACTIVITIES				
Repayment of borrowings	19(b)	(250,116)	(250,116)	(279,748)
Proceeds from borrowings	19(c)	750,000	750,000	0
Payments for principal portion of lease liabilities	18(b)	(165,751)	(119,658)	(148,175)
Transfers to reserves (restricted assets)	4	(7,241,185)	(4,428,917)	(9,621,071)
Transfers from reserves (restricted assets)	4	7,607,708	8,659,830	3,827,660
Amount attributable to financing activities		700,657	4,611,139	(6,221,334)
(Deficit) before imposition of general rates		(12,501,114)	(13,271,876)	(12,894,552)
Total amount raised from general rates	30(a)	13,462,306	13,490,863	13,369,053
Surplus after imposition of general rates	31(c)	961,190	218,987	474,501

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

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1. BASIS OF PREPARATION

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

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

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

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

THE LOCAL GOVERNMENT REPORTING ENTITY

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

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

All monies held in the Trust Fund are excluded from the financial statements. A separate statement of those monies appears at Note 36 to these financial statements.

INITIAL APPLICATION OF ACCOUNTING STANDARDS

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

These were:

- *AASB 1059 Service Concession Arrangements: Grantors*
The Shire considers the application of this accounting standard, however, there is no such arrangement in the operation of the Shire during the financial year 2021.

- *AASB 2018-7 Amendments to Australian Accounting Standards - Definition of Materiality*

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

NEW ACCOUNTING STANDARDS FOR APPLICATION IN FUTURE YEARS

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

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

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

CRITICAL ACCOUNTING ESTIMATES

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

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

The balances, transactions and disclosures impacted by accounting estimates are as follows:

- Employee expenses
- Other financial assets
- Property, Plant and Equipment
- Infrastructure
- Intangible assets
- Right-of-use assets
- Lease liabilities
- Borrowing liabilities
- Provisions

2. REVENUE AND EXPENSES

(a) Grant revenue

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

	2021 Actual	2021 Budget	2020 Actual
	\$	\$	\$
Operating grants, subsidies and contributions			
Governance	23,773	28,500	5,531
General purpose funding	1,466,658	1,612,912	1,514,750
Law, order, public safety	550,798	367,405	488,684
Health	318	50	11,262
Education and welfare	10,016	6,000	7,205
Community amenities	22,454	3,000	23,938
Recreation and culture	92,380	155,120	1,103,651
Transport	122,031	364,450	145,283
Economic services	500	500	16
Other property and services	218,280	142,200	189,729
	<u>2,507,208</u>	<u>2,680,137</u>	<u>3,490,049</u>
Non-operating grants, subsidies and contributions			
Law, order, public safety	451,916	456,405	9,155
Recreation and culture	1,387,038	3,845,602	250,115
Transport	3,430,612	4,691,064	1,982,874
Economic services	0	250,000	0
	<u>5,269,566</u>	<u>9,243,071</u>	<u>2,242,144</u>
Total grants, subsidies and contributions	<u>7,776,774</u>	<u>11,923,208</u>	<u>5,732,193</u>
Fees and charges			
Governance	205	300	190
General purpose funding	162,521	134,736	128,888
Law, order, public safety		107,500	107,464
Health	96,620	2,100	16,452
Education and welfare	5,171	0	0
Community amenities	1,468,810	1,380,790	1,402,158
Recreation and culture	1,292,711	972,105	1,054,222
Transport	3,397	4,300	3,127
Economic services	155,847	96,848	93,063
Other property and services	52,256	31,600	26,500
	<u>3,237,538</u>	<u>2,730,279</u>	<u>2,832,064</u>

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

SIGNIFICANT ACCOUNTING POLICIES

Grants, subsidies and contributions

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

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

Fees and Charges

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

2. REVENUE AND EXPENSES (Continued)

(a) Revenue (Continued)

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

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

	2021 Actual	2021 Budget	2020 Actual
	\$	\$	\$
Operating grants, subsidies and contributions	2,507,208	2,680,137	3,490,049
Fees and charges	3,237,538	2,730,279	2,832,064
Other revenue	28,096	28,091	24,686
Non-operating grants, subsidies and contributions	5,269,566	9,243,071	2,242,144
	<u>11,042,408</u>	<u>14,681,578</u>	<u>8,588,943</u>

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

Revenue from contracts with customers included as a contract liability at the start of the period	1,711,746	0	15,000
Revenue from contracts with customers recognised during the year	4,061,096	5,438,507	6,346,799
Revenue from transfers intended for acquiring or constructing recognisable non financial assets held as a liability at the start of the period	1,362,820	0	0
Revenue from transfers intended for acquiring or constructing recognisable non financial assets during the year	3,906,746	9,243,071	2,227,144
	<u>11,042,408</u>	<u>14,681,578</u>	<u>8,588,943</u>

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

Trade and other receivables from contracts with customers	170,111	0	781,928
Contract liabilities from contracts with customers	(1,921,515)	0	(429,261)
Financial assets held from transfers for recognisable financial assets	1,301,832	0	4,903,282
Grant liabilities from transfers for recognisable non financial assets	(1,301,832)	0	(4,903,282)

Contract assets primarily relate to the Shire's right to consideration for work completed but not billed at 30 June 2021.

Assets associated with contracts with customers were not subject to an impairment charge.

Impairment of assets associated with contracts with customers are detailed at note 2 (b) under 'Other expenditure'.

Contract liabilities for contracts with customers primarily relate to grants with performance obligations received in advance, for which revenue is recognised over time as the performance obligations are met.

Information is not provided about remaining performance obligations for contracts with customers that had an original expected duration of one year or less.

Consideration from contracts with customers is included in the transaction price.

Performance obligations in relation to contract liabilities from transfers for recognisable non financial assets are satisfied as project milestones are met or completion of construction or acquisition of the asset. All associated performance obligations are expected to be met over the next 12 months.

2. REVENUE AND EXPENSES (Continued)

(a) Revenue (Continued)

Revenue from statutory requirements

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

General rates
 Specified area rates
 Statutory permits and licences
 Fines

Other revenue

Reimbursements and recoveries

Interest earnings

Interest on reserve funds
 Interest on other funds
 Rates instalment and penalty interest (refer Note 30(c))
 Other interest earnings

	2021 Actual	2021 Budget	2020 Actual
	\$	\$	\$
	13,462,306	13,490,863	13,369,053
	350,178	348,421	347,651
	214,549	150,000	162,092
	23,701	26,500	26,848
	14,050,734	14,015,784	13,905,644
	28,096	28,091	24,686
	28,096	28,091	24,686
	132,565	271,376	271,781
	27,052	74,337	71,709
	51,650	73,168	136,866
	1,251	2,090	2,379
	212,518	420,971	482,735

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.

2. REVENUE AND EXPENSES (Continued)

(b) Expenses

Auditors remuneration

- Audit of the Annual Financial Report
- Other services

Interest expenses (finance costs)

- Borrowings
- Lease liabilities

Other expenditure

- Sundry expenses

Note	2021 Actual	2021 Budget	2020 Actual
	\$	\$	\$
	22,130	22,130	7,989
	800	13,000	1,100
	22,930	35,130	9,089
19(b)	95,322	97,965	109,825
18(b)	11,148	9,242	7,988
	106,470	107,207	117,813
	420,346	394,316	333,680
	420,346	394,316	333,680

2. REVENUE AND EXPENSES

REVENUE RECOGNITION POLICY

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

Revenue Category	Nature of goods and services	When obligations typically satisfied	Payment terms	Returns/Refunds/Warranties	Determination of transaction price	Allocating transaction price	Measuring obligations for returns	Timing of revenue recognition
Rates	General Rates	Over time	Payment dates adopted by Council during the year	None	Adopted by council annually	When taxable event occurs	Not applicable	When rates notice is issued
Specified area rates	Rates charge for specific defined purpose	Over time	Payment dates adopted by Council during the year	Refund in event monies are unspent	Adopted by council annually	When taxable event occurs	Not applicable	When rates notice is issued
Service charges	Charge for specific service	Over time	Payment dates adopted by Council during the year	Refund in event monies are unspent	Adopted by council annually	When taxable event occurs	Not applicable	When rates notice is issued
Grant contracts with customers	Community events, minor facilities, research, design, planning evaluation and services	Over time	Fixed terms transfer of funds based on agreed milestones and reporting	Contract obligation if project not complete	Set by mutual agreement with the customer	Based on the progress of works to match performance obligations	Returns limited to repayment of transaction price of terms breached	Output method based on project milestones and/or completion date matched to performance obligations as inputs are shared
Grants, subsidies or contributions for the construction of non-financial assets	Construction or acquisition of recognisable non-financial assets to be controlled by the local government	Over time	Fixed terms transfer of funds based on agreed milestones and reporting	Contract obligation if project not complete	Set by mutual agreement with the customer	Based on the progress of works to match performance obligations	Returns limited to repayment of transaction price of terms breached	Output method based on project milestones and/or completion date matched to performance obligations as inputs are shared
Grants with no contract commitments	General appropriations and contributions with no reciprocal commitment	No obligations	Not applicable	Not applicable	Cash received	On receipt of funds	Not applicable	When assets are controlled
Developer contributions for Joint Town Planning Scheme	Construction or acquisition of recognisable non-financial assets to be controlled by the local government	Over time	Fixed terms transfer of funds based on agreed milestones and reporting	Contract obligation if project not complete	Set by mutual agreement with the customer	Based on the progress of works to match performance obligations	Returns limited to repayment of transaction price of terms breached	Output method based on project milestones and/or completion date matched to performance obligations as inputs are shared
Licences/ Registrations/ Approvals	Building, planning, development and animal management, having the same nature as a licence regardless of naming.	Single point in time	Full payment prior to issue	None	Set by State legislation or limited by legislation to the cost of provision	Based on timing of issue of the associated rights	No refunds	On payment and issue of the licence, registration or approval
Pool inspections	Compliance safety check	Single point in time	Equal proportion based on an equal annually fee	None	Set by State legislation	Apportioned equally across the inspection cycle	No refunds	After inspection complete based on a 4 year cycle
Other inspections	Regulatory Food, Health and Safety	Single point in time	Full payment prior to inspection	None	Set by State legislation or limited by legislation to the cost of provision	Applied fully on timing of inspection	Not applicable	Revenue recognised after inspection event occurs
Waste management collections	Kerbside collection service	Over time	Payment on an annual basis in advance	None	Adopted by council annually	Apportioned equally across the collection period	Not applicable	Output method based on regular weekly and fortnightly period as proportionate to collection service
Waste management entry fees	Waste treatment, recycling and disposal service at disposal sites	Single point in time	Payment in advance at gate or on normal trading terms if credit provided	None	Adopted by council annually	Based on timing of entry to facility	Not applicable	On entry to facility
Property hire and entry	Use of halls and facilities	Single point in time	In full in advance	Refund if event cancelled within 7 days	Adopted by council annually	Based on timing of entry to facility	Returns limited to repayment of transaction price	On entry or at conclusion of hire
Memberships	Gym and pool membership	Over time	Payment in full in advance	Refund for unused portion on application	Adopted by council annually	Apportioned equally across the access period	Returns limited to repayment of transaction price	Output method Over 12 months matched to access right
Fees and charges for other goods and services	Cemetery services, library fees, reinstatements and private works	Single point in time	Payment in full in advance	None	Adopted by council annually	Applied fully based on timing of provision	Not applicable	Output method based on provision of service or completion of works
Sale of stock	Aviation fuel, kiosk and visitor centre stock	Single point in time	In full in advance, on 15 day credit	Refund for faulty goods	Adopted by council annually, set by mutual agreement	Applied fully based on timing of provision	Returns limited to repayment of transaction price	Output method based on goods
Commissions	Commissions on licencing and ticket sales	Over time	Payment in full on sale	None	Set by mutual agreement with the customer	On receipt of funds	Not applicable	When assets are controlled
Reimbursements	Insurance claims	Single point in time	Payment in arrears for claimable event	None	Set by mutual agreement with the customer	When claim is agreed	Not applicable	When claim is agreed

3. CASH AND CASH EQUIVALENTS

NOTE	2021	2020	
	\$	\$	
Cash at bank and on hand	11,431,690	13,245,523	
Term deposits	3,011,369	4,000,000	
Total cash and cash equivalents	14,443,059	17,245,523	
Financial Assets			
Principal Amount of term deposit	12,600,296	8,400,000	
Total	27,043,355	25,645,523	
Comprises:			
- Unrestricted cash and cash equivalents	5,204,463	3,440,107	
- Restricted cash and cash equivalents	9,238,596	13,805,416	
- Financial assets at amortised cost	12,600,296	8,400,000	
	27,043,355	25,645,523	
Restrictions			
The following classes of assets have restrictions imposed by regulations or other externally imposed requirements which limit or direct the purpose for which the resources may be used:			
- Cash and cash equivalents	9,238,596	13,805,416	
- Financial assets at amortised cost	12,600,296	8,400,000	
	21,838,892	22,205,416	
The restricted assets are a result of the following specific purposes to which the assets may be used:			
Reserves - cash/financial asset backed	4	21,838,892	22,205,416
Contract liabilities from contracts with customers - grant revenue	17	1,921,515	429,261
Capital grant liability - developer contributions	17	1,301,832	0
Less Contract liabilities - cash backed		(3,223,347)	(429,261)
Total restricted assets		21,838,892	22,205,416

SIGNIFICANT ACCOUNTING POLICIES

Cash and cash equivalents

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

Restricted assets

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

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4. RESERVES - CASH/FINANCIAL ASSET BACKED

	2021 Actual Opening Balance	2021 Actual Transfer to	2021 Actual Transfer (from)	2021 Actual Closing Balance	2021 Budget Opening Balance	2021 Budget Transfer to	2021 Budget Transfer (from)	2021 Budget Closing Balance	2020 Actual Opening Balance	2020 Actual Transfer to	2020 Actual Transfer (from)	2020 Actual Closing Balance
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
(a) Information Technology Reserve	504,179	401,482	(237,809)	667,852	427,309	403,312	(382,343)	448,278	406,983	404,283	(307,087)	504,179
(b) Road Safety Programs Reserve	26,645	78	0	26,723	20,197	157	0	20,354	8,357	18,288	0	26,645
(c) Tourism Reserve	11,718	35	0	11,753	11,657	90	0	11,747	6,377	5,341	0	11,718
(d) Executive & Compliance Vehicle Reserve	243,184	715	(41,619)	202,280	242,332	1,878	(89,964)	154,246	364,153	53,832	(174,801)	243,184
(e) Employee Relief Reserve	234,384	30,689	0	265,073	234,168	31,815	0	265,983	226,995	7,389	0	234,384
(f) Employee Leave Entitlements Reserve	21,187	16,519	0	37,706	21,182	16,621	0	37,803	5,000	16,187	0	21,187
(g) Refuse Site Environmental Works Reserve	83,833	246	0	84,079	83,754	649	0	84,403	82,960	873	0	83,833
(h) Meat Inspection Reserve	0	0	0	0	0	0	0	0	5,219	0	(5,219)	0
(i) Recycling Education Reserve	61,265	180	(22,315)	39,130	60,875	472	(22,315)	39,032	82,334	867	(21,936)	61,265
(j) Eaton Recreation Centre - Equipment Reserve	280,102	110,823	(114,172)	276,753	82,425	110,639	(93,836)	99,228	365,346	103,845	(189,089)	280,102
(k) Council Land Development Reserve	21,058	5,062	(3,486)	22,634	11,038	5,086	(5,000)	11,124	20,839	219	0	21,058
(l) Sale of Land Reserve	4,566,488	13,421	0	4,579,909	4,569,836	35,416	0	4,605,252	2,303,943	2,262,545	0	4,566,488
(m) Accrued Salaries Reserve	433,352	66,274	0	499,626	432,991	68,356	0	501,347	379,360	53,992	0	433,352
(n) Carried Forward Projects Reserve	3,291,190	946,143	(704,684)	3,532,649	2,254,978	17,476	(1,199,484)	1,072,970	2,968,520	761,896	(439,226)	3,291,190
(o) Strategic Planning Studies Reserve	128,885	379	(12,500)	116,764	124,793	967	(12,500)	113,260	218,947	2,304	(92,366)	128,885
(p) Town Planning Consultancy Reserve	97,706	5,287	(65,000)	37,993	97,619	5,757	(65,000)	38,376	91,741	5,965	0	97,706
(q) Parks & Reserves Upgrades Reserve	676,805	151,989	(220,446)	608,348	568,006	154,402	(343,727)	378,681	549,703	205,785	(78,683)	676,805
(r) Election Expenses Reserve	7,017	25,021	0	32,038	1,212	25,009	0	26,221	23,487	22,747	(39,217)	7,017
(s) Pathways Reserve	315,889	180,064	(187,887)	308,066	245,496	1,903	(157,638)	89,761	164,161	151,728	0	315,889
(t) Asset / Rates Revaluation Reserve	328,666	966	(45,325)	284,307	280,635	22,175	(185,913)	116,897	292,877	53,082	(17,293)	328,666
(u) Refuse & Recycling Bin Replacement Reserve	54,645	161	0	54,806	32,402	251	0	32,653	54,076	569	0	54,645
(v) Emergency Services Reserve	0	0	0	0	0	0	0	0	10,306	0	(10,306)	0
(w) Small Plant & Equipment Reserve	0	0	0	0	0	0	0	0	15,261	0	(15,261)	0
(x) Storm Water Reserve	157,848	464	0	158,312	142,311	1,103	0	143,414	101,082	56,766	0	157,848
(y) Fire Control Reserve	11,536	34	0	11,570	8,541	66	0	8,607	1,108	10,428	0	11,536
(z) Collie River (Eaton Drive) Bridge Construction Reserve	1,564,304	20,037	(293,841)	1,290,500	1,561,263	12,100	(1,179,382)	393,981	1,548,014	16,290	0	1,564,304
(aa) Eaton Drive - Access Construction Reserve	154,825	43,426	(198,251)	0	152,575	1,182	(1,841)	151,916	153,213	1,612	0	154,825
(ab) Eaton Drive - Scheme Construction Reserve	914,153	35,696	(938,517)	11,332	908,964	7,044	(853,787)	62,221	904,633	9,520	0	914,153
(ac) Contribution to Works Reserve	670,642	85,501	0	756,143	670,070	5,193	0	675,263	601,543	69,099	0	670,642
(ad) Unspent Grants Reserve	3,795,447	2,087,360	(2,721,101)	3,161,707	1,227,669	811,566	(1,046,356)	992,879	1,308,820	3,253,239	(766,612)	3,795,447
(ae) Swimming Pool Inspection Reserve	4,488	13	0	4,501	0	0	0	0	0	4,488	0	4,488
(af) Unspent Specified Area Rate - Bulk Waste Collection	80,610	7,037	0	87,647	80,534	624	0	81,158	79,770	840	0	80,610
(ag) Unspent Specified Area Rate - Eaton Landscaping	127,172	13,594	0	140,766	93,823	13,947	0	107,770	67,486	89,710	(30,024)	127,172
(ah) Dardanup Community Centre Reserve	0	0	0	0	0	0	0	0	7,317	0	(7,317)	0
(ai) Dardanup Community Centre Design Reserve	0	0	0	0	0	0	0	0	1,126	0	(1,126)	0
(aj) Dardanup Public Library Reserve	0	0	0	0	0	0	0	0	4,357	0	(4,357)	0
(ak) Wells Park Hard Courts Reserve	0	0	0	0	0	0	0	0	4,090	0	(4,090)	0
(al) Wells Park Clubroom Reserve	0	0	0	0	0	0	0	0	9,726	0	(9,726)	0
(am) Wells Park Clubroom Design Reserve	0	0	0	0	0	0	0	0	1,282	0	(1,282)	0
(an) Wells Park Car Park Reserve	0	0	0	0	0	0	0	0	12,881	0	(12,881)	0
(ao) Plant & Engineering Equipment Reserve	924,036	208,216	(260,765)	871,487	720,673	211,085	(592,505)	339,253	837,738	163,816	(77,518)	924,036
(ap) Road Construction and Major Maintenance Reserve	587,711	1,600,411	(1,054,994)	1,133,128	564,311	1,354,373	(1,243,298)	675,386	500,300	1,525,265	(1,437,854)	587,711
(aq) Building Maintenance Reserve	1,783,239	361,241	(484,996)	1,659,484	1,533,663	367,886	(1,174,941)	726,608	1,620,574	247,054	(84,389)	1,783,239
(ar) Wanju Developer Contribution Plan - Unspent Loan Reserve	0	750,000	0	750,000	0	740,000	0	740,000	0	0	0	0
(as) Dardanup Expansion Developer Contribution Plan Reserve	41,207	121	0	41,328	40,847	317	(10,000)	31,164	0	41,207	0	41,207
(av) Burekup Public Open Space Reserve	0	72,500	0	72,500	0	0	0	0	0	0	0	0
	22,205,416	7,241,185	(7,607,708)	21,838,892	17,508,149	4,428,917	(8,659,830)	13,277,236	16,412,005	9,621,071	(3,827,660)	22,205,416

All reserves are supported by cash and cash equivalents and financial assets at amortised cost and are restricted within equity as Reserves - cash/financial assets backed.

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

Name of Reserve	Anticipated date of use	Purpose of the reserve
(a) Information Technology Reserve	As scheduled in Council's Asset Management Plan.	Established for the acquisition or lease of software and computer equipment.
(b) Road Safety Programs Reserve	As funds become available for suitable projects.	Established to hold contributions from road transport permits which are to be used for general road safety programs in the Shire.
(c) Tourism Reserve	As funds become available for suitable projects.	Established to fund the development of tourism projects including the implementation of works associated with the Gnomesville Master Plan.
(d) Executive & Compliance Vehicle Reserve	As scheduled in Council's Asset Management Plan.	To fund the purchase, replacement or lease of Council's executive and compliance vehicles.
(e) Employee Relief Reserve	As required.	To provide funds for employee related entitlements and relief staff for prolonged employee leave.
(f) Employee Leave Entitlements Reserve	As required.	To provide funds for employee purchased leave entitlements under Policy.
(g) Refuse Site Environmental Works Reserve	As required.	Established to provide funds for environmental works at the Banksia Road Refuse Site.
(h) Meat Inspection Reserve	Reserve to be removed by 30 June 2020.	To provide for equipment for Meat Inspection Services.
(i) Recycling Education Reserve	As funds become available for suitable projects.	Unspent recycling education funds for use in special education programs and as a contribution toward the shared Waste Education Officer's salary.
(j) Eaton Recreation Centre - Equipment Reserve	As scheduled in Council's Asset Management Plan.	Established for the acquisition, replacement or lease of furniture, fittings, plant or gym equipment at the Eaton Recreation Centre.
(k) Council Land Development Reserve	As required.	Established for funding the acquisition or development of Council land for resale.
(l) Sale of Land Reserve	As suitable projects are identified.	Established to hold funds from the sale of Council land.
(m) Accrued Salaries Reserve	As required.	This fund consists of cash backed salaries and wages allocation paid annually into this reserve over a period of 10 financial years to meet the additional cash flow in each eleventh year when 274 pay periods occur (all other years have 26 pay periods).
(n) Carried Forward Projects Reserve	As projects are completed.	Established to hold unspent project funds to be carried forward into future financial years. Project funds that are not expended within 2 financial years of their initial allocation to this reserve are to be reallocated to the Municipal Fund.
(o) Strategic Planning Studies Reserve	As required.	Established for funding strategic studies.
(p) Town Planning Consultancy Reserve	As funds become available for suitable projects.	Established to fund the engagement of consultants to undertake Town Planning Studies.
(q) Parks & Reserves Upgrades Reserve	As scheduled in Council's Asset Management Plan.	Established to fund the development of Parks and Reserves.
(r) Election Expenses Reserve	Council election year.	Established to fund Council elections.
(s) Pathways Reserve	As scheduled in Council's Asset Management Plan.	Established to provide funds for the creation, upgrade and renewal of the Shire's pathway infrastructure.
(t) Asset / Rates Revaluation Reserve	As required.	Established to provide funds for asset and rating revaluations.
(u) Refuse & Recycling Bin Replacement Reserve	As required.	Established to provide funds for replacement of refuse and recycling bins.
(v) Emergency Services Reserve	Reserve to be removed by 30 June 2020.	Established to fund unforeseen over expenditure in the Emergency Services Levy Budget.
(w) Small Plant & Equipment Reserve	Reserve to be removed by 30 June 2020.	Established to fund the purchase or replacement of Council's small plant and equipment.
(x) Storm Water Reserve	As scheduled in Council's Asset Management Plan.	Established to ensure preservation of Council's transport storm water infrastructure network independent of grants and contributions.
(y) Fire Control Reserve	As funds become available for suitable projects.	For the purchase, construction and development of fire fighting equipment and buildings.
(z) Collie River (Eaton Drive) Bridge Construction Reserve	As the necessary funds are raised.	Established for the future construction of a bridge over the Collie River and extend Eaton Drive.
(aa) Eaton Drive - Access Construction Reserve	As the growth in Eaton townsite necessitates development.	Established for the construction of Eaton Drive Access Road from developer contributions.
(ab) Eaton Drive - Scheme Construction Reserve	As the growth in Eaton townsite necessitates development.	Established for the future construction of Eaton Drive from developer contributions.
(ac) Contribution to Works Reserve	Year of budgeted works.	Established to account for contributions and donations received from external sources.
(ad) Unspent Grants Reserve	Year of budgeted works.	Established to identify unexpended grants and special projects funding.
(ae) Swimming Pool Inspection Reserve	On payment of swimming pool inspections every 3 years.	Established to account for unspent Swimming Pool Inspection Levy.
(af) Unspent Specified Area Rate - Bulk Waste Collection	Next financial year.	Established to hold unspent specified area rates for bulk waste collection.
(ag) Unspent Specified Area Rate - Eaton Landscaping	Next financial year.	Established to hold unspent specified area rates for Eaton landscaping.
(ah) Dardanup Community Centre Reserve	Reserve to be removed by 30 June 2020.	Established to hold funds for the future construction of a community centre and outdoor play area.
(ai) Dardanup Community Centre Design Reserve	Reserve to be removed by 30 June 2020.	Established to hold funds for the design of a future community centre and outdoor play area.
(aj) Dardanup Public Library Reserve	Reserve to be removed by 30 June 2020.	Established to hold funds for the future extension of Dardanup Public Library.
(ak) Wells Park Hard Courts Reserve	Reserve to be removed by 30 June 2020.	Established to hold funds for the future upgrade of the hard courts and lighting at Wells Park.
(al) Wells Park Clubroom Reserve	Reserve to be removed by 30 June 2020.	Established to hold funds for the future extension of the club room facilities at Wells Park.
(am) Wells Park Clubroom Design Reserve	Reserve to be removed by 30 June 2020.	Established to hold funds for the design and future extension of the club room facilities at Wells Park.
(an) Wells Park Car Park Reserve	Reserve to be removed by 30 June 2020.	Established to hold funds for the future upgrade and construction of the car parking area at Wells Park.
(ao) Plant & Engineering Equipment Reserve	As scheduled in Council's Asset Management Plan.	To fund the purchase, replacement or lease of Council's heavy plant and engineering equipment.
(ap) Road Construction and Major Maintenance Reserve	Funds are not expected to be used within a set period but on a budgetary needs basis.	Established to provide funds for the upgrade and renewal of the Council's transport infrastructure.
(aq) Building Maintenance Reserve	As scheduled in Council's Asset Management Plan.	For the purchase, construction and maintenance of Council buildings.
(ar) Wanju Developer Contribution Plan - Unspent Loan Reserve	As required.	Established to hold unspent loan funds raised for the Wanju Developer Contribution Plan planning and development costs.
(as) Dardanup Expansion Developer Contribution Plan Reserve	As required.	Established to hold funds for the design and construction of community facilities in Dardanup associated with the implementation of DCA2 – Dardanup Expansion Area Developer Contribution Plan.
(av) Burekup Public Open Space Reserve	As scheduled in Council's Asset Management Plan.	Established to account for cash-in-lieu of Public Open Space contributions in Burekup in accordance with the Planning and Development Act 1995.

5. OTHER FINANCIAL ASSETS

(a) Current assets

Financial assets at amortised cost

Other financial assets at amortised cost

Term deposits

(b) Non-current assets

Financial assets at fair value through profit and loss

Financial assets at fair value through profit and loss

Units in Local Government House Trust

	2021	2020
	\$	\$
	12,600,296	8,400,000
	12,600,296	8,400,000
	12,600,296	8,400,000
	12,600,296	8,400,000
	73,807	71,220
	73,807	71,220
	73,807	71,220
	73,807	71,220

Loans receivable from clubs/institutions have the same terms and conditions as the related borrowing disclosed in Note 19(b) as self supporting loans.

SIGNIFICANT ACCOUNTING POLICIES

Other financial assets at amortised cost

The Shire classifies financial assets at amortised cost if both of the following criteria are met:

- the asset is held within a business model whose objective it to collect the contractual cashflows, and/or
- the contractual terms give rise to cash flows that are solely payments of principal and interest.

Financial assets at fair value through profit and loss

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

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

Impairment and risk

Information regarding impairment and exposure to risk can be found at Note 32.

6. TRADE AND OTHER RECEIVABLES

Current

Rates receivable
Trade and other receivables
GST receivable
Fuel tax credits
Pensioner rates rebate
ESL receivable

Non-current

Pensioner's rates and ESL deferred

2021	2020
\$	\$
309,045	396,109
170,111	781,928
515,195	275,564
6,439	5,067
46,375	5,997
0	7,446
1,047,165	1,472,111
134,563	118,063
134,563	118,063

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 32.

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Classification and subsequent measurement

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

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

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

7. INVENTORIES

Current

Materials - depot
 Trading stock - Eaton Recreation Centre

The following movements in inventories occurred during the year:

Balance at beginning of year

Inventories expensed during the year
 Additions to inventory

Balance at end of year

	2021	2020
	\$	\$
	6,318	11,917
	5,842	7,310
	12,160	19,227
	19,227	13,477
	(7,067)	0
	0	5,750
	12,160	19,227

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.

8. OTHER ASSETS

Other assets - current

Prepayments
 Accrued income

	2021	2020
	\$	\$
	40,180	0
	119,951	42,807
	160,131	42,807

SIGNIFICANT ACCOUNTING POLICIES

Other current assets

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

Accrued Income

Accrued income includes interest accrued on term deposits and revenue or contributions expected to be earned but has yet to be received by year end.

SHIRE OF DARDANUP
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
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9. PROPERTY, PLANT AND EQUIPMENT

(a) Movements in Balances

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

	Land	Buildings - non- specialised	Total land and buildings	Total land and buildings	Furniture and equipment	Plant and equipment	Motor vehicles	Work in progress	Total property, plant and equipment
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Balance at 1 July 2019	6,365,673	22,682,434	29,048,107	29,048,107	440,038	111,397	2,282,175	571,644	32,453,361
Additions	42,581	138,502	181,083	181,083	130,795	0	325,321	31,390	668,589
(Disposals)	(69,959)	(29,064)	(99,023)	(99,023)	(82,439)	(3,200)	(100,468)	0	(285,130)
Depreciation (expense)	0	(806,986)	(806,986)	(806,986)	(131,139)	(13,568)	(345,221)	0	(1,296,914)
Transfers	63,099	0	63,099	63,099	0	0	0	(63,099)	0
Carrying amount at 30 June 2020	6,401,394	21,984,886	28,386,280	28,386,280	357,255	94,629	2,161,807	539,935	31,539,906
Comprises:									
Gross balance amount at 30 June 2020	6,401,394	40,230,683	46,632,077	46,632,077	1,551,513	197,776	4,713,632	539,935	53,634,933
Accumulated depreciation at 30 June 2020	0	(18,245,797)	(18,245,797)	(18,245,797)	(1,194,258)	(103,147)	(2,551,825)	0	(22,095,027)
Accumulated impairment loss at 30 June 2020	0	0	0	0	0	0	0	0	0
Carrying amount at 30 June 2020	6,401,394	21,984,886	28,386,280	28,386,280	357,255	94,629	2,161,807	539,935	31,539,906
Additions	7,500	11,941	19,441	19,441	24,754	(0)	531,430	2,058,267	2,633,891
(Disposals)	(107,150)	(445,316)	(552,466)	(552,466)	0	(900)	(214,567)	(481,722)	(1,249,655)
Revaluation increments / (decrements) transferred to revaluation surplus	858,256	9,475,764	10,334,020	10,334,020	0	0	0	0	10,334,020
Depreciation (expense)	0	(809,126)	(809,126)	(809,126)	(95,188)	(11,515)	(323,467)	0	(1,239,294)
Carrying amount at 30 June 2021	7,160,000	30,218,149	37,378,149	37,378,149	286,821	82,214	2,155,203	2,116,480	42,018,867
Comprises:									
Gross balance amount at 30 June 2021	7,160,000	51,436,550	58,596,550	58,596,550	1,576,266	188,776	4,779,642	2,116,480	67,257,714
Accumulated depreciation at 30 June 2021	0	(21,218,401)	(21,218,401)	(21,218,401)	(1,289,445)	(106,562)	(2,624,439)	0	(25,238,847)
Carrying amount at 30 June 2021	7,160,000	30,218,149	37,378,149	37,378,149	286,821	82,214	2,155,203	2,116,480	42,018,867

9. PROPERTY, PLANT AND EQUIPMENT (Continued)

(b) Carrying Value Measurements

Asset Class	Fair Value Hierarchy	Valuation Technique	Basis of Valuation	Date of Last Valuation	Inputs Used
(i) Fair Value					
Land and buildings					
Land	3	Market approach using recent observable market data for similar properties	Independent registered valuer	June 2017	Price per m2
Buildings - non-specialised	3	Market approach using recent observable market data for properties	Independent registered valuer	June 2017	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs
(ii) Cost					
Furniture and equipment	3	Cost approach using current replacement cost	Management valuation	June 2016	Purchase costs and current condition, residual values and remaining useful life assessments
Plant and equipment	3	Cost approach using current replacement cost	Management valuation	June 2016	Purchase costs and current condition, residual values and remaining useful life assessments
Motor vehicles	3	Cost approach using current replacement cost	Management valuation	June 2016	Purchase costs and current condition, residual values and remaining useful life assessments

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

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.

SHIRE OF DARDANUP
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10. INFRASTRUCTURE

(a) Movements in Balances

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

	Infrastructure - roads	Infrastructure - footpaths	Infrastructure - drainage	Infrastructure - parks and ovals	Infrastructure - bridges	Total Infrastructure
	\$	\$	\$	\$	\$	\$
Balance at 1 July 2019	91,143,660	7,166,872	17,226,422	5,772,490	22,436,895	143,746,339
Additions	2,992,410	79,641	0	426,819	0	3,498,870
Depreciation (expense)	(2,481,827)	(206,354)	(333,136)	(184,307)	(600,215)	(3,805,839)
Carrying amount at 30 June 2020	91,654,243	7,040,159	16,893,286	6,015,002	21,836,680	143,439,370
Comprises:						
Gross balance at 30 June 2020	133,393,841	10,397,343	25,047,817	9,642,180	40,353,444	218,834,625
Accumulated depreciation at 30 June 2020	(41,739,598)	(3,357,184)	(8,154,531)	(3,627,178)	(18,516,764)	(75,395,255)
Carrying amount at 30 June 2020	91,654,243	7,040,159	16,893,286	6,015,002	21,836,680	143,439,370
Additions	3,061,885	566,218	(0)	363,538	361,520	4,353,160
(Disposals)	0	0	0	0	(282,903)	(282,903)
Revaluation increments / (decrements) transferred to revaluation surplus	0	0	0	0	2,882,429	2,882,429
Depreciation (expense)	(2,530,303)	(207,947)	(333,136)	(192,844)	(597,726)	(3,861,955)
Carrying amount at 30 June 2021	92,185,825	7,398,430	16,560,150	6,185,696	24,200,000	146,530,101
Comprises:						
Gross balance at 30 June 2021	136,455,726	10,963,561	25,047,817	10,005,718	38,959,000	221,431,822
Accumulated depreciation at 30 June 2021	(44,269,901)	(3,565,131)	(8,487,667)	(3,820,022)	(14,759,000)	(74,901,721)
Carrying amount at 30 June 2021	92,185,825	7,398,430	16,560,150	6,185,696	24,200,000	146,530,101

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

10. INFRASTRUCTURE (Continued)

(b) Carrying Value Measurements

Asset Class	Fair Value Hierarchy	Valuation Technique	Basis of Valuation	Date of Last Valuation	Inputs Used
(i) Fair Value					
Infrastructure - roads	3	Cost approach using current replacement cost	Management valuation	June 2018	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs
Infrastructure - footpaths	3	Cost approach using current replacement cost	Management valuation	June 2018	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs
Infrastructure - drainage	3	Cost approach using current replacement cost	Management valuation	June 2018	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs
Infrastructure - parks and ovals	3	Cost approach using current replacement cost	Management valuation	June 2018	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs
Infrastructure - bridges	3	Cost approach using current replacement cost	Independent valuation	June 2018	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs

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

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

11. FIXED ASSETS

SIGNIFICANT ACCOUNTING POLICIES

Fixed assets

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

Initial recognition and measurement between mandatory revaluation dates

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

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

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

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

Revaluation

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

AUSTRALIAN ACCOUNTING STANDARDS - INCONSISTENCY Revaluation (Continued)

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

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

Land under roads from 1 July 2019

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

Vested improvements from 1 July 2019

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

Refer to Note 12 that details the significant accounting policies applying to leases (including right-of-use assets).

SHIRE OF DARDANUP
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
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11. FIXED ASSETS

(a) Disposals of Assets

	2021 Actual Net Book Value	2021 Actual Sale Proceeds	2021 Actual Profit	2021 Actual Loss	2021 Budget Net Book Value	2021 Budget Sale Proceeds	2021 Budget Profit	2021 Budget Loss	2020 Actual Net Book Value	2020 Actual Sale Proceeds	2020 Actual Profit	2020 Actual Loss
Land - freehold land	107,150	0	0	(107,150)	0	0	0	0	69,959	1,240,800	1,170,841	0
Buildings - non-specialised	445,316	0	0	(445,316)	0	0	0	0	29,064	0	0	(29,064)
Furniture and equipment	0	0	0	0	0	0	0	0	82,439	20,000	0	(62,439)
Plant and equipment	900	0	0	(900)	0	0	0	0	3,200	91	0	(3,109)
Motor vehicles	214,567	229,045	18,861	(4,383)	257,969	257,969	0	0	100,468	73,001	0	(27,467)
Work in progress	481,722	0	0	(481,722)	0	0	0	0	0	0	0	0
Infrastructure - bridges	282,903	0	0	(282,903)	0	0	0	0	0	0	0	0
	1,532,558	229,045	18,861	(1,322,374)	257,969	257,969	0	0	285,130	1,333,892	1,170,841	(122,079)

The following assets were disposed of during the year.

	2021 Actual Net Book Value	2021 Actual Sale Proceeds	2021 Actual Profit	2021 Actual Loss
Plant and Equipment				
Recreation and culture				
Parks & Reserves Vehicle	22,462	22,818	356	0
Tractor	31,769	36,000	4,231	0
Transport				
Transport Vehicle	19,242	21,000	1,758	0
Loader	80,044	81,500	1,456	0
Economic services				
Building Services Vehicle	20,073	28,182	8,109	0
Other property and services				
Infrastructure Services Vehicle	17,503	20,454	2,951	0
Infrastructure Services Vehicle	23,474	19,091	0	(4,383)
	214,567	229,045	18,861	(4,383)
Plant and Equipment				
Transport				
Sundry Plant	900	0	0	(900)
	900	0	0	(900)
Land				
Other Property and Services				
Land transferred to Road Reserve	107,150	0	0	(107,150)
	107,150	0	0	(107,150)
Buildings				
Recreation and culture				
Skate Park Assets	89,143	0	0	(89,143)
Eaton Bowling Club (Former Building)	356,173	0	0	(356,173)
	445,316	0	0	(445,316)
Infrastructure				
Transport				
Bridges	282,903	0	0	(282,903)
	282,903	0	0	(282,903)
Work in progress				
Other property and services				
Design Costs	481,722	0	0	(481,722)
	481,722	0	0	(481,722)
	1,532,558	229,045	18,861	(1,322,374)

(b) Fully Depreciated Assets in Use

The gross carrying value of assets held by the Shire which are currently in use yet fully depreciated are shown in the table below.

	2021 \$	2020 \$
Buildings - non-specialised	126,158	126,157
Furniture and equipment	838,386	539,788
Plant and equipment	37,600	37,600
Motor vehicles	818,191	818,191
Infrastructure - bridges	0	150,000
	1,820,335	1,671,736

11. FIXED ASSETS

(c) Depreciation

	2021 Actual	2021 Budget	2020 Actual
	\$	\$	\$
Buildings - non-specialised	809,126	806,355	806,986
Furniture and equipment	95,188	155,632	131,139
Plant and equipment	11,515	13,568	13,568
Motor vehicles	323,467	331,980	345,221
Infrastructure - roads	2,530,303	2,530,427	2,481,827
Infrastructure - footpaths	207,947	206,354	206,354
Infrastructure - drainage	333,136	333,136	333,136
Infrastructure - parks and ovals	192,844	192,307	184,307
Infrastructure - bridges	597,726	600,230	600,215
Right-of-use assets - land and buildings	23,397	13,067	21,509
Right-of-use assets - furniture and equipment	139,424	105,992	122,411
Right-of-use assets - motor vehicles	5,978	599	7,115
	5,270,048	5,289,647	5,253,788

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 - specialised	
Buildings - non-specialised	
- sub-structure	50 to 100 years
- super-structure	8 to 100 years
- roof	25 to 100 years
- finishing & fittings	8 to 75 years
- services	10 to 75 years
- site surround works	10 to 75 years
Furniture and equipment	4 to 10 years
Plant and equipment	5 to 10 years
Motor vehicles	4 to 5 years
Work in progress	Not depreciated
Infrastructure Assets - Roads	
Sealed Roads and Streets	
- formation	Not depreciated
- pavement	30 to 80 years
- seal: bitumen	20 years
- seal: asphalt	40 years
- seal: brick paving	40 years
- kerbing	60 years
- drainage	40 years
Gravel Roads	
- formation	Not depreciated
- pavement	10 to 20 years

Continued

Infrastructure Assets - Pathways	
- concrete	50 years
- limestone	15 years
- paving	25 years
- asphalt	20 years
- timber	30 years
Infrastructure - Stormwater Drainage	50 to 75 years
Infrastructure - Parks and Reserves	
- playgrounds	15 years
- furniture	15 years
- turf	20 years
- gardens	15 years
- irrigation	12 to 40 years
- sporting equipment	15 to 25 years
- rubbish bin enclosures	15 years
- marine structures	20 years
Infrastructure - Bridges	
- timber	60 years
- other	100 years
Right of use - land	Based on the remaining lease
Right of use - buildings	Based on the remaining lease
Right of use - plant and equipment	Based on the remaining lease
Right of use - furniture and fittings	Based on the remaining lease
Right of use - motor vehicles	Based on the remaining lease

Depreciation on revaluation

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is treated in one of the following ways:
(a) The gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset. For example, the gross carrying amount may be restated by reference to observable market data or it may be restated proportionately to the change in the carrying amount. The accumulated depreciation at the date of the revaluation is adjusted to equal the difference between the gross carrying asset and the net amount restated to the revalued amount of the asset.

Amortisation

All intangible assets with a finite useful life, are amortised on a straight-line basis over the individual asset's useful life from the time the asset is held for use.

The residual value of intangible assets is considered to be zero and the useful life and amortisation method are reviewed at the end of each financial year.

Amortisation is included within Depreciation on non-current assets in the Statement of Comprehensive Income and in the note above.

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12. RIGHT-OF-USE ASSETS

(a) Right-of-Use Assets

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

Carrying amount at 1 July 2019

Additions

Depreciation (expense)

Carrying amount at 30 June 2020

Additions

Revaluation (loss) / reversals transferred to profit or loss

Depreciation (expense)

Carrying amount at 30 June 2021

	Right-of-use assets - land and buildings	Right-of-use assets - furniture and equipment	Right-of-use assets - motor vehicles	Right-of-use assets Total
	\$	\$	\$	
Carrying amount at 1 July 2019	122,212	264,330	7,719	394,261
Additions	0	262,667	0	262,667
Depreciation (expense)	(21,509)	(122,411)	(7,115)	(151,035)
Carrying amount at 30 June 2020	100,703	404,586	604	505,893
Additions	0	171,395	12,213	183,608
Revaluation (loss) / reversals transferred to profit or loss	11,132	2,442	(604)	12,970
Depreciation (expense)	(23,397)	(139,424)	(5,978)	(168,799)
Carrying amount at 30 June 2021	88,438	438,999	6,235	533,672

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

Depreciation expense on lease liabilities

Interest expense on lease liabilities

Short-term lease payments recognised as expense

Expenses for variable lease payment not recognised as a liability

Lease principal expense

Gains/(losses) from sale and leaseback transactions

Total amount recognised in the statement of comprehensive income

Total cash outflow from leases

	2021 Actual	2020 Actual
	\$	\$
Depreciation expense on lease liabilities		(7,988)
Interest expense on lease liabilities	(11,148)	
Short-term lease payments recognised as expense	(39,150)	0
Expenses for variable lease payment not recognised as a liability	0	0
Lease principal expense	(165,751)	(148,175)
Gains/(losses) from sale and leaseback transactions	0	0
Total amount recognised in the statement of comprehensive income	(216,049)	(156,163)
Total cash outflow from leases	(176,899)	(156,163)

SIGNIFICANT ACCOUNTING POLICIES

Leases

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

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

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

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

Right-of-use assets - valuation

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

Refer to Note 11 for details on the significant accounting policies applying to vested improvements.

Right-of-use assets - depreciation

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

13. INTANGIBLE ASSETS

(a) Intangible Assets

Non-current

Intangible asset - Easements
 Derecognition of Intangible asset - Easements

Carrying amount at 30 June

TOTAL INTANGIBLE ASSETS

	2021 Actual	2020 Actual
	\$	\$
	0	1,920,902
	0	(1,920,902)
	0	0
	0	0

SIGNIFICANT ACCOUNTING POLICIES

Intangible Assets

Intangible Assets are easements on land owned by residents where the Shire has the right to use the land owned by residents for drainage purposes.

Changes to the Local Government (Financial Management) Regulations 1996 gazetted on the 6 November 2020, required local governments to apply the new Regulations to the 2019/20 financial report. These changes include the deletion of Regulation 16 by which the Shire previously recorded Easements as Intangible Assets in prior reporting periods.

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14. REVALUATION SURPLUS

	2021 Opening Balance	2021 Revaluation Increment	2021 Revaluation (Decrement)	Total Movement on Revaluation	2021 Closing Balance	2020 Opening Balance	2020 Revaluation Increment	2020 Revaluation (Decrement)	Total Movement on Revaluation	2020 Closing Balance
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revaluation surplus - Land - freehold land	5,018,352	858,256	0	858,256	5,876,608	5,018,352	0	0	0	5,018,352
Revaluation surplus - Buildings - non-specialised	11,814,130	9,475,764	0	9,475,764	21,289,894	11,814,130	0	0	0	11,814,130
Revaluation surplus - Furniture and equipment	141,852	0	0	0	141,852	141,852	0	0	0	141,852
Revaluation surplus - Plant and equipment	61,467	0	0	0	61,467	61,467	0	0	0	61,467
Revaluation surplus - Motor vehicles	308,205	0	0	0	308,205	308,205	0	0	0	308,205
Revaluation surplus - Intangible Assets - Easements	0	0	0	0	0	1,920,902	0	(1,920,902)	(1,920,902)	0
Revaluation surplus - Infrastructure - roads	57,347,459	0	0	0	57,347,459	57,347,459	0	0	0	57,347,459
Revaluation surplus - Infrastructure - footpaths	6,425,473	0	0	0	6,425,473	6,425,473	0	0	0	6,425,473
Revaluation surplus - Infrastructure - drainage	19,141,929	0	0	0	19,141,929	19,141,929	0	0	0	19,141,929
Revaluation surplus - Infrastructure - parks and ovals	2,216,465	0	0	0	2,216,465	2,216,465	0	0	0	2,216,465
Revaluation surplus - Infrastructure - bridges	16,265,455	2,882,429	0	2,882,429	19,147,884	16,265,455	0	0	0	16,265,455
	118,740,786	13,216,449	0	13,216,449	131,957,235	120,661,688	0	(1,920,902)	(1,920,902)	118,740,786

15. TRADE AND OTHER PAYABLES

Current

Sundry creditors	
Prepaid rates	
Accrued salaries and wages	
ATO liabilities	
Bonds and deposits held	
Accrued interest on long term borrowings	
Accrued expenses	
Prepaid revenue	

2021	2020
\$	\$
1,798,946	1,049,612
782,454	648,952
141,810	96,114
170,496	440,438
700,299	741,314
30,331	33,404
117,261	10,768
0	42,144
3,741,597	3,062,746

SIGNIFICANT ACCOUNTING POLICIES

Trade and other payables

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

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

Prepaid rates

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

16. SHORT-TERM BORROWINGS

Council has no short-term borrowings whereby restrictions have been imposed on those borrowings.

17. OTHER LIABILITIES

Current

Contract liabilities from contracts with customers - Grant Revenue
 Capital grant liability - Developer Contributions
 Contract liabilities from contracts with customers - Revenue

Non-current

Contract liabilities from contracts with customers - Grant Revenue
 Capital grant liability - Developer Contributions

	2021	2020
	\$	\$
Contract liabilities from contracts with customers - Grant Revenue	1,906,515	2,684,261
Capital grant liability - Developer Contributions	538,409	2,035,010
Contract liabilities from contracts with customers - Revenue	27,290	0
	2,472,214	4,719,271
Contract liabilities from contracts with customers - Grant Revenue	15,000	15,000
Capital grant liability - Developer Contributions	763,423	598,272
	778,423	613,272
	3,250,637	5,332,543

Performance obligations for each type of liability are expected to be recognised as revenue in accordance with the following time bands:

Less than 1 year
 1 to 2 years
 2 to 3 years

	Contract liabilities - Grant Revenue / Revenue	Capital grant liability - Developer Contributions
	\$	\$
Less than 1 year	1,933,805	538,409
1 to 2 years	0	763,423
2 to 3 years	15,000	0
	1,948,805	1,301,832

SIGNIFICANT ACCOUNTING POLICIES

Contract liabilities

Contract liabilities represent the the Shire's obligation to transfer goods or services to a customer for which the Shire has received consideration from the customer.

With respect to transfers for recognisable non-financial assets, contract liabilities represent performance obligations which are not yet satisfied.

Contract liabilities are recognised as revenue when the performance obligations in the contract are satisfied.

Liabilities under transfers to acquire or construct non-financial assets to be controlled by the entity

Grant liabilities represent the the Shire's performance obligations to construct recognisable non-financial assets to identified specifications which are yet to be satisfied.

Grant liabilities are recognised as revenue when the performance obligations in the contract are satisfied.

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18. LEASE LIABILITIES

(a) Lease Liabilities

	2021	2020
	\$	\$
Current	167,440	143,625
Non-current	372,271	365,128
	539,711	508,753

(b) Movements in Carrying Amounts

Purpose	Lease Number	Asset Class	Lease Interest Rate	Lease Term	Actual	30 June 2021	30 June 2021	30 June 2021	30 June 2021	30 June 2021	30 June 2021	Budget	30 June 2021	30 June 2021	30 June 2021	30 June 2021	Actual	30 June 2020	30 June 2020	30 June 2020	30 June 2020	
					Lease Principal 1 July 2020	Actual New Leases	Actual Lease Repayments	Actual Adjustment to Lease	Actual Lease Principal Outstanding	Actual Lease Interest Repayments	Lease Principal 1 July 2020	Budget New Leases	Budget Lease Repayments	Budget Lease Principal Outstanding	Budget Lease Interest Repayments	Lease Principal 1 July 2019	Actual New Leases	Actual Lease Repayments	Actual Lease Principal Outstanding	Actual Lease Interest Repayments		
Law, order, public safety																						
Vehicle Lease	17	Vehicle	2.00%	24 months	600	12,213	(6,126)	(600)	6,087	(175)		599	0	(599)	0	(2)	7,720	0	(7,120)	600	(89)	
Community amenities																						
Lease of Land	2	Land	2.70%	120 months	58,186	0	(9,873)	2,345	50,658	(1,495)		2,044	0	(2,044)	0	(5)	67,427	0	(9,241)	58,186	(1,686)	
Recreation and culture																						
Photocopier/Scanner/Printer Lease	11	Furniture & Equip	2.10%	36 months	0	0	(732)	732	0	(2)		0	0	0	0	0	3,995	0	(3,995)	0	(42)	
Photocopier/Scanner/Printer Lease	12	Furniture & Equip	2.10%	36 months	927	0	(927)	0	0	(2)		927	0	(927)	0	0	6,426	0	(5,499)	927	(81)	
Cardio Fitness Equipment Lease	18	Furniture & Equip	2.20%	60 months	199,457	0	(38,185)	0	161,272	(3,955)		0	184,970	(34,853)	150,117	(4,991)	0	199,457	0	199,457	0	
Other property and services																						
Transportable Building Lease	1	Buildings	2.50%	91 months	43,779	0	(12,692)	8,925	40,012	(1,160)		43,073	0	(11,023)	32,050	(1,127)	54,785	0	(11,006)	43,779	(1,230)	
IT Equipment Lease	3	Furniture & Equip	2.20%	60 months	9,988	0	(8,550)	6	1,444	(133)		10,462	0	(8,337)	2,125	(9)	18,347	0	(8,359)	9,988	(318)	
IT Equipment Lease	4	Furniture & Equip	2.20%	60 months	23,431	0	(7,428)	0	16,003	(437)		25,539	0	(8,029)	17,510	(648)	30,699	0	(7,268)	23,431	(597)	
IT Equipment Lease	5	Furniture & Equip	2.10%	36 months	11,612	0	(10,710)	0	902	(140)		9,253	0	(8,531)	722	(159)	22,102	0	(10,490)	11,612	(360)	
IT Equipment Lease	6	Furniture & Equip	2.10%	36 months	10,238	0	(12,243)	3,037	1,032	(160)		10,197	0	(10,197)	0	(140)	22,292	0	(12,054)	10,238	(349)	
IT Equipment Lease	7	Furniture & Equip	2.10%	48 months	85,569	0	(27,932)	0	57,637	(1,516)		84,431	0	(27,316)	57,115	(2,132)	112,927	0	(27,359)	85,568	(2,089)	
Photocopier/Scanner/Printer Lease	8	Furniture & Equip	2.10%	36 months	1,804	0	(1,804)	0	0	(5)		1,802	0	(1,802)	0	(6)	12,493	0	(10,688)	1,804	(159)	
Photocopier/Scanner/Printer Lease	9	Furniture & Equip	2.10%	36 months	1,554	0	(1,554)	0	0	(4)		2,587	0	(2,587)	0	(10)	10,765	0	(9,211)	1,554	(137)	
Photocopier/Scanner/Printer Lease	10	Furniture & Equip	2.10%	36 months	732	0	(732)	0	0	(2)		731	0	(731)	0	(3)	5,072	0	(4,340)	732	(64)	
Photocopier/Scanner/Printer Lease	13	Furniture & Equip	2.10%	36 months	732	0	(732)	0	0	(2)		732	0	(732)	0	(2)	5,072	0	(4,339)	733	(65)	
Photocopier/Scanner/Printer Lease	14	Furniture & Equip	2.10%	36 months	732	0	(732)	0	0	(2)		1,219	0	(1,219)	0	(5)	5,072	0	(4,340)	732	(64)	
Photocopier/Scanner/Printer Lease	15	Furniture & Equip	2.10%	36 months	732	0	(732)	0	0	(2)		731	0	(731)	0	(3)	5,072	0	(4,340)	732	(64)	
Photocopier/Scanner/Printer Lease	16	Furniture & Equip	2.10%	36 months	0	0	(732)	732	0	(2)		0	0	0	0	(3)	3,995	0	(3,995)	0	(42)	
IT Equipment Lease	19	Furniture & Equip	2.30%	60 months	36,876	0	(6,366)	0	30,510	(774)		0	0	0	0	0	0	40,009	(3,133)	36,876	(437)	
IT Equipment Lease	20	Furniture & Equip	2.10%	48 months	21,804	0	(5,112)	(2,076)	14,616	(362)		0	0	0	0	0	0	23,201	(1,397)	21,804	(115)	
IT Equipment Lease	21	Furniture & Equip	2.00%	48 months	0	18,036	(1,087)	0	16,949	(86)		0	0	0	0	0	0	0	0	0	0	
IT Equipment Lease	22	Furniture & Equip	2.00%	48 months	0	62,532	(3,769)	0	58,763	(299)		0	0	0	0	0	0	0	0	0	0	
IT Equipment Lease	23	Furniture & Equip	2.00%	48 months	0	17,677	(1,065)	0	16,612	(85)		0	0	0	0	0	0	0	0	0	0	
IT Equipment Lease	25	Furniture & Equip	2.00%	36 months	0	73,150	(5,936)	0	67,214	(348)		0	0	0	0	0	0	0	0	0	0	
					508,753	183,608	(165,751)	13,101	539,711	(11,148)		194,327	184,970	(119,658)	259,639	(9,242)		394,261	262,667	(148,175)	508,753	(7,988)

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19. INFORMATION ON BORROWINGS

(a) Borrowings

	2021	2020
	\$	\$
Current	333,977	250,116
Non-current	2,129,023	1,713,000
	2,463,000	1,963,116

(b) Repayments - Borrowings

Particulars	Loan Number	Institution	Interest Rate	30 June 2021					30 June 2020					30 June 2019						
				Actual Principal 1 July 2020	Actual New Loans	Actual Principal repayments	Accrued Interest	Actual Interest repayments	Actual Principal outstanding	Budget Principal 1 July 2020	Budget New Loans	Budget Principal repayments	Budget Interest repayments	Budget Principal outstanding	Actual Principal 1 July 2019	Actual New Loans	Actual Principal repayments	Accrued Interest	Actual Interest repayments	Actual Principal outstanding
Community amenities				\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$		
Wanju Developer Contribution Plan/V	70	WATC	1.44%	0	750,000	0	(1,317)	0	750,000	0	750,000	0	0	0	0	0	0	0		
Recreation and culture																				
Eaton Recreation Centre	59	WATC	5.87%	280,690	0	(88,117)	(15,626)	(15,202)	192,573	280,690	0	(88,117)	(16,870)	192,573	363,773	0	(83,083)	(21,251)	(20,152)	280,690
Eaton Recreation Centre Extensions	63	WATC	5.97%	0	0	0	0	0	0	0	0	0	0	0	21,440	0	(21,440)	(916)	(965)	0
Fitness Equipment	68	WATC	3.30%	0	0	0	0	0	0	0	0	0	0	0	21,070	0	(21,070)	(255)	(348)	0
Glen Huon Oval Club Rooms	69	WATC	3.84%	965,470	0	(41,174)	(42,473)	(36,682)	924,296	965,470	0	(41,174)	(43,234)	924,296	1,005,108	0	(39,638)	(44,350)	(38,219)	965,470
Transport																				
Depot Land	66	WATC	4.07%	503,104	0	(58,628)	(22,171)	(19,886)	444,476	503,104	0	(58,628)	(23,169)	444,476	559,417	0	(56,313)	(24,900)	(22,201)	503,104
Economic services																				
Gravel Pit Land - Panizza Road	61	WATC	6.19%	90,549	0	(23,901)	(5,550)	(5,241)	66,648	90,549	0	(23,901)	(5,805)	66,648	113,014	0	(22,465)	(7,141)	(6,653)	90,549
Other property and services																				
Administration Building Extensions	65	WATC	7.03%	123,303	0	(38,296)	(8,185)	(8,007)	85,007	123,303	0	(38,296)	(8,887)	85,007	159,042	0	(35,739)	(11,012)	(10,563)	123,303
				1,963,116	750,000	(250,116)	(95,322)	(85,018)	2,463,000	1,963,116	750,000	(250,116)	(97,965)	2,463,000	2,242,864	0	(279,748)	(109,825)	(99,101)	1,963,116

19. INFORMATION ON BORROWINGS (Continued)

(c) New Borrowings - 2020/21

Particulars/Purpose	Institution	Loan Type	Term Years	Interest Rate	Amount Borrowed		Amount (Used)		Total Interest & Charges	Actual Balance Unspent
					2021 Actual	2021 Budget	2021 Actual	2021 Budget		
Wanju Developer Contribution Plan/Waterloo Industrial Park	WATC	Debenture	10	1.44%	\$ 750,000	\$ 750,000	\$ 0	\$ 0	\$ (1,317)	\$ 750,000
					750,000	750,000	0	0	(1,317)	750,000

(d) Unspent Borrowings

Particulars	Date Borrowed	Unspent Balance 1 July 2020	Borrowed During Year	Expended During Year	Unspent Balance 30 June 2021
Wanju Developer Contribution Plan/Waterloo Industrial Park	1/06/2021	\$ 0	\$ 750,000	\$ 0	\$ 750,000
		0	750,000	0	750,000

(e) Undrawn Borrowing Facilities
 Credit Standby Arrangements

	2021	2020
Bank overdraft limit	\$ 0	\$ 250,000
Credit card limit	15,000	15,000
Credit card balance at balance date	0	0
Total amount of credit unused	15,000	265,000

Loan facilities

Loan facilities - current	333,977	250,116
Loan facilities - non-current	2,129,023	1,713,000
Lease liabilities - current	167,440	143,625
Lease liabilities - non-current	372,271	365,128
Total facilities in use at balance date	3,002,711	2,471,869

Unused loan facilities at balance date

Nil Nil

SIGNIFICANT ACCOUNTING POLICIES

Financial liabilities

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

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

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

Borrowing costs

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

Risk

Information regarding exposure to risk can be found at Note 32.

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20. EMPLOYEE RELATED PROVISIONS

(a) Employee Related Provisions

	Provision for Annual Leave	Provision for Rostered Days Off	Provision for Long Service Leave	Total
	\$	\$	\$	\$
Opening balance at 1 July 2020				
Current provisions	773,329	61,511	602,168	1,437,008
Non-current provisions	0	0	275,843	275,843
	773,329	61,511	878,011	1,712,851
Additional provision	78,754	0	152,929	231,683
Amounts used	0	(5,892)	0	(5,892)
Balance at 30 June 2021	852,083	55,619	1,030,940	1,938,642
Comprises				
Current	852,083	55,619	786,010	1,693,712
Non-current	0	0	244,930	244,930
	852,083	55,619	1,030,940	1,938,642

	2021	2020
	\$	\$
Amounts are expected to be settled on the following basis:		
Less than 12 months after the reporting date	1,693,712	1,437,008
More than 12 months from reporting date	244,930	275,843
	1,938,642	1,712,851

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

SIGNIFICANT ACCOUNTING POLICIES

Employee benefits

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

Short-term employee benefits

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

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

Other long-term employee benefits

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

Other long-term employee benefits (Continued)

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

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

Provisions

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

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

21. OTHER PROVISIONS

	Provision for Rehabilitation on Leased	
	Land	Total
	\$	\$
Opening balance at 1 July 2020		
Non-current provisions	83,833	83,833
	83,833	83,833
Balance at 30 June 2021	83,833	83,833
Comprises		
Non-current	83,833	83,833
	83,833	83,833

Provision for remediation costs

Council operates a waste transfer station on leased land at Banksia Road, Dardanup, which at the end of the lease will require rehabilitation on the site. A provision for such has been created and is based on usage of the site. The Provision for Rehabilitation on the leased site has been recorded using the Net Present Value method.

22. NOTES TO THE STATEMENT OF CASH FLOWS

Reconciliation of Cash

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

	2021 Actual	2021 Budget	2020 Actual
	\$	\$	\$
Cash and cash equivalents	14,443,059	16,329,692	17,245,523
Reconciliation of Net Cash Provided By Operating Activities to Net Result			
Net result	2,129,675	6,867,267	2,467,572
Non-cash flows in Net result:			
Adjustments to fair value of financial assets at fair value through profit and loss	(2,587)	0	(1,152)
Depreciation on non-current assets	5,270,048	5,289,647	5,253,788
(Profit)/loss on sale of asset	1,303,513	0	(1,048,762)
Changes in assets and liabilities:			
(Increase)/decrease in receivables	408,446	0	(658,791)
(Increase)/decrease in other assets	(117,324)	0	131,525
(Increase)/decrease in inventories	7,067	0	(5,750)
Increase/(decrease) in payables	678,985	0	702,952
Increase/(decrease) in employee provisions	225,791	0	211,990
Increase/(decrease) in other liabilities	(2,081,906)	(2,310,010)	2,411,684
Non-operating grants, subsidies and contributions	(3,160,370)	(9,243,071)	(4,653,828)
Net cash from operating activities	4,661,337	603,833	4,811,228

23. TOTAL ASSETS CLASSIFIED BY FUNCTION AND ACTIVITY

	2021	2020
	\$	\$
Governance	52,073	39,231
General purpose funding	28,054,972	26,453,769
Law, order, public safety	2,180,890	1,283,156
Health	26,653	861,460
Education and welfare	1,917,982	735,303
Housing	0	0
Community amenities	1,071,382	992,358
Recreation and culture	32,868,012	24,569,106
Transport	147,282,481	143,920,028
Economic services	106,471	697,087
Other property and services	3,992,905	3,302,622
	<u>217,553,821</u>	<u>202,854,120</u>

24. CONTINGENT LIABILITIES

The Shire does not have any contingent liabilities at year end.

25. CAPITAL COMMITMENTS

(a) Capital Expenditure Commitments

	2021	2020
	\$	\$
Contracted for:		
- capital expenditure projects	1,208,345	0
	<u>1,208,345</u>	<u>0</u>
Payable:		
- not later than one year	1,208,345	0
	<u>1,208,345</u>	<u>0</u>

The capital expenditure projects outstanding at the end of the current reporting period represents the construction of new building assets as follows:

Waterloo BFB Building	151,808
Eaton Skate Park	285,661
Dard Central BFB Building	85,820
Eaton Administration Building	162,450
Eaton Bowling Club Building	522,606
	<u>1,208,345</u>

26. ELECTED MEMBERS REMUNERATION

	2021 Actual	2021 Budget	2020 Actual
	\$	\$	\$
Elected member - Shire President (1)			
President's annual allowance	25,870	25,870	25,870
Meeting attendance fees	17,739	17,739	17,739
Child care expenses	0	111	0
Other expenses	0	11	20
Annual allowance for ICT expenses	2,450	2,450	2,450
Travel and accommodation expenses	90	966	1,062
	46,149	47,147	47,141
Elected member - Deputy President (2)			
Deputy President's annual allowance	6,467	6,467	6,467
Meeting attendance fees	11,457	11,457	11,457
Child care expenses	0	111	0
Other expenses	0	11	0
Annual allowance for ICT expenses	2,450	2,450	2,450
Travel and accommodation expenses	2,640	966	1,011
	23,014	21,462	21,385
Elected member - Councillor (3)			
Meeting attendance fees	11,457	11,457	11,457
Child care expenses	0	111	0
Other expenses	0	11	0
Annual allowance for ICT expenses	2,450	2,450	2,450
Travel and accommodation expenses	0	966	0
	13,907	14,995	13,907
Elected member - Councillor (4)			
Meeting attendance fees	11,457	11,457	11,457
Child care expenses	0	111	0
Other expenses	0	11	0
Annual allowance for ICT expenses	2,450	2,450	2,450
Travel and accommodation expenses	484	966	550
	14,391	14,995	14,457
Elected member - Councillor (5)			
Meeting attendance fees	11,457	11,457	11,457
Child care expenses	0	111	0
Other expenses	0	11	0
Annual allowance for ICT expenses	2,450	2,450	2,450
Travel and accommodation expenses	0	966	0
	13,907	14,995	13,907
Elected member - Councillor (6)			
Meeting attendance fees	11,457	11,457	11,457
Child care expenses	0	111	0
Other expenses	39	11	0
Annual allowance for ICT expenses	2,450	2,450	2,450
Travel and accommodation expenses		966	
	13,946	14,995	13,907
Elected member - Councillor (7)			
Meeting attendance fees	11,457	11,457	11,457
Child care expenses	0	111	0
Other expenses	0	11	0
Annual allowance for ICT expenses	2,450	2,450	2,450
Travel and accommodation expenses		966	
	13,907	14,995	13,907

26. ELECTED MEMBERS REMUNERATION (Continued)

	2021 Actual	2021 Budget	2020 Actual
	\$	\$	\$
Elected member - Councillor (8)			
Meeting attendance fees	11,457	11,457	7,638
Child care expenses	1,860	111	0
Other expenses	100	11	0
Annual allowance for ICT expenses	2,450	2,450	1,633
Travel and accommodation expenses	0	966	0
	15,867	14,995	9,271
Elected member - Councillor (9)			
Meeting attendance fees	11,457	11,457	7,638
Child care expenses	0	111	0
Other expenses	0	11	0
Annual allowance for ICT expenses	2,450	2,450	1,633
Travel and accommodation expenses	0	966	0
	13,907	14,995	9,271
Elected member - Councillor (10) - 2020 only			
Meeting attendance fees	0	0	3,819
Other expenses	0	0	23
Annual allowance for ICT expenses	0	0	817
Travel and accommodation expenses	0	0	706
	0	0	5,365
	168,995	173,573	162,518
Fees, expenses and allowances to be paid or reimbursed to elected council members.			
President's allowance	25,870	25,870	25,870
Deputy President's allowance	6,467	6,467	6,467
Meeting attendance fees	109,395	109,395	105,576
Child care expenses	1,860	1,000	0
Other expenses	139	100	43
Annual allowance for ICT expenses	22,050	22,050	21,233
Travel and accommodation expenses	3,214	8,691	3,329
	168,995	173,573	162,518

27. RELATED PARTY TRANSACTIONS

Key Management Personnel (KMP) Compensation Disclosure

	2021	2020
	Actual	Actual
The total of remuneration paid to KMP of the Shire during the year are as follows:	\$	\$
Short-term employee benefits	1,787,591	1,816,491
Post-employment benefits	198,994	199,277
Other long-term benefits	40,578	42,971
Termination benefits	19,085	97,908
	2,046,248	2,156,647

Short-term employee benefits

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

Post-employment benefits

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

Other long-term benefits

These amounts represent long service benefits accruing during the year.

Termination benefits

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

27. 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.

Related Parties

The Shire's main related parties are as follows:

i. Key management personnel

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

ii. Other Related Parties

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

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

iii. Entities subject to significant influence by the Shire

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

28. MAJOR LAND TRANSACTIONS

Council did not undertake any Major Land Transactions during the 2020/21 financial year.

29. TRADING UNDERTAKINGS AND MAJOR TRADING UNDERTAKINGS

Council did not participate in any trading undertakings or major trading undertakings during the 2020/21 financial year.

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

30. RATING INFORMATION

(a) Rates

RATE TYPE	Rate in \$	Number of Properties	2020/21	2020/21	2020/21	2020/21	2020/21	2020/21	2020/21	2020/21	2020/21	2019/20
			Actual Rateable Value \$	Actual Rate Revenue \$	Actual Interim Rates \$	Actual Back Rates \$	Actual Total Revenue \$	Budget Rate Revenue \$	Budget Interim Rate \$	Budget Back Rate \$	Budget Total Revenue \$	Actual Total Revenue \$
Differential general rate / general rate												
Gross rental valuations												
General Rates - GRV: Residential	0.100662	3,152	56,779,220	5,715,510	(6,273)	183	5,709,420	5,746,655	91,144	0	5,837,799	5,628,629
General Rates - GRV: Commercial	0.100662	59	14,495,740	1,459,170	4,818	521	1,464,509	1,428,025	0	0	1,428,025	1,425,198
General Rates - GRV: Industrial	0.100662	68	7,586,727	763,695	21,682	0	785,377	763,695	0	0	763,695	761,161
General Rates - GRV: Small Holding	0.100662	336	7,599,124	764,943	3,428	(1,226)	767,145	765,545	0	0	765,545	812,083
Unimproved valuations												
General Rates - UV: Broad Acre Rural	0.006259	491	274,535,000	1,718,315	(6,890)	(702)	1,710,723	1,718,765	0	0	1,718,765	1,706,824
General Rates - UV: Mining	0.006259	0	0	0	0	0	0	0	0	0	0	0
Sub-Total		4,106	360,995,811	10,421,633	16,765	(1,224)	10,437,174	10,422,685	91,144	0	10,513,829	10,333,895
Minimum payment	Minimum \$											
Gross rental valuations												
General Rates - GRV: Residential	1,547.50	1,651	21,331,732	2,554,922	71,532	0	2,626,454	2,554,923	0	0	2,554,923	2,585,802
General Rates - GRV: Commercial	1,547.50	7	61,400	10,832	(1,157)	0	9,675	10,833	0	0	10,833	10,833
General Rates - GRV: Industrial	1,547.50	47	590,450	72,733	767	0	73,500	72,733	0	0	72,733	77,397
General Rates - GRV: Small Holding	1,547.50	85	682,270	131,538	6,686	0	138,224	131,538	0	0	131,538	143,488
Unimproved valuations												
General Rates - UV: Broad Acre Rural	1,547.50	119	17,530,460	184,153	1,157		185,310	184,153	0	0	184,153	190,343
General Rates - UV: Mining	1,547.50	18	399,256	27,855	(7,737)	(667)	19,451	27,855	0	0	27,855	28,312
Sub-Total		1,927	40,595,568	2,982,033	71,248	(667)	3,052,614	2,982,034	0	0	2,982,034	3,036,174
		6,033	401,591,379	13,403,666	88,013	(1,891)	13,489,788	13,404,719	91,144	0	13,495,863	13,370,069
Discounts/concessions (Note 30(c))							(27,482)				(5,000)	(1,016)
Total amount raised from general rate							13,462,306				13,490,863	13,369,053
Specified Area Rate (Note 30(b))							350,178				348,421	347,651
Totals							13,812,484				13,839,284	13,716,704

SIGNIFICANT ACCOUNTING POLICIES

Rates

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

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

SHIRE OF DARDANUP
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30. RATING INFORMATION (Continued)

(b) Specified Area Rate

Specified Area Rate	Basis of Valuation	Rate in \$	2020/21 Rateable Value	2020/21 Rate Revenue	2020/21 Interim Rate Revenue	2020/21 Back Rate Revenue	2020/21 Total Specified Area Rate Revenue	2020/21 Budget Rate Revenue	2020/21 Budget Back Rate Revenue	2020/21 Budget Interim Rate Revenue	2020/21 Total Budget Revenue	2019/20 Total Actual Revenue
Bulk Waste Collection	GRV	0.001315	\$	\$ 100,864	\$ 437	\$ 0	\$ 101,301	\$ 100,864	\$ 0	\$ 0	\$ 100,864	\$ 100,613
Eaton Landscaping	GRV	0.002925		247,558	1,319	0	248,877	247,557	0	0	247,557	247,038
			0	348,422	1,756	0	350,178	348,421	0	0	348,421	347,651

Specified Area Rate	Purpose of the rate	Area/properties Rate Imposed	2020/21 Actual Rate Applied to Costs	2020/21 Actual Rate Set Aside to Reserve	2020/21 Actual Reserve Applied to Costs	2020/21 Budget Rate Applied to Costs	2020/21 Budget Rate Set Aside to Reserve	2020/21 Budget Reserve Applied to Costs
Bulk Waste Collection	Bulk residential green waste and hard waste collection in townships.	Residential improved properties within the townships of Eaton, Dardanup and Burekup.	\$ 93,813	\$ 6,800	\$ 0	\$ 100,864	\$ 0	\$ 0
Eaton Landscaping	Maintenance of parks and reserves in Millbridge and development of parks and reserves in Eaton.	Properties within the township of Eaton.	234,337	13,220	0	234,337	13,220	0
			328,150	20,020	0	335,201	13,220	0

SHIRE OF DARDANUP
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FOR THE YEAR ENDED 30 JUNE 2021

30. RATING INFORMATION (Continued)

(c) Discounts, Incentives, Concessions, & Write-offs

Rates Discounts

Rate or Fee and Charge to which the Waiver or Concession is Granted	Type	Discount %	Discount \$	2021 Actual \$	2021 Budget \$	2020 Actual \$
General rates - change from UV to GRV valuation basis	Concession			24,124	0	0
General rates - interest and prior year errors	Write off			3,358	5,000	1,016
				27,482	5,000	1,016
Total discounts/concessions (Note 30(a))				27,482	5,000	1,016

Rate or Fee and Charge to which the Waiver or Concession is Granted	Circumstances in which the Waiver or Concession is Granted and to whom it was available	Objects of the Waiver or Concession	Reasons for the Waiver or Concession
General rates - change from UV to GRV valuation basis	Increased rates after Council implemented change of valuation basis.	Assist affected property owners	Due to the immediate increased financial burden on owners.
General rates - interest and pr	Rates debt balance generally less than \$5 on any property	Reduce debt administration costs	Staff resources spent on more productive activities.

30. RATING INFORMATION (Continued)

(c) Interest Charges & Instalments

Instalment Options	Date Due	Instalment Plan Admin Charge	Instalment Plan Interest Rate	Unpaid Rates Interest Rate
		\$	%	%
Option One				
Single full payment	10/09/2020	0.00	0.00%	8.00%
Option Two				
First instalment	10/09/2020	0.00	0.00%	8.00%
Second instalment	12/11/2020	13.00	2.75%	8.00%
Third instalment	14/01/2021	13.00	2.75%	8.00%
Fourth instalment	18/03/2021	13.00	2.75%	8.00%

	2021 Actual	2021 Budget	2020 Actual
	\$	\$	\$
Interest on unpaid rates	17,738	37,865	67,242
Interest on instalment plan	33,912	35,303	69,624
Charges on instalment plan	80,236	87,243	84,372
	131,886	160,411	221,238

31. RATE SETTING STATEMENT INFORMATION

Note	2020/21	2020/21	2020/21	2019/20
	(30 June 2021 Carried Forward)	Budget (30 June 2021 Carried Forward)	2020/21 (1 July 2020 Brought Forward)	(30 June 2020 Carried Forward)
	\$	\$	\$	\$
(a) Non-cash amounts excluded from operating activities				
The following non-cash revenue or expenditure has been excluded from amounts attributable to operating activities within the Rate Setting Statement in accordance with <i>Financial Management Regulation 32</i> .				
Adjustments to operating activities				
	Less: Profit on asset disposals	0	(1,170,841)	(1,170,841)
11(a)	(18,861)			
	Less: Movement in liabilities associated with restricted cash	(2,310,010)	2,411,684	2,411,684
	Less: Fair value adjustments to financial assets at fair value through profit and loss			
	(2,587)	0	(1,152)	(1,152)
	Movement in pensioner deferred rates (non-current)	(16,500)	(6,159)	(6,159)
	Movement in employee benefit provisions (non-current)	(30,913)	47,680	47,680
	Movement in contract liabilities (non-current)	(165,151)		
11(a)	1,322,374	0	122,079	122,079
	Add: Loss on disposal of assets			
11(c)	5,270,048	5,289,647	5,253,788	5,253,788
	Add: Depreciation on non-current assets			
	Non cash amounts excluded from operating activities	4,249,214	2,979,637	6,657,079
(b) Non-cash amounts excluded from investing activities				
The following non-cash revenue or expenditure has been excluded from amounts attributable to investing activities within the Rate Setting Statement in accordance with <i>Financial Management Regulation 32</i> .				
Adjustments to investing activities				
	Movement in non current liability from transfers to acquire or construct non-financial assets to be controlled by the entity	165,151	0	0
	Non cash amounts excluded from investing activities	165,151	0	0
(c) Surplus/(deficit) after imposition of general rates				
The following current assets and liabilities have been excluded from the net current assets used in the Rate Setting Statement in accordance with <i>Financial Management Regulation 32</i> to agree to the surplus/(deficit) after imposition of general rates.				
Adjustments to net current assets				
	Less: Reserves - cash/financial asset backed	4	(21,838,892)	(14,017,236)
	Add: Current liabilities not expected to be cleared at end of year			
	- Current portion of borrowings	19(a)	333,977	750,000
	- Current portion of contract liability held in reserve		2,444,924	602,792
	- Current portion of lease liabilities		167,309	86,490
	Total adjustments to net current assets		(18,892,682)	(12,577,953)
	Net current assets used in the Rate Setting Statement		28,262,811	18,083,044
	Total current assets		(8,408,940)	(9,612,766)
	Less: Total current liabilities		(18,892,682)	(17,092,404)
	Less: Total adjustments to net current assets		961,190	218,987
	Net current assets used in the Rate Setting Statement		218,987	474,501
(d) Adjustments to current assets and liabilities at 1 July 2020 on application of new accounting standards				
Total current assets at 30 June 2020				
	Adjustments on application of new accounting standards			27,179,668
	Total current assets at 1 July 2020			0
				27,179,668
Total current liabilities at 30 June 2020				
	Adjustments on application of new accounting standards	33		(9,612,766)
	Total current liabilities at 1 July 2020			0
				(9,612,766)

32. FINANCIAL RISK MANAGEMENT

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

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

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

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

(a) Interest rate risk

Cash and cash equivalents

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

Excess cash and cash equivalents are invested in fixed interest rate term deposits which do not expose the Shire to cash flow interest rate risk. 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
	%	\$	\$	\$	\$
2021					
Cash and cash equivalents	0.50%	14,443,059	3,011,369	11,431,690	0
2020					
Cash and cash equivalents	1.27%	17,245,523	4,000,000	13,245,523	0

Sensitivity

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

	2021	2020
	\$	\$
Impact of a 1% movement in interest rates on profit and loss and equity*	114,317	132,455

* 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 19(b).

32. FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit risk

Trade and Other Receivables

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

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

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

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

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

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

	Current	More than 1 year past due	More than 2 years past due	More than 3 years past due	Total
30 June 2021					
Rates receivable					
Expected credit loss	0.00%	0.00%	0.00%	0.00%	
Gross carrying amount	209,327	55,221	17,380	27,117	309,045
30 June 2020					
Rates receivable					
Expected credit loss	0.00%	0.00%	0.00%	0.00%	
Gross carrying amount	293,046	52,209	27,084	23,770	396,109

The loss allowance as at 30 June 2021 and 30 June 2020 was determined as follows for trade receivables.

	Current	More than 30 days past due	More than 60 days past due	More than 90 days past due	Total
30 June 2021					
Trade and other receivables					
Expected credit loss					
Gross carrying amount	154,472	4,120	8,759	2,760	170,111
30 June 2020					
Trade and other receivables					
Expected credit loss					
Gross carrying amount	493,899	2,708	908	284,413	781,928

32. FINANCIAL RISK MANAGEMENT (Continued)

(c) Liquidity risk

Payables and borrowings

Payables and borrowings are both subject to liquidity risk – that is the risk that insufficient funds may be on hand to meet payment obligations as and when they fall due. The Shire manages this risk by monitoring its cash flow requirements and liquidity levels and maintaining an adequate cash buffer. Payment terms can be extended and overdraft facilities drawn upon if required and disclosed in Note 19(e).

The contractual undiscounted cash flows of the Shire's payables and borrowings 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
<u>2021</u>	\$	\$	\$	\$	\$
Payables	1,798,946	0	0	1,798,946	3,741,597
Borrowings	333,977	934,232	1,194,791	2,463,000	2,463,000
Lease liabilities	167,440	363,840	8,431	539,711	539,711
	<u>2,300,363</u>	<u>1,298,072</u>	<u>1,203,222</u>	<u>4,801,657</u>	<u>6,744,308</u>
<u>2020</u>					
Payables	3,062,746	0	0	3,062,746	3,062,746
Borrowings	348,079	1,033,450	1,165,249	2,546,778	1,963,116
Lease liabilities	143,625	365,128	0	508,753	508,753
	<u>3,554,450</u>	<u>1,398,578</u>	<u>1,165,249</u>	<u>6,118,277</u>	<u>5,534,615</u>

33. EVENTS OCCURRING AFTER THE END OF THE REPORTING PERIOD

Events may occur between the end of the reporting period and the date when financial statements are verified by the Council. The Shire is not aware of, or in receipt of, any information or events that may impact or lead to any adjustment in the financial statements after the reporting period.

34. INITIAL APPLICATION OF AUSTRALIAN ACCOUNTING STANDARDS

During the 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.

(a) AASB 1059 Service Concession Arrangements: Grantors

Service concessions assets are those where a third-party operator constructs assets for the Shire, upgrades existing assets of the Shire or uses existing assets of the Shire to operate and maintain the assets to provide a public service, for a specified period of time.

Council did not have any service concession arrangements during the 2020/21 financial year.

35. CORRECTION OF ERROR

Council previously recorded term deposits as Cash and Cash Equivalents at 30 June 2020. In accordance with Australian Accounting Standard AASB 101 Presentation of Financial Statements and AASB 107 Statement of Cash Flows an investment normally qualifies as a cash equivalent only when it has a short maturity of three months or less from the date of acquisition.

Statement of Financial Position (Extract)	30 June 2020 \$	Increase/ (Decrease) \$	30 June 2020 (Restated) \$	30 June 2019 \$	Increase/ (Decrease) \$	01 July 2019 (Restated) \$
Term Deposits	12,400,000	(8,400,000)	4,000,000	11,100,000	(10,000,000)	1,100,000
Other Financial Assets	0	8,400,000	8,400,000	0	10,000,000	10,000,000
Net assets	12,400,000	0	12,400,000	11,100,000	0	11,100,000

36. 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 2020	Amounts Received	Amounts Paid	30 June 2021
	\$	\$	\$	\$
Eaton POS	411,961	94	(13,750)	398,305
Dardanup POS	97,543	23	0	97,566
Burekup POS	276,688	72,564	(72,500)	276,752
Tourism WA - Ferguson Valley Project	172,736	40	(82,588)	90,188
Trust Funds for Land Transaction	0	40,000	0	40,000
	958,928	112,721	(168,838)	902,811

37. OTHER SIGNIFICANT ACCOUNTING POLICIES

a) Goods and services tax (GST)

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

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

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

b) Current and non-current classification

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

c) Rounding off figures

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

d) Comparative figures

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

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

e) Budget comparative figures

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

f) Superannuation

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

g) Fair value of assets and liabilities

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

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

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

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

h) Fair value hierarchy

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

Level 1

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

Level 2

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

Level 3

Measurements based on unobservable inputs for the asset or liability.

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

Valuation techniques

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

Market approach

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

Income approach

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

Cost approach

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

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

i) Impairment of assets

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

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

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

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

38. ACTIVITIES/PROGRAMS

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

PROGRAM NAME AND OBJECTIVES	ACTIVITIES
<p>GOVERNANCE</p> <p>To provide a decision making process for the efficient allocation of scarce resources.</p>	<p>Includes the activities of members of Council and the administration support available to Council for the provision of 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.</p>
<p>GENERAL PURPOSE FUNDING</p> <p>To collect revenue to allow for the provision of services.</p>	<p>Rates, general purpose government grants and interest revenue.</p>
<p>LAW, ORDER, PUBLIC SAFETY</p> <p>To provide services to help ensure a safer and environmentally conscious community.</p>	<p>Supervision and enforcement of various local-laws relating to the fire prevention, animal control and protection of the environment, and other aspects of public safety including emergency services.</p>
<p>HEALTH</p> <p>To provide services to achieve community and environmental health.</p>	<p>Maternal and infant health facilities, immunisation, meat inspection services, inspection of food outlets, noise control and pest control services.</p>
<p>EDUCATION AND WELFARE</p> <p>To provide services to children, youth, the elderly and disadvantaged persons.</p>	<p>Pre-school and other education services, child minding facilities, playgroups, senior citizens' centres, meals on wheels and home care services.</p>
<p>HOUSING</p> <p>To provide and maintain staff housing and elderly residents' housing.</p>	<p>Provision and maintenance of staff housing and elderly residents' housing.</p>
<p>COMMUNITY AMENITIES</p> <p>To provide services required by the community.</p>	<p>Rubbish collection services, operation of refuse site, litter control, construction and maintenance of urban storm water drains, protection of the environment and administration of town planning schemes, cemeteries and public conveniences.</p>
<p>RECREATION AND CULTURE</p> <p>To establish and effectively manage infrastructure and resources which help the social well being of the community.</p>	<p>Maintenance of halls, civic buildings, river banks, recreation centre and various sporting facilities. Provision and maintenance of parks, gardens and playgrounds. Operation of library and other cultural facilities.</p>
<p>TRANSPORT</p> <p>To promote safe, effective and efficient transport services to the community.</p>	<p>Construction and maintenance of streets, roads, bridges, footpaths, cycle ways, parking facilities, traffic control and depot. Cleaning of streets and maintenance of street trees, street lighting, etc.</p>
<p>ECONOMIC SERVICES</p> <p>To help promote the shire and its economic wellbeing.</p>	<p>To help promote the shire and its economic wellbeing.</p>
<p>OTHER PROPERTY AND SERVICES</p> <p>To monitor and control Council's overheads operating accounts.</p>	<p>Private works operations, plant repairs and operations costs, engineering operation costs.</p>

39. FINANCIAL RATIOS

	2021 Actual	2020 Actual	2019 Actual
Current ratio	1.512	1.270	1.096
Asset consumption ratio	0.653	0.642	0.655
Asset renewal funding ratio	1.601	1.100	1.273
Asset sustainability ratio	1.312	0.901	0.930
Debt service cover ratio	4.368	14.774	8.499
Operating surplus ratio	-0.181	0.012	-0.064
Own source revenue coverage ratio	0.754	0.848	0.851

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	$\frac{\text{own source operating revenue}}{\text{operating expense}}$

RISK ASSESSMENT TOOL

OVERALL RISK EVENT: 2020/21 Annual Financial Report

RISK THEME PROFILE:

3 - Failure to Fulfil Compliance Requirements (Statutory, Regulatory)

Choose an item.

RISK ASSESSMENT CONTEXT: Operational

CONSEQUENCE CATEGORY	RISK EVENT	PRIOR TO TREATMENT OR CONTROL			RISK ACTION PLAN (Treatment or controls proposed)	AFTER TREATMENT OR CONTROL		
		CONSEQUENCE	LIKELIHOOD	INHERENT RISK RATING		CONSEQUENCE	LIKELIHOOD	RESIDUAL RISK RATING
HEALTH	No risk event identified for this category.	Not Required - No Risk Identified	N/A	N/A	Not required	Not required.	Not required.	Not required.
FINANCIAL IMPACT	No risk event identified for this category.	Not Required - No Risk Identified	N/A	N/A	Not required	Not required.	Not required.	Not required.
SERVICE INTERRUPTION	No risk event identified for this category.	Not Required - No Risk Identified	N/A	N/A	Not required.	Not required.	Not required.	Not required.
LEGAL AND COMPLIANCE	Risk of Council breaching the Local Government Act 1995 – Risk that the audited 2020/21 Annual Financial Report is not received by Council.	Minor (2)	Rare (1)	Low (1 - 4)	Not required.	Not required.	Not required.	Not required.
REPUTATIONAL	No risk event identified for this category.	Not Required - No Risk Identified	N/A	N/A	Not required.	Not required.	Not required.	Not required.
ENVIRONMENT	No risk event identified for this category.	Not Required - No Risk Identified	N/A	N/A	Not required.	Not required.	Not required.	Not required.



15 February 2021

Mr A Schonfeldt
Chief Executive Officer
Shire of Dardanup
PO Box 7016
EATON WA 6232

Dear Andre

2020 REGULATION 17 REVIEW

We are pleased to present the findings and recommendations resulting from the Shire of Dardanup ("the Shire") 2017 Regulation 17 Review.

This report relates only to procedures and items specified within the QUO- F0172278 Local Government (Audit) Regulation 17 Review for the period ended 31 December 2020.

We would like to thank Phil, Natalie, Cindy and the Shire of Dardanup team for their co-operation and assistance whilst conducting our review.

Should there be matters outlined in our report requiring clarification or any other matters relating to our review, please do not hesitate to contact me.

Yours sincerely
AMD Chartered Accountants

A handwritten signature in black ink, appearing to read 'Tim Partridge', written over a horizontal line.

TIM PARTRIDGE FCA
Director



Regulation 17 Review



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Inherent limitations

Due to the inherent limitations of any internal control structure, it is possible that fraud, error or non-compliance with laws and regulations may occur and not be detected. Further, the internal control structure, within which the control procedures that have been subject to review, has not been reviewed in its entirety and, therefore, no opinion or view is expressed as to its effectiveness of the greater internal control structure. This review is not designed to detect all weaknesses in control procedures as it is not performed continuously throughout the period and the tests performed on the control procedures are on a sample basis. Any projection of the evaluation of control procedures to future periods is subject to the risk that the procedures may become inadequate because of changes in conditions, or that the degree of compliance with them may deteriorate.

We believe that the statements made in this report are accurate, but no warranty of completeness, accuracy or reliability is given in relation to the statements and representations made by, and the information and documentation provided by, the Shire of Dardanup management and personnel. We have indicated within this report the sources of the information provided. We have not sought to independently verify those sources unless otherwise noted with the report. We are under no obligation in any circumstance to update this report, in either oral or written form, for events occurring after the report has been issued in final form unless specifically agreed with Shire of Dardanup. The review findings expressed in this report have been formed on the above basis.

Third party reliance

This report was prepared solely for the purpose set out in this report and for the internal use of the management of Shire of Dardanup. This report is solely for the purpose set out in the 'Scope and Approach' of this report and for Shire of Dardanup information, and is not to be used for any other purpose or distributed to any other party without AMD's prior written consent. This review's report has been prepared at the request of the Shire of Dardanup Chief Executive Officer or his delegate in connection with our engagement to perform the review as detailed in QUO- F0172278 Local Government (Audit) Regulations 1996 Regulation 17 Review for the period ended 31 December 2020. Other than our responsibility to the Council and management of Shire of Dardanup, neither AMD nor any member or employee of AMD undertakes responsibility arising in any way from reliance placed by a third party, including but not limited to the Shire of Dardanup external auditor, on this report. Any reliance placed is that party's sole responsibility.



1. Executive Summary

1.1. Background and Objectives

To undertake a review of the appropriateness and effectiveness of risk management, internal controls and legislative compliance of the Shire in according with the Local Government (Audit) Regulations 1996, Regulation 17 for the period ended 31 December 2020 (the ‘review’).

In addition, provide the Chief Executive Officer (CEO) a clear understanding as to the appropriateness and effectiveness of the Shire’s current systems and processes and articulate any areas of improvement.

Our findings included within this report are based on the review procedures completed by us on the 1 to 5 of February 2021. Findings are based on information provided and available to us during these procedures.

1.2. Summary of Findings

The procedures performed and our findings on each of the focus areas are detailed in the following sections of the report:

- Section 2 – Risk management;
- Section 3 – Internal controls; and
- Section 4 – Legislative compliance.

Following the completion of our review and subject to the recommendations outlined within sections 2 to 4, we are pleased to report that in context of the Shire’s overall internal control environment, policies, procedures and processes in place are appropriate, and have been operating effectively at the time of the review.

Relative to other councils of similar size to the Shire of Dardanup where we have conducted Regulation 17 reviews, there are few recommendations arising from our review. We consider this reflects the proactive approach taken by Management and Council in implementing recommendations previously raised, following the last Regulation 17 review undertaken in December 2017.

Findings reported by us are on an exceptions basis, and do not take into account the many focus areas tested during our review where policies, procedures and processes were deemed to be appropriate and in accordance with best practice.

The following tables provide a summary of the findings raised in this report:

	Extreme Risk	High Risk	Moderate Risk	Low Risk
Number of new issues reported	0	0	1	5

For details on the review rating criteria, please refer to Section 5.

Ref	Issue	Risk Rating
Risk management		
2.2.1	Outdated Policies and Handbook Various Shire policies and handbooks may be out of date and require review.	Low
2.2.2	Code of Conduct The current Code of Conduct for Elected Members, Committee Members and Employees does not detail the reporting mechanism in the event of a breach.	Low
2.2.3	Framework, Plan and Procedures Various frameworks, policies and procedures are currently in review and therefore require finalisation, adoption and implementation.	Low
Internal controls		
3.2.1	Contract Management Framework Currently no formal contract management framework in place.	Moderate
3.2.2	Post Tender Review Currently no formal post tender evaluation / review in place.	Low
Legislative compliance		
4.2.1	Complaints Register Complaints register incomplete with various details not recorded.	Low

2. Risk management

2.1. Scope and approach

In accordance with the scope set out in our QUO- F0172278 Local Government (Audit) Regulation 17 Review proposal, our review focused on the following:

- Whether the Shire has an effective risk management system and that material operating risks to the Shire are appropriately considered;
- Whether the Shire has a current and effective business continuity plan (including disaster recovery) which is tested from time to time;
- The internal processes for determining and managing material operating risks in accordance with the Shire's identified tolerance for risk, particularly in the following areas:
 - Potential non-compliance with legislation, regulations and standards and local government's policies;
 - Important accounting judgements or estimates that prove to be wrong;
 - Litigation and claims;
 - Misconduct, fraud and theft; and
 - Significant business risks, recognising responsibility for general or specific risk areas, for example, environmental risk, occupational health and safety, and how they are managed by the local government;
- Regular risk reports presented to the Audit Committee/Council, which identify key risks, the status and the effectiveness of the risk management systems, to ensure that identified risks are monitored and new risks are identified, mitigated and reported;
- Adequacy of Shire processes to manage insurable risks and ensured the adequacy of insurance cover, and if applicable, the level of self-insurance;
- Effectiveness of the Shire's internal control system with management and the internal and external auditors;
- Whether management has controls in place for unusual types of transactions and/or any potential transactions that might carry more than an acceptable degree of risk;
- The Shire's procurement framework with a focus on the probity and transparency of policies and procedures/processes and whether these are being applied;
- Audit Committee meeting practices ensuring periodically meeting with key management, internal and external auditors, and compliance staff, to understand and discuss any changes in the local government's control environment;
- Ascertained whether fraud and misconduct risks have been identified, analysed, evaluated, have an appropriate treatment plan which has been implemented communicated, monitored and there is regular reporting and ongoing management of fraud and misconduct risks;
- Ascertained the effectiveness of monitoring, reporting and communication surrounding risk management;
- Assessed the extent and adequacy of risk reports provided to the Audit Committee, which identify key risks, the status and the effectiveness of the risk management systems, to ensure that identified risks are monitored and new risks are identified, mitigated and reported; and
- Assessed the effectiveness of the Shire's internal control system.

2.2. Detailed findings and recommendations

2.2.1 Outdated Policies and Handbook

Finding Rating: Low

We noted the following Shire policies, procedures and/or handbooks which are potentially out of date and may require review:

- Code of conduct for Elected Members, Committee Members and Employees (last reviewed 16 November 2013);
- Risk Management Policy AP0213 (last reviewed 14 August 2019); and
- Public Interest Disclosure (PID) Employee Handbook (last reviewed January 2019).

In addition we noted the Risk Register Guidelines procedure still references the old AS/NZS 31000:2009 as opposed to the new standard, AS/ISO 31000:2018.

Implications / Risks

- Risk that Risk Management policies and handbook are outdated and not reviewed in accordance with scheduled review dates.
- Out-dated policies and procedures may not reflect the actual practices followed by Shire representatives.

Recommendation

We recommend those potentially out of date policies, procedures and handbooks be reviewed and updated accordingly. In addition, we recommend all policies, procedures and handbooks specify the next required review date with the review occurring in accordance with their stated review dates.

Management Comment

The review of the Council Policy Manual is undertaken biennially and next due in the middle of 2022. A comprehensive review of Administrative Policies and Procedures is currently underway and scheduled for completion around the middle of 2021.

Responsible Officer:

Manager Governance & HR

Completion Date:

31 December 2021

2.2.2 Code of Conduct

Finding Rating: Low

Perusal of the Shire's Code of Conduct identified the document does not outline the reporting mechanisms in place which would enable stakeholders to report a potential breach of the Code of Conduct. In addition, the Code of Conduct did not address what would occur if an employee or Councillor was to breach the Code of Conduct.

Implications / Risks

Potential inability to report a breach of the Code of Conduct.

Recommendation

We recommend:

- The Code of Conduct be updated to reflect reporting mechanisms; and
- The Code of Conduct be updated to reflect the consequences if an employee or Councillor was to breach the Code of Conduct.

Management Comment

The review of the Council Code of Conduct Policy has been placed on hold in the past due to the impending state government regulations. These regulation changes have now occurred so a comprehensive review of the current Code of Conduct policy is currently underway and scheduled for completion around the end of April 2021.

Responsible Officer: Manager Governance & HR
Completion Date: 30 April 2021

2.2.3 Framework, Plan and Procedures in Review

Finding Rating: Low

We noted the following Shire policies, procedures and/or plans are currently under internal review and yet to be adopted and implemented accordingly:

- Local Emergency Management & Recovery Arrangement Plan;
- Work Health & Safety Framework;
- Contractor Management – High Risk Cover Procedure; and
- Administration Policy Register and Procedure Register.

Implications / Risks

Risk of significant delays and business interruption in the event of unforeseen circumstances in respect to Shire business.

Recommendation

We recommend finalisation of the above Shire policies, procedures and plans including adoption by Council. Once the documents have been adopted, we recommend they are endorsed and communicated to all staff, implemented and monitored on a regular basis including testing the appropriate sections of the plan to ensure that in the event of a disaster, appropriate actions can be taken.

Management Comment

A number of Plans and Framework documents are scheduled for finalisation during 2021, which will be communicated to staff and monitored into the future. A comprehensive review of Administrative Policies and Procedures is currently underway and scheduled for completion around the middle of 2021.

Responsible Officer: Manager Governance & HR
Completion Date: 31 December 2021

3. Internal controls

3.1. Scope and approach

In accordance with the scope set out in our QUO-F0172278 Local Government (Audit) Regulation 17 Review proposal, our review focused on the following:

- Segregation of roles and functions, processing and authorisation controls;
- Delegations of authority (completeness and adherence);
- Documented policies and procedures;
- The effectiveness of policy and process reviews;
- Approval of documents, letters and financial records;
- Management internal reviews undertaken in respect to comparison of internal data with external sources of information;
- The adequacy of internal controls;
- Security controls in respect to physical access to assets and records;
- Security controls in respect to computer applications and information systems (general and application IT controls);
- Access limits placed on data files and systems;
- Whether the maintenance and review of financial control accounts and trial balances is regular and appropriate;
- Key management internal reviews undertaken in respect to comparison and analysis of financial results with budgeted amounts;
- Key management internal reviews undertaken in respect to the arithmetical accuracy and content of records;
- Controls in respect to purchasing and payment of accounts;
- Effectiveness of the training and development plan for staff and elected members; and
- Reporting, review and approval of financial payment and reconciliations; and
- Physical cash and inventory count records when compared to accounting records.

3.2. Detailed findings and recommendations

3.2.1 Contract Management Framework

Finding Rating: Moderate

Our discussions with management identified that although there is a range of contractor management documents, there is no documented Contract Management Framework in place addressing the Shire approved approach to be followed when managing contracts from the induction to contract completion stages.

Please note, we understand a Procurement Framework is currently under development to address the procurement of goods and services, transport for construction works and other asset classes.

Implications / Risks

- Risk Shire representatives do not follow an appropriate and consistent process when procuring and managing contracts.
- Risk of non-compliance with Shire's purchasing policy.
- Risk of the contractor's non-compliance with the Shire's policies, procedures including relevant ethics, health and safety requirements.
- Risk of non-compliance with the terms and conditions of the contract.

Recommendation

We recommend a contract management framework is designed and documented to ensure that contracts are managed appropriately and in accordance with the stated framework. This approach will include the mandatory requirement of all contractors completing some level of induction (the level of induction completed should be determined based on the risks associated with the service or goods provided), ensuring that up to date insurances are on file and the contractor invoices the Shire in accordance with the contract/agreement.

Management Comment

A contract management framework will be considered as part of the new Procurement Framework, together with the Risk Management Governance Framework.

Responsible Officer:

Deputy CEO

Completion Date:

31 December

3.2.2 Post Tender Review

Finding Rating: Low

We noted the Shire does not have a formal post tender performance evaluation process on completion of the tender.

Implications / Risks

Lack of formalised documentation evidencing tender performance assessment.

Recommendation

WALGA best practice guidelines recommend formal performance management assessments be completed at the end of the tender period once goods or services have been tendered.

We recommend a post tender / contract performance evaluation procedure be documented, implemented through the communication to all staff and monitored on an ongoing basis to ensure compliance with stated procedures.

Management Comment

Noted. This will be considered as part of the new Procurement Framework.

Responsible Officer:

Deputy CEO

Completion Date:

31 December

4. Legislative compliance

4.1. Scope and approach

In accordance with the scope set out in our QUO- F0172278 Local Government (Audit) Regulation 17 Review proposal, our review focused on the following:

- Internal monitoring of compliance with legislation and regulations;
- The Shire's ability to stay informed regarding legislative changes;
- The Shire's completion of the annual Compliance Audit Return and reporting the results of that review to the Audit Committee and Council;
- The monitoring of the Shire's structured guidelines that detail the Shire's processes for meeting statutory obligations (compliance frameworks);
- Communications between key management and the Audit Committee to ensure the Audit Committee is informed in respect to the effectiveness of the Shire's compliance and recommendations for changes as required;
- The Shire's procedures in respect to receiving, retaining and handling complaints, including confidential and anonymous employee complaints;
- Key managements internal review processes in respect to the identification of adverse trends and management plans to address these;
- Management disclosures in financial reports of the effect of significant compliance issues (if any);
- The internal and / or external audit contracts include an assessment of compliance and ethics risks in the development of the audit plan and in the conduct of audit projects, and report compliance and ethical issues to the Audit Committee;
- The Audit Committee's processes and procedures in respect to compliance with legislative and regulatory compliance ensuring no misuse of position through adequate disclosure of conflicts of interest; and
- Reviewed the findings from the most recent Financial Management Systems Review completed together with the annual Compliance Audit Return and Annual Audit Reports.

4.2. Detailed findings and recommendations

4.2.1 Complaints Register

Finding Rating: Low

Our review of the Complaints Register in Tardis identified two complaints dated 18 December 2019 and 19 December 2019, where the details of Fusion/ Tardis Link, Responsible Officer, Action date and action taken / complaint resolution were not recorded.

Implications / Risks

Risk of non-compliance with Section 5.121 and Section 5.110(6) of the Local Government Act 1995 and

Recommendation

We recommend the Complaint Register include all necessary details as required by the Act.

Management Comment

A detailed review of the Customer Service processes and procedures is occurring during the first half of 2021.

Responsible Officer:

Manager Governance & HR

Completion Date:

31 December 2021

5. Guidance on Risk Assessment

Risk is uncertainty about an outcome. It is the threat that an event, action or non-action could affect an organisation's ability to achieve its business objectives and execute its strategies successfully. Risk is an inherent component of all service activities and includes positive as well as negative impacts. As a result not pursuing an opportunity can also be risky. Risk types take many forms – business, economic, regulatory, investment, market, and social, just to name a few.

Risk management involves the identification, assessment, treatment and ongoing monitoring of the risks and controls impacting the organisation. The purpose of risk management is not to avoid or eliminate all risks. It is about making informed decisions regarding risks and having processes in place to effectively manage and respond to risks in pursuit of an organisation's objectives by maximising opportunities and minimising adverse effects.

Our risk guidelines are based on the Risk Management – Guidelines Standard AS / NZS ISO 31000-2018 and/or the Shire of Dardanup's Risk Management Framework.

Risk is the probability that an event or action may adversely affect the organisation. Risk is assessed based on the relationship between consequence and likelihood.

- Likelihood is the chance that the event may occur given knowledge of the organisation and its environment.
- Consequence is the severity of the impact that would result if the event were to occur.

Our risk rating for each finding was based on the following table:

LIKELIHOOD TABLE

Level	Rating	Description	Frequency
5	Almost Certain	The event is expected to occur in most circumstances	The event is expected to occur more than once per year
4	Likely	The event will probably occur in most circumstances	The event will probably occur at least once per year
3	Possible	The event should occur at some time	The event should occur at least once in 3 years
2	Unlikely	The event could occur at some time	The event could occur at least once in 10 years
1	Rare	The event may only occur in exceptional circumstances	The event is not expected to occur more than once in 15 years

**Above Extracted from the Shire's Risk Management Framework.*

LEVEL OF RISK GUIDE

Consequence		Insignificant	Minor	Moderate	Major	Catastrophic
Likelihood		1	2	3	4	5
Almost Certain	5	Moderate (5)	Moderate (10)	High (15)	Extreme (20)	Extreme (25)
Likely	4	Low (4)	Moderate (8)	High (12)	High (16)	Extreme (20)
Possible	3	Low (3)	Moderate (6)	Moderate (9)	High (12)	High (15)
Unlikely	2	Low (2)	Low (4)	Moderate (6)	Moderate (8)	Moderate (10)
Rare	1	Low (1)	Low (2)	Low (3)	Low (4)	Moderate (5)

*Above Extracted from the Shire's Risk Management Framework.

RISK ACCEPTANCE CRITERIA

Risk Rank	Description	Criteria	Responsibility	Entered on Risk Register
LOW (1 – 4)	Acceptable	Risk acceptable with adequate controls, managed by routine procedures and subject to annual monitoring	Staff Member / Supervisor	No
MODERATE (5 – 11)	Monitor	Risk acceptable with adequate controls, managed by specific procedures and subject to semi-annual monitoring	Supervisor / Manager	No
HIGH (12 – 19)	Urgent Attention Required	Risk acceptable with excellent controls, managed by senior management / executive and subject to monthly monitoring	Manager / Director / EMT	Yes
EXTREME (20 – 25)	Unacceptable	Risk only acceptable with excellent controls and all treatment plans to be explored and implemented where possible, managed by highest level of authority and subject to continuous monitoring	EMT / CEO / Council	Yes

*Above Extracted from the Shire's Risk Management Framework.

RISK ASSESSMENT TOOL

(Appendix AAR: 9.2A)

OVERALL RISK EVENT: Update on Regulation 17 Audit Findings

RISK THEME PROFILE:

3 - Failure to Fulfil Compliance Requirements (Statutory, Regulatory)

RISK ASSESSMENT CONTEXT: Strategic

CONSEQUENCE CATEGORY	RISK EVENT	PRIOR TO TREATMENT OR CONTROL			RISK ACTION PLAN (Treatment or controls proposed)	AFTER TREATMENT OR CONTROL		
		CONSEQUENCE	LIKELIHOOD	INHERENT RISK RATING		CONSEQUENCE	LIKELIHOOD	RESIDUAL RISK RATING
HEALTH	No risk event identified for this category.	Not Required - No Risk Identified	N/A	N/A	Not required.	Not required.	Not required.	Not required.
FINANCIAL IMPACT	No risk event identified for this category.	Not Required - No Risk Identified	N/A	N/A	Not required.	Not required.	Not required.	Not required.
SERVICE INTERRUPTION	No risk event identified for this category.	Not Required - No Risk Identified	N/A	N/A	Not required.	Not required.	Not required.	Not required.
LEGAL AND COMPLIANCE	Failure to fulfil obligations pursuant to the Local Government (Audit) Regulations 1996, Regulation 17.	Moderate (3)	Rare (1)	Low (1 - 4)	Not required.	Not required.	Not required.	Not required.
REPUTATIONAL	Council's reputation could be seen in a negative light for not adhering to its requirement to fulfil duties and functions that are prescribed in legislation.	Moderate (3)	Rare (1)	Low (1 - 4)	Not required.	Not required.	Not required.	Not required.
ENVIRONMENT	No risk event identified for this category.	Not Required - No Risk Identified	N/A	N/A	Not required.	Not required.	Not required.	Not required.



Shire of Dardanup Financial Management System Review

February 2019





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27 February 2019

John Attwood
Acting Chief Executive Officer
Shire of Dardanup
PO Box 7016
EATON WA 6232

Dear John

2018 FINANCIAL MANAGEMENT SYSTEMS REVIEW

We are pleased to present the findings and recommendations resulting from the Shire of Dardanup's ("the Shire") 2018 Financial Management System Review.

The primary objective of our Financial Management System Review was to assess the adequacy and effectiveness of systems and controls in place within the Shire of Dardanup; in accordance with Regulation 5(1) of the Local Government (Financial Management) Regulations 1996, and as detailed within Section 2.4 and 2.5 of our proposal dated 4 February 2019.

We would like to thank Cindy, Natalie, Ray and the team for their co-operation and assistance whilst conducting our review.

Should there be matters outlined in our report requiring clarification or any other matters relating to our review, please do not hesitate to contact Rannon or myself.

Yours sincerely
AMD Chartered Accountants

A handwritten signature in black ink, appearing to read 'Tim Partridge', with a horizontal line underneath.

TIM PARTRIDGE FCA
Director

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Inherent limitations

Due to the inherent limitations of any internal control structure, it is possible that fraud, error or non-compliance with laws and regulations may occur and not be detected. Further, the internal control structure, within which the control procedures that have been subject to review, has not been reviewed in its entirety and, therefore, no opinion or view is expressed as to its effectiveness of the greater internal control structure. This review is not designed to detect all weaknesses in control procedures as it is not performed continuously throughout the period and the tests performed on the control procedures are on a sample basis. Any projection of the evaluation of control procedures to future periods is subject to the risk that the procedures may become inadequate because of changes in conditions, or that the degree of compliance with them may deteriorate.

We believe that the statements made in this report are accurate, but no warranty of completeness, accuracy or reliability is given in relation to the statements and representations made by, and the information and documentation provided by, Shire of Dardanup management and personnel. We have indicated within this report the sources of the information provided. We have not sought to independently verify those sources unless otherwise noted with the report. We are under no obligation in any circumstance to update this report, in either oral or written form, for events occurring after the report has been issued in final form unless specifically agreed with Shire of Dardanup. The review findings expressed in this report have been formed on the above basis.

Third party reliance

This report was prepared solely for the purpose set out in this report and for the internal use of the management of Shire of Dardanup. This report is solely for the purpose set out in the 'Scope and Approach' of this report and for Shire of Dardanup's information, and is not to be used for any other purpose or distributed to any other party without AMD's prior written consent. This review's report has been prepared at the request of the Shire of Dardanup Chief Executive Officer in connection with our engagement to perform the review as detailed in AMD's Services Proposal dated 4 February 2019. Other than our responsibility to the Council and management of Shire of Dardanup, neither AMD nor any member or employee of AMD undertakes responsibility arising in any way from reliance placed by a third party, including but not limited to the Shire of Dardanup external auditor, on this report. Any reliance placed is that party's sole responsibility.

Executive Summary

Approach and Objectives

The primary objective of our Financial Management System Review was to assess the adequacy and effectiveness of systems and controls in place within the Shire of Dardanup; in accordance with Regulation 5(1) of the Local Government (Financial Management) Regulations 1996 and as detailed within Section 2.4 and 2.5 of our Proposal dated 4 February 2019.

The responsibility of determining the adequacy of the procedures undertaken by us is that of the Acting Chief Executive Officer (“CEO”). The procedures were performed solely to assist the CEO in satisfying his duty under Section 6.10 of the Local Government Act 1995 and Regulation 5(1) of the Local Government (Financial Management) Regulations 1996.

Findings included within this report are based on the site-work completed by us during the week ending 22nd February 2019. Findings are based on information provided and available to us following our requests made during and subsequent to this site visit.

Summary of Findings

The procedures performed and our findings on each of the focus areas are detailed in the following sections of the report:

- Section 1 - Collection of money;
- Section 2 - Custody and security of money;
- Section 3 - Maintenance and security of the financial records;
- Section 4 - Accounting for municipal or trust transactions;
- Section 5 - Authorisation for incurring liabilities and making payments;
- Section 6 - Maintenance of payroll, stock control and costing records; and
- Section 7 - Preparation of budgets, budget reviews, accounts and reports required by the Act or the regulations.

In addition to the review of processes, procedures and testing completed at the Shire of Dardanup’s Eaton office, detailed procedures completed within Sections 1 to 7 included visits to the following Shire locations to assess systems and controls in place;

- Shire of Dardanup Administration Building -Dardanup;
- Depot facility;
- Waste Transfer station;
- Eaton Recreation Centre; and
- Eaton Community Library.

Following the completion of our review and subject to the recommendations outlined within Sections 3 to 7, we are pleased to report that in context of the Shire’s overall operations, systems and processes in place are appropriate, and have been operating effectively at the time of our review.

Findings reported by us are on an exceptions basis, and do not take into account the many focus areas tested during our review where systems and processes were deemed to be appropriate and in accordance with best practice.

On an overall basis, we consider there are relatively few findings to report, in comparison to similar sized Councils we have completed Regulation 5(1) Financial Management System Reviews for.

The following tables provide a summary of the findings raised in this report:

	Significant Risk	Moderate Risk	Minor Risk
Number of issues reported	2	1	5

For details on the review rating criteria, please refer to Section 8.

Ref	Issue	Risk Rating
1.	Collection of money	
	We have no recommendations to raise in respect to the collection of money and related internal controls in place.	
2.	Custody and security of money	
	We have no recommendations to raise in respect to the custody and security of money and related internal controls in place.	
3.	Maintenance and security of financial records	
	Key Security and Register	
3.2.1	No documented procedure in respect to access of motor vehicles machinery and building keys. Key cabinet at the Shire depot was unlocked during the onsite visit. Currently no key register is maintained at the Shire Depot.	Moderate
4.	Accounting for municipal or trust transactions	
	FBT and BAS Independent Review	
4.2.1	We noted the BAS and FBT returns are not signed off by the preparer and are not signed off to evidence review by someone independent of the BAS/FBT preparation process.	Minor
	Fixed Asset Capitalisation and Depreciation Policy	
4.2.2	There are no documented policies in place in respect to asset capitalisation, depreciation and the management of attractive assets.	Minor
5.	Authorisation for incurring liabilities and making payments	
	Changes to Creditor Master File	
5.2.1	We note there is no standard documentation completed and subsequently approved prior to making a change to creditor details in the creditor master file.	Significant
	Purchasing and Payment	
5.2.2	We identified a number of matters for enhancement and improvement in respect to purchasing and payments.	Significant
6.	Maintenance of payroll, stock control and costing records	
	Fuel Card/Usage Policy	
6.2.1	Currently no fuel card policy in place.	Minor
	Loss on Private Works	
6.2.2	Loss of \$350 made on private works jobs completed for the period ended 31 December 2018.	Minor
7.	Preparation of budgets, budget reviews, accounts and reports required by the Act or the Regulations	
	Code of Conduct	
7.2.1	The Shire Code of Conduct for Council Members, Committee Members and Staff was last reviewed and adopted by Council on the 6 November 2013.	Minor

1. Collection of money

1.1. Scope and approach

In accordance with the scope set out in our Financial Management Systems Review proposal, our review focused on the following:

- Documented internal controls, procedures and reconciliations in relation to all sources of income;
- Counted petty cash and float on hand ensuring materially correct;
- Reviewed fees and charges schedule and ensure adequate internal controls in place over invoicing and receipting;
- Tested collection, receipting, invoicing and posting procedures over receipts on a sample basis; and
- Reviewed credit control procedures in respect to sundry debtors and rates debtors.

1.2. Detailed findings and recommendations

Our review indicated key underlying policies and processes in relation to the proper collection of money owing to the Local Government are appropriate, in line with best practice and operating effectively.

Accordingly, we have no recommendations to raise in respect to the collection of money by the Local Government.

2. Custody and security of money

2.1. Scope and approach

In accordance with the scope set out in our Financial Management Systems Review proposal, our review focused on the following:

- Completed site visits to cash collection points and reviewed the controls and procedures over the collection, receipting, recording and banking of cash collected offsite; and
- Reviewed the security of cash and banking procedures to ensure appropriate controls and procedures are in place.

2.2. Detailed findings and recommendations

Our review indicated key underlying policies and processes in relation to the custody and security of money are appropriate, in line with best practice and operating effectively.

Accordingly, we have no recommendations to raise in respect to the custody and security of money by the Local Government.

3. Maintenance and security of the financial records

3.1. Scope and approach

In accordance with the scope set out in our Financial Management Systems Review proposal, our review focused on the following:

- Reviewed information technology systems to assess physical security, access security, data backups, contingency plans, compliance and systems development; and
- Reviewed registers maintained (including key register, tender register etc.) and Audit Committee and Council minutes.

3.2. Detailed findings and recommendations

3.2.1. Key Security and Register

Finding Rating: Moderate

Our observations and enquiries indicated the following in respect to key security and the key register:

- There is no documented procedure in respect to the access of motor vehicles, machinery and building keys;
- The key cabinet at the Shire depot was unlocked during the onsite visit; and
- There is no key register maintained at the Shire depot recording access of keys and use of Shire vehicles.

Implication / Risks

Increased risk of theft and vehicle misuse.

Risk of un-authorized access.

Recommendation

We recommend:

- A documented key procedure be developed and implemented in respect to the access of motor vehicles, machinery and building keys;
- The depot key cabinet be locked and secured when not in use; and
- A depot key register be maintained to ensure an accurate record of current vehicle use.

Management Comment

Management acknowledges and accepts the recommendations. It is proposed in the near future to appoint a part-time Depot Administration Officer who will assist in the development of a key procedure and the ongoing monitoring or access and maintenance of records.

Responsible Officer:

Director Engineering & Development Services

Completion Date:

30 June 2019

4. Accounting for municipal or trust transactions

4.1. Scope and approach

In accordance with the scope set out in our Financial Management Systems Review proposal, our review focused on the following:

- Reviewed all monthly reconciliations including bank, sundry debtors, sundry creditors, fixed assets, rates debtors and rateable value reconciliations ensuring correctly reconciled and independently reviewed;
- Reviewed and tested most recent municipal and trust bank reconciliations prepared;
- Reviewed processes in respect to BAS, FBT Return and other statutory returns preparation;
- Reviewed use of reserve funds and determined whether changes in reserve purposes had been budgeted or public notice provided;
- Reviewed self-supporting loan transactions ensuring debtor invoices raised in accordance with payment schedule;
- Reviewed trust ledger balances; and
- Reviewed policies and procedures in respect to insurance, recording claims and insuring newly acquired assets.

4.2. Detailed findings and recommendations

4.2.1. FBT and BAS Independent Review

Finding Rating: Minor

We noted BAS and FBT returns are not signed by the preparer and are not signed to evidence review by someone independent of the BAS/FBT preparation process.

Implications / Risks

Increased risk of error in the BAS and FBT preparation process.

Recommendation

We recommend the BAS and FBT returns be signed by the preparer and also be signed as evidence of review by someone independent of the BAS and FBT preparation process.

Management Comment

Management acknowledges and accepts the recommendation. It is noted that the BAS/FBT Returns are lodged electronically by the Manager Financial Services, with advice provided electronically to the Manager Financial Services by the Accountant as evidence of the task completion. A signed version of these documents will be produced and recorded by the Accountant (preparer) and Manager Financial Services (reviewer).

Responsible Officer:

Manager Financial Services

Completion Date:

30 June 2019

4.2.2. Fixed Asset Capitalisation and Depreciation Policy

Finding Rating: Minor

We note there is no fixed asset capitalisation and depreciation policy, or documented policy in place in respect of attractive assets.

We draw attention to the change in legislation (effective 1 July 2018) whereby Regulation 17A will exclude assets in a Local Government financial report valued under \$5,000. In order to ensure effective asset management for attractive and low value assets that are susceptible to theft or loss, Local Governments will be required to maintain a property register of portable and attractive items.

Implications / Risks

Risk of non-compliance with Regulation 17A of the Local Government (Financial Management) Regulations 1996.

Recommendation

We recommend a policy be developed and implemented in respect to fixed asset capitalisation, depreciation and the management of attractive assets, to reflect current Shire operations and ensure compliance with Regulation 17A of the Local Government (Financial Management) Regulations 1996.

Management Comment

Management acknowledges and accepts the recommendation. It is proposed to develop the required new policies in the next few months.

Responsible Officer:

Director Corporate & Community Services

Completion Date:

30 June 2019

5. Authorisation for incurring liabilities and making payments

5.1. Scope and approach

In accordance with the scope set out in our Financial Management Systems Review proposal, our review focused on the following:

- Reviewed controls and procedures over the authorisation of purchase orders and making of payments;
- Tested a sample of payments to ensure compliance with stated procedures;
- Reviewed tender procedures and ensured compliance with stated procedures;
- Reviewed credit card processes and procedures, and tested transactions on a sample basis;
- Reviewed petty cash processes and procedures, and tested transactions on a sample basis;
- Completed sample tests in respect to asset additions and asset disposals;
- Reviewed asset capitalisation and depreciation policies and ensured compliance with stated policies; and
- Reviewed new loans received ensuring budgeted for or public notice provided.

5.2. Detailed findings and recommendations

5.2.1. Changes to Creditor Master File

Finding Rating: Significant

We note there is no standard documentation completed and subsequently approved to change creditor details in the creditor master file.

Implications / Risks

- Increased risk of error or fraud.
- Increased risk that changes to the master-files are unauthorized or untimely.

Recommendation

We recommend a standard form be developed to ensure there are no unauthorised or untimely changes to the creditor master files.

When supplier detail changes are requested, the form should be completed and subsequently authorised by a senior employee or manager of the Shire to confirm changes in payee details are in fact correct.

Management Comment

Management acknowledges and accepts the recommendation. The proposed new Creditor Change Authorisation Form will be developed in the next few months.

Responsible Officer:

Manager Financial Services

Completion Date:

30 June 2019

5.2.2. Purchasing and Payments

Finding Rating: Significant

We noted the following in respect to purchasing and payments:

- We identified instances whereby purchase orders were dated after the invoice date or were not signed as evidence of authorisation;
- We identified instances whereby EFT batch processing checklists were not fully completed; and
- The petty cash reconciliation for the Eaton Recreation Centre is not subject to independent review.

Examples can be provided upon request.

Implications / Risks

- Risk of un-authorised purchases;
- Risk required actions outlined within the EFT checklist not being completed; and
- Increased risk of fraud or error.

Recommendation

We recommend:

- Purchase orders are raised and signed as evidence of authorisation for all purchases prior to the expenditure being incurred;
- The EFT checklist be fully completed prior to finalising the EFT payment; and
- Cash reconciliations are a key control and should be reviewed by someone independent of the reconciliation function. Reconciliations should be signed off as evidence of this review.

Management Comment

Management acknowledges and accepts the recommendation. The relevant staff associated with the Payment of Invoices will be advised to increase monitoring of compliance by staff to procurement and payment requirements. Additional focus on compliance will be undertaken by the Compliance Officer. Further staff training will occur to promote and educate all staff on the requirements of the updated Procurement Policy and procedures.

Responsible Officer:

Manager Financial Services

Completion Date

30 June 2019

6. Maintenance of payroll, stock control and costing records

6.1. Scope and approach

In accordance with the scope set out in our Financial Management Systems Review proposal, our review focused on the following:

- Completed a site visit to the depot in Dardanup and reviewed security over stocks held and allocation/ costings of stocks used (including fuel and inventory stocks);
- Reviewed allocation of public works overheads, plant operating costs and administration overheads;
- Reviewed payroll controls and procedures to ensure effective controls are in place, and complete tests on a sample basis to ensure controls were operating effectively;
- Reviewed procedures and policies in place in respect of human resource management legislative and compliance requirements, recruitment, performance appraisal, disciplinary and termination procedures and leave entitlements;
- Reviewed listing of leave taken by employees ensuring authorised leave forms completed; and
- Reviewed annual leave balances and identified employees with excessive annual leave balances.

6.2. Detailed findings and recommendations

6.2.1. Fuel Card/Usage Policy

Finding Rating: Minor

Our inquiries indicated there is currently no fuel card policy in place.

Implications/Risks

Risk of insufficient internal controls in respect to the issuing and use of fuel cards.

Recommendation

We recommend a fuel card policy be developed and implemented which provides guidance to staff members who are entitled to fuel cards, the terms of fuel card use and record keeping requirements.

Management Comment

Management acknowledges and accepts the recommendation. It is proposed to develop the required new policy in the next few months.

Responsible Officer:

Director Corporate & Community Services

Completion Date

30 June 2019

6.2.2. Loss on Private Works

Finding Rating: Minor

We noted an overall minor loss of \$350 was incurred on private works completed for the period ended 31 December 2018.

Implications / Risks

Risk private works are being completed at a loss and costs incurred are not being correctly on-charged to customers.

Recommendation

We recommend the recovery of costs in respect to private works be reviewed to ensure costs incurred are on-charged to customers inclusive of a mark-up component.

Management Comment

Management acknowledges and accepts the recommendation. The new Fees and Charges software will assist in determining the appropriate fee to charge for private works. This is anticipated to be fully implemented by the end of 2019.

Responsible Officer:

Manager Financial Services

Completion Date

31 December 2019

7. Preparation of budgets, budget reviews, accounts and reports required by the Act or the Regulations

7.1. Scope and approach

In accordance with the scope set out in our Financial Management Systems Review proposal, our review focused on the following:

- Reviewed policy and procedure manuals;
- Reviewed the procedures for preparation of the monthly financial statements, annual financial statements and annual Budget, including assessment of accounting policy, notes and applicable reporting requirements and efficiency of the process;
- Reviewed monthly financial statements ensuring presented to Council within two months and information contained within monthly financial statements in accordance with Regulation 34 of Local Government (Financial Management) Regulations 1996;
- Reviewed the mid-year budget review to ensure compliance with Regulation 33A of the Local Government (Financial Management) Regulations 1996 and assessment of budgetary expenditure controls in place;
- Ensured prior year audit report and management letter have been presented to audit committee and Council;

7.2. Detailed findings and recommendations

7.2.1 Code of Conduct

Finding Rating: Minor

We noted the Shire's Code of Conduct as relating to Council Members, Committee Members and Staff was last reviewed and adopted by Council on the 6 November 2013.

Implications / Risks

Risk the code of conduct is outdated.

Recommendation

We recommend the Code of Conduct be reviewed and subsequently communicated to current Council Members, Committee Members and Staff.

Management Comment

Management acknowledges and accepts the recommendation. Council staff have been working with Councillors and WALGA during 2018 to review the Code of Conduct. This was put on hold pending the finalisation of the Local Government Act review.

Responsible Officer:

Manager Governance & HR

Completion Date:

31 December 2019



8. Guidance on Risk Assessment

Risk is uncertainty about an outcome. It is the threat that an event, action or non-action could affect an organisation’s ability to achieve its business objectives and execute its strategies successfully. Risk is an inherent component of all service activities and includes positive as well as negative impacts. As a result not pursuing an opportunity can also be risky. Risk types take many forms – business, economic, regulatory, investment, market, and social, just to name a few.

Risk management involves the identification, assessment, treatment and ongoing monitoring of the risks and controls impacting the organisation. The purpose of risk management is not to avoid or eliminate all risks. It is about making informed decisions regarding risks and having processes in place to effectively manage and respond to risks in pursuit of an organisation’s objectives by maximising opportunities and minimising adverse effects.

Our guidance to risk classification in accordance with Risk Management- Principles and Guidelines Standard AS/ISO 31000:2018 is as follows:

Risk is the probability that an event or action may adversely affect the organisation. Risk is assessed based on the relationship between consequence and likelihood.

- Likelihood is the chance that the event may occur given knowledge of the organisation and its environment.
- Consequence is the severity of the impact that would result if the event were to occur.

Our risk rating for each finding was based on the following table:

		CONSEQUENCES		
		Insignificant	Significant	Highly Significant
LIKELIHOOD	Low	Minor	Moderate	Moderate
	Medium	Minor	Moderate	Significant
	High	Minor	Significant	Significant

Any compliance breaches identified have been communicated within our report.

RISK ASSESSMENT TOOL

(Appendix AAR: 9.2A)

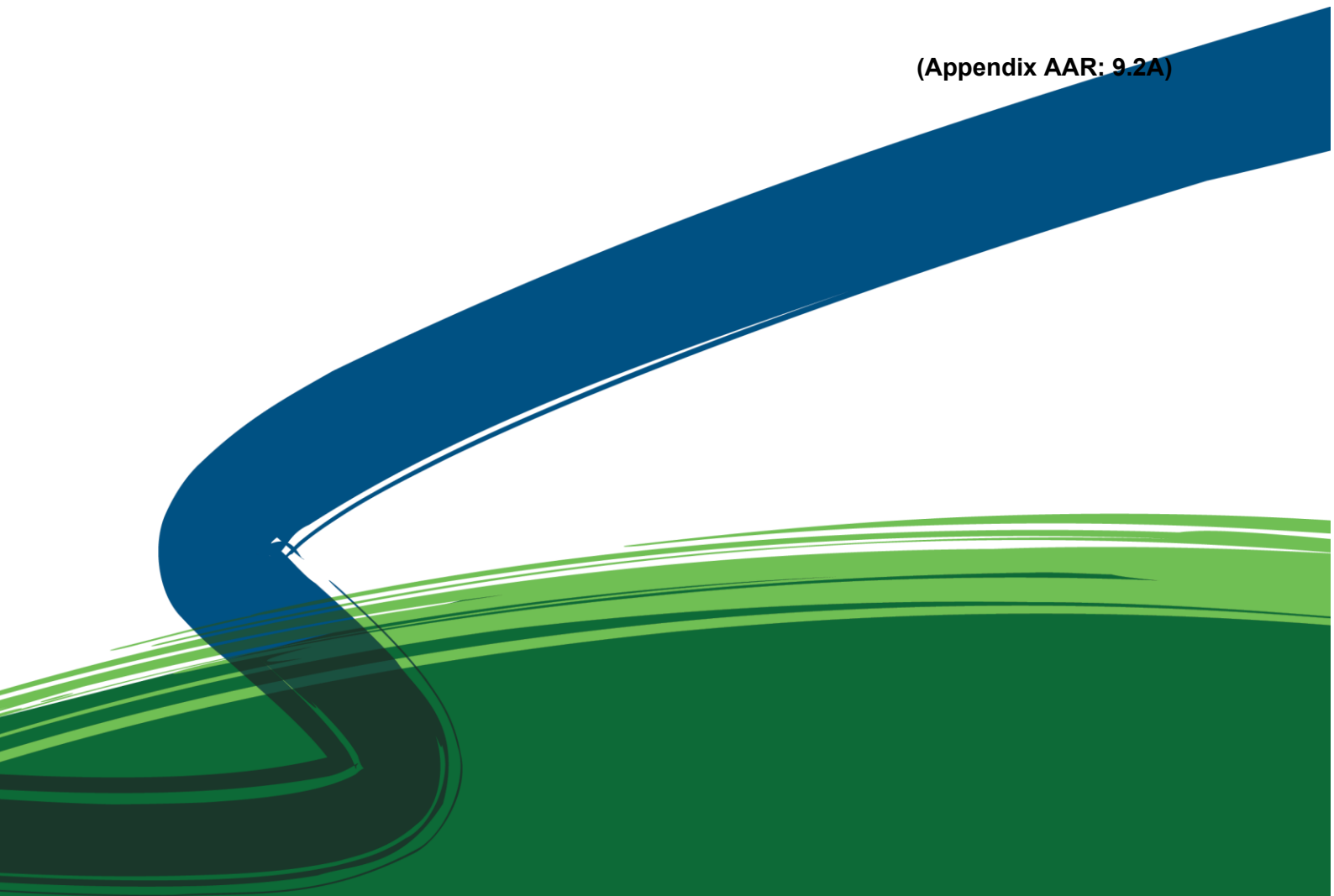
OVERALL RISK EVENT: Update on the Financial Management Systems Review Actions

RISK THEME PROFILE:

3 - Failure to Fulfil Compliance Requirements (Statutory, Regulatory)

RISK ASSESSMENT CONTEXT: Strategic

CONSEQUENCE CATEGORY	RISK EVENT	PRIOR TO TREATMENT OR CONTROL			RISK ACTION PLAN (Treatment or controls proposed)	AFTER TREATMENT OR CONTROL		
		CONSEQUENCE	LIKELIHOOD	INHERENT RISK RATING		CONSEQUENCE	LIKELIHOOD	RESIDUAL RISK RATING
HEALTH	No risk event identified for this category.	Not Required - No Risk Identified	N/A	N/A	Not required.	Not required.	Not required.	Not required.
FINANCIAL IMPACT	No risk event identified for this category.	Not Required - No Risk Identified	N/A	N/A	Not required.	Not required.	Not required.	Not required.
SERVICE INTERRUPTION	No risk event identified for this category.	Not Required - No Risk Identified	N/A	N/A	Not required.	Not required.	Not required.	Not required.
LEGAL AND COMPLIANCE	Failure to fulfil compliance obligations pursuant to regulation 5(2)(c) of the Local Government (Financial Management) Regulations 1996	Moderate (3)	Rare (1)	Low (1 - 4)	Not required.	Not required.	Not required.	Not required.
REPUTATIONAL	Council's reputation could be seen in a negative light for not adhering to its requirement to fulfil duties and functions that are prescribed in legislation.	Moderate (3)	Rare (1)	Low (1 - 4)	Not required.	Not required.	Not required.	Not required.
ENVIRONMENT	No risk event identified for this category.	Not Required - No Risk Identified	N/A	N/A	Not required.	Not required.	Not required.	Not required.



Risk Dashboard Report – December 2021

The Risk Dashboard Report summarises the Shire’s risks within the Risk Management Governance Framework. The focus continues to be on embedding and driving continual improvement.

Asset Sustainability Practices		Risk	Control	External Theft and Fraud (inc. Cyber Crime)		Risk	Control
		Moderate	Adequate			Moderate	Effective
Risk Responsibility		Manager Operations		Risk Responsibility		Manager Financial Services	
Current Actions	Due Date	Responsibility		Current Actions	Due Date	Responsibility	
<i>Develop Maintenance Plans</i>	<i>Sep 23</i>	<i>Manager Operations</i>		<i>Review of Visitor Procedure and Sign-In Book</i>	<i>Dec 21</i>	<i>WHS Coordinator</i>	
<i>Update the Heritage Inventory List to form part of the Town Planning Scheme review</i>	<i>Jun 22</i>	<i>Manager Development Services</i>		<i>Implement cyber detection services</i>	<i>Jun 23</i>	<i>IT Manager</i>	
<i>Review of Council properties that contain asbestos</i>	<i>Dec 21</i>	<i>PEHO</i>		<i>Password Vault Rollout</i>	<i>Jun 22</i>	<i>IT Manager</i>	
<i>Review of Asset Management Plans</i>	<i>Jun 22</i>	<i>Manager Assets</i>					
<i>Report/Business Case to be produced with a proposition towards ‘Managing Shire Leased Facilities’ with a view towards property management</i>	<i>Dec 21</i>	<i>Deputy CEO</i>					
<i>Establish a database for property information of leased facilities</i>	<i>Dec 21</i>	<i>Deputy CEO</i>					
Business & Community Disruption		Risk	Control	Management of Facilities, Venues and Events		Risk	Control
		Moderate	Adequate			Moderate	Effective
Risk Responsibility		Manager Information Services		Risk Responsibility		Manager Community Services	
Current Actions	Due Date	Responsibility		Current Actions	Due Date	Responsibility	
<i>Draft IT Disaster Recovery run sheets</i>	<i>Jun 22</i>	<i>IT Manager</i>		<i>Nil</i>			
<i>Cyber Resilience Plan</i>	<i>Jun 22</i>	<i>IT Manager</i>					
<i>IT Disaster Recovery Plan – review required of specific recovery items and scenarios to fully test the effectiveness of the Plan</i>	<i>Dec 22</i>	<i>Team Leader BS & Senior IDS Officer</i>					

<i>Banksia Road Transfer Station – conduct an evacuation exercise</i>	<i>Jan 22</i>	<i>Manager Operation</i>			
<i>Evacuation Plan Development – Sanford Way Library, Eaton Bowling Club, Waterloo BFB and Dardanup Central BFB (Wells Park)</i>	<i>Nov 21</i>	<i>WHS Coordinator</i>			
Failure to Fulfil Compliance Requirements (Statutory, Regulatory)			Risk	Control	
			Low	Effective	
Risk Responsibility			Manager Financial Services		
Current Actions	Due Date	Responsibility			
<i>Training Needs Analysis (to compliment Competency Framework)</i>	<i>Jan 21</i>	<i>HR Coordinator</i>			
IT, Communication Systems and Infrastructure			Risk	Control	
			Moderate	Adequate	
Risk Responsibility			Manager Information Services		
Current Actions	Due Date	Responsibility			
<i>Develop IT/IS Service Management</i>	<i>Dec 21</i>	<i>IT Manager/MIS/MS/IDS</i>			
Document Management Processes			Risk	Control	
			Moderate	Adequate	
Risk Responsibility			Manager Information Services		
Current Actions	Due Date	Responsibility			
<i>Completion of Retroscan Project to improve physical security of documents</i>	<i>Jun 23</i>	<i>Manager Information Services</i>			
Misconduct			Risk	Control	
			Moderate	Effective	
Risk Responsibility			Manager Financial Services		
Current Actions	Due Date	Responsibility			
<i>Nil</i>					
Employment Practices			Risk	Control	
			Moderate	Effective	
Risk Responsibility			Manager Governance & HR		
Current Actions	Due Date	Responsibility			
<i>Establishment of Competency Framework (Staff Training)</i>	<i>Mar 22</i>	<i>HR Coordinator</i>			
Project/Change Management			Risk	Control	
			Moderate	Adequate	
Risk Responsibility			Manager Operations		
Current Actions	Due Date	Responsibility			
<i>Standardise a formal structure for all projects from conception to completion</i>	<i>Jun 22</i>	<i>Director Infrastructure Services</i>			
<i>Explore a Change Management Framework and Administration Policy</i>	<i>Dec 21</i>	<i>Manager Governance & HR</i>			

Engagement Practices		Risk	Control	Safety and Security Practices		Risk	Control
		Moderate	Adequate			Moderate	Effective
Risk Responsibility		Manager Community Services		Risk Responsibility		Manager Governance & HR	
Current Actions	Due Date	Responsibility		Current Actions	Due Date	Responsibility	
Nil				Nil			
Environment Management		Risk	Control	Supplier and Contract Management		Risk	Control
		Moderate	Adequate			Moderate	Adequate
Risk Responsibility		Manager Operations		Risk Responsibility		Manager Operations	
Current Actions	Due Date	Responsibility		Current Actions	Due Date	Responsibility	
Review and update GIS Environmental Information	Jun 22	GIS and Data Analyst		Develop Formalised procedures for Contractor site-induction in relation to Policy AP028 Contractor	Dec 21	WHS Coordinator	
Errors, Omissions and Delays		Risk	Control				
		Moderate	Adequate				
Risk Responsibility		Manager Governance & HR					
Current Actions	Due Date	Responsibility					
FUSION review being undertaken by BS Team	Nov 21	Manager Governance & HR					

RISK ASSESSMENT TOOL

(Appendix AAR: 9.2A)

OVERALL RISK EVENT: Bi-Annual Risk Management Dash Board Report

RISK THEME PROFILE:

3 - Failure to Fulfil Compliance Requirements (Statutory, Regulatory)

RISK ASSESSMENT CONTEXT: Strategic

CONSEQUENCE CATEGORY	RISK EVENT	PRIOR TO TREATMENT OR CONTROL			RISK ACTION PLAN (Treatment or controls proposed)	AFTER TREATMENT OR CONTROL		
		CONSEQUENCE	LIKELIHOOD	INHERENT RISK RATING		CONSEQUENCE	LIKELIHOOD	RESIDUAL RISK RATING
HEALTH	No risk event identified for this category.	Not Required - No Risk Identified	N/A	N/A	Not required.	Not required.	Not required.	Not required.
FINANCIAL IMPACT	No risk event identified for this category.	Not Required - No Risk Identified	N/A	N/A	Not required.	Not required.	Not required.	Not required.
SERVICE INTERRUPTION	No risk event identified for this category.	Not Required - No Risk Identified	N/A	N/A	Not required.	Not required.	Not required.	Not required.
LEGAL AND COMPLIANCE	Failure to fulfil compliance obligations pursuant to the Local Government (Audit) Regulations 1996, Regulation 17.	Moderate (3)	Rare (1)	Low (1 - 4)	Not required.	Not required.	Not required.	Not required.
REPUTATIONAL	Council's reputation could be seen in a negative light for not adhering to its requirement to fulfil duties and functions that are prescribed in legislation.	Moderate (3)	Rare (1)	Low (1 - 4)	Not required.	Not required.	Not required.	Not required.
ENVIRONMENT	No risk event identified for this category.	Not Required - No Risk Identified	N/A	N/A	Not required.	Not required.	Not required.	Not required.

Appendix AAR:9.5B

RISK ASSESSMENT TOOL

(Appendix AAR: 9.2A)

OVERALL RISK EVENT: Western Australian Auditor General – Schedule of Reports

RISK THEME PROFILE:

3 - Failure to Fulfil Compliance Requirements (Statutory, Regulatory)

RISK ASSESSMENT CONTEXT: Strategic

CONSEQUENCE CATEGORY	RISK EVENT	PRIOR TO TREATMENT OR CONTROL			RISK ACTION PLAN (Treatment or controls proposed)	AFTER TREATMENT OR CONTROL		
		CONSEQUENCE	LIKELIHOOD	INHERENT RISK RATING		CONSEQUENCE	LIKELIHOOD	RESIDUAL RISK RATING
HEALTH	No risk event identified for this category.	Not Required - No Risk Identified	N/A	N/A	Not required.	Not required.	Not required.	Not required.
FINANCIAL IMPACT	No risk event identified for this category.	Not Required - No Risk Identified	N/A	N/A	Not required.	Not required.	Not required.	Not required.
SERVICE INTERRUPTION	No risk event identified for this category.	Not Required - No Risk Identified	N/A	N/A	Not required.	Not required.	Not required.	Not required.
LEGAL AND COMPLIANCE	Not considering the risks, controls and recommendations arising from the Auditor General’s report could have an impact on Council not meeting its compliance requirements.	Moderate (3)	Rare (1)	Low (1 - 4)	Not required.	Not required.	Not required.	Not required.
REPUTATIONAL	Council’s reputation could be seen in a negative light for not adhering to its requirement to fulfil duties and functions that are prescribed in legislation.	Moderate (3)	Unlikely (2)	Moderate (5 - 11)	Not required.	Not required.	Not required.	Not required.
ENVIRONMENT	No risk event identified for this category.	Not Required - No Risk Identified	N/A	N/A	Not required.	Not required.	Not required.	Not required.

Western Australian Auditor General's Report



Local Government COVID-19 Financial Hardship Support

**Office of the Auditor General
Western Australia**

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Aloha Morrissey
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(to assist people with hearing and voice impairment)

We can deliver this report in an alternative format for those with visual impairment.

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The Office of the Auditor General acknowledges the traditional custodians throughout Western Australia and their continuing connection to the land, waters and community. We pay our respects to all members of the Aboriginal communities and their cultures, and to Elders both past and present.

WESTERN AUSTRALIAN AUDITOR GENERAL'S REPORT

**Local Government COVID-19 Financial
Hardship Support**

Report 5: 2021-22
October 2021

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**THE PRESIDENT
LEGISLATIVE COUNCIL**

**THE SPEAKER
LEGISLATIVE ASSEMBLY**

LOCAL GOVERNMENT COVID-19 FINANCIAL HARDSHIP SUPPORT

This report has been prepared for submission to Parliament under the provisions of section 25 of the *Auditor General Act 2006*.

Performance audits are an integral part of my Office's overall program of audit and assurance for Parliament. They seek to provide Parliament and the people of WA with assessments of the effectiveness and efficiency of public sector programs and activities, and identify opportunities for improved performance.

This audit assessed if local government entities provided effective financial hardship support to assist ratepayers impacted by COVID-19 response measures.

I wish to acknowledge the entities' staff for their cooperation with this audit.

A handwritten signature in black ink, appearing to read 'C Spencer'.

CAROLINE SPENCER
AUDITOR GENERAL
15 October 2021

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Auditor General's overview

COVID-19 policy responses have had a profound impact on not only the way we live and work but, for many, the ability to work at all. This resulted in many people experiencing reduced and uncertain incomes with consequent financial implications and hardship. This was particularly the case early in the pandemic in 2020, and during the subsequent government-mandated lockdowns of the first half of 2021.



This report summarises our performance audit of the financial hardship support provided by local government (LG) entities in 2020-21 to ratepayers impacted by the COVID-19 pandemic. We conducted the audit partly in response to requests we received to audit LG entities' processes for providing financial hardship support to ratepayers.

LG entities provided support above what was requested by the State Government. They not only provided financial support to ratepayers assessed as being in financial hardship but, at their own initiative, supported all ratepayers. Most support came in the form of interest waivers and allowing ratepayers additional time to pay rates. This came at a direct cost to LG entities' revenues, which may present budgetary impacts for some years.

Most LG entities had a financial hardship policy in 2020-21, and it was encouraging to find that most have kept these for 2021-22 or have taken a longer-term view and adapted their policies to apply beyond the pandemic.

A key message from this audit, however, is the importance of LG entities applying a commonsense and balanced approach to probity. We observed that some LG entities set a very high bar for ratepayers to access financial support of only a few hundred dollars a year, or less. This includes, in some cases, requiring ratepayers to see a financial counsellor, which could be a significant time impost and emotional intrusion on people in need of short-term financial relief. Policies and assessment processes should balance the need for proportionate assurance that support is provided only to ratepayers experiencing genuine financial hardship, against the need to provide timely support to those in need.

Providing clear public information about processes and the type and amount of support available will also help potential applicants decide whether the benefits of applying outweigh the time and effort, thereby reducing the administrative load on both LG entities and the ratepayers they serve.

Executive summary

Introduction

The objective of the audit was to assess if local government (LG) entities provided effective financial hardship support to assist ratepayers impacted by COVID-19 response measures.

We assessed if the City of Belmont (Belmont), Shire of Northampton (Northampton) and City of Rockingham (Rockingham) had financial hardship policies in 2020-21, and if they processed applications effectively. We also confirmed if Western Australia's (WA) other 134¹ LG entities had policies in place.

Background

The State Government recognised that restrictions introduced in response to the COVID-19 pandemic would cause financial hardship for many people, potentially reducing their ability to pay property rates.

On 8 May 2020, the Minister for Local Government issued Ministerial Circular 03-2020 (Circular), which encouraged LG entities to adopt financial hardship policies to assist ratepayers. On the same day the Minister issued Local Government (COVID-19 Response) Order 2020 (Order).² The Order applied for 2020-21 and capped the maximum amount of interest that LG entities could charge all ratepayers and prevented LG entities imposing interest or other charges on ratepayers they assessed as experiencing financial hardship due to COVID-19.

We expected LG entities to have adopted a financial hardship policy and to have complied with the Order. We also expected that LG entities' processes to implement their policies would follow better practice guidance³ and reflect the dollar value of support available to each ratepayer and the administration costs and risks to the LG entity. For example, a ratepayer owing \$1,500 in overdue rates could receive a penalty interest waiver of up to \$120 (at 8% per annum being the maximum rate allowed under the Order).

In terms of processes, we expected that LG entities:

- had a current Council-approved financial hardship policy
- actively promoted the policy to their ratepayers and made the policy and application form publicly available
- used clear eligibility and assessment criteria and timeframes to process applications
- kept clear records of applications and outcomes
- identified and managed actual, potential and perceived conflicts of interest for staff who assessed applications
- improved their application and assessment processes in response to complaint feedback.

¹ Western Australia has a total of 148 local government entities. We did not audit the 9 regional councils and 2 Indian Ocean Territories.

² On 1 June 2021, Local Government (COVID-19 Response) Amendment Order 2021 was issued to extend the Order to 2021-22.

³ Western Australian Local Government Association (WALGA), Good Governance in Practice: Implementing a Financial Hardship Policy - A Guide for Developing Administrative Practices.

Conclusion

Of WA's 137 LG entities, 123 had a financial hardship policy in 2020-21. At October 2021, 109 LG entities have policies in 2021-22, of which 105 are available on their websites. The 3 LG entities we reviewed had policies and provided financial support at their own discretion to all ratepayers (not just those experiencing financial hardship), such as waiving interest or allowing additional time to pay rates.

Northampton did not promote its policy or the availability of financial support to its ratepayers and did not establish processes to implement its policy. The Shire did not receive any financial hardship applications.

Belmont and Rockingham promoted the availability of financial support to their ratepayers, made their policies and application forms available on their websites, and established eligibility criteria and processes to assess applications in line with their policies:

- Belmont's processes reflected the dollar value of support available to each ratepayer and the administration costs and risks to the LG entity.
- Rockingham's policy and processes were designed to cover both general and COVID-19 specific financial hardship and to provide applicants with the maximum financial assistance they were entitled to under the policy. However, in our view this approach was time consuming and onerous for ratepayers in need of short term support, and likely meant the City's costs to process each application exceeded the risks and dollar value of COVID specific support available to individual ratepayers. Streamlining processes could reduce information requirements for applicants and provide more timely responses.

Findings

All 3 sampled LG entities had financial hardship policies but only 2 informed their ratepayers

Belmont, Northampton and Rockingham adopted financial hardship policies in response to the Ministerial Circular. Their policies and how they were promoted and applied are summarised in Table 1.

Northampton's policy was available on its website, but the Shire did not otherwise notify ratepayers of its existence or that financial support was available to them. This was contrary to its policy to write to ratepayers with accounts in arrears, encouraging them to apply for support. At the time of the audit, Northampton had not extended its policy or adopted another for 2021-22 rates. Northampton Council subsequently approved an updated policy on 17 September 2021.

	Belmont	Northampton	Rockingham
2020-21			
Policy title	<i>Financial Hardship Policy (COVID-19)</i>	<i>Financial Hardship Policy and Procedures – Rate Debtors</i>	<i>Council Policy - Financial Hardship</i>
Adoption date	26 May 2020	22 June 2020	28 July 2020
Policy applies to:			
COVID-19 related financial hardship	✓	✓	✓
General financial hardship	✗	✗	✓
Unpaid rates	At adoption date and for 2020-21	At adoption date and for 2020-21	At adoption date and for 2020-21 and beyond
Eligible ratepayers	All	All	Residential and small businesses
Publicised to ratepayers:			
Multiple channels	✓	✗	✓
Policy on website	✓	✓	✓
Application form on website	✓	✗	✓
2021-22			
Policy title	<i>Financial Hardship Policy</i>	<i>Financial Hardship Policy and Procedures – Rate Debtors</i>	<i>Council Policy - Financial Hardship</i>
Adoption date	22 June 2021	17 September 2021	28 July 2020

Source: OAG using LG entity information

Table 1: Financial hardship policies adopted by the 3 audited LG entities

COVID-19 financial hardship support measures

The 3 LG entities provided financial support to all ratepayers (not just those they assessed as experiencing financial hardship). For example:

- 2020-21 total rates revenue⁴, and fees and charges were kept at or below 2019-20 levels
- Belmont and Northampton did not charge interest on unpaid rates for part of 2019-20
- Belmont and Rockingham gave ratepayers an extra 4 months to pay 2020-21 rates before charging penalty interest
- Rockingham did not charge instalment interest in 2020-21.

In addition, the 3 LG entities' policies offered the following financial supports to ratepayers assessed as experiencing financial hardship due to COVID-19 (Table 2).

Financial support measures on rates	Belmont	Northampton	Rockingham
Waive instalment interest and administration charges	✓	✓	✓*
Waive penalty interest	✓	✓	✓
Extra time to pay after due date	✓	✓	✓
Suspend debt recovery	✓*	✓	✓
Additional once-off relief or write-off	✓	Not offered	✓

* Support not included in policy but provided in practice

Source: OAG using LG entity information

Table 2: Financial support measures for ratepayers assessed as experiencing COVID-19 financial hardship during 2020-21

Most financial support was provided through interest waivers. This contributed to sizeable reductions in LG entities' revenues from interest on overdue rates and instalment payments in 2019-20 and 2020-21 (Table 3). Over the 3 financial years from 2018-19 to 2020-21, the LG entities' interest revenues decreased by 13% at Belmont, 37% at Northampton, and 84% at Rockingham. This, along with other reduced revenues from the freezing of property rates and the closure of recreational, sporting and community facilities during the pandemic, may present budgetary challenges for LG entities for some years.

LG entity	2020-21*	2019-20	2018-19
	(\$)	(\$)	(\$)
Belmont	225,213	248,602	260,318
Northampton	32,433	38,126	51,690
Rockingham	189,168	1,233,123	1,215,543

* Unaudited figures provided by LG entities

Source: OAG using LG entity information

Table 3: LG entities' revenue from interest on overdue rates and instalment payments in the last 3 financial years

⁴ The value of rates for individual ratepayers could vary, but total rate revenue for each LG entity was frozen.

Belmont and Rockingham effectively processed applications while Northampton did not receive any

Belmont and Rockingham's processes to assess applications, and to identify and manage conflicts of interest, were in line with their policies and were generally effective. Both LG entities kept records of applications received and their outcomes. Northampton did not establish any processes but also did not receive any applications. Clear processes contribute to consistent, timely and transparent decision making.

Belmont received 53 applications and approved 32. Most approved applicants received more than 1 type of support including waivers of interest and administration charges and extra time to pay. Around one-third also received a rates rebate of up to \$250 (of which the median value received was \$40). Applications were rejected for reasons including being assessed as not experiencing COVID-19 related hardship and providing insufficient information. We reviewed 10 applications and found:

- clear eligibility and assessment criteria that aligned with the intent of the City's policy. This supported consistent and timely assessment of applications and provision of support to the City's ratepayers
- minimal supporting information requirements that reflected the dollar value of support available to each ratepayer and the administration costs and risks to the City. The City accepted a Centrelink Job Keeper or Job Seeker statement, or a redundancy letter from an employer as sufficient evidence for reduced income
- 6 of the 10 applications were submitted with sufficient information to demonstrate eligibility and did not require staff follow-up. These applications were processed, approved and a decision communicated to the applicant within 3 days (which is less than the 10-day target established by the City's customer service charter). The remaining 4 applicants had to provide further supporting information. Three were advised of the outcome in 4, 21 and 96 days from the time they applied, and 1 was pending further information at the time of our review
- consistent with the Order, the City did not charge interest or administration fees to approved applicants
- the City relied on existing employee declarations against its code of conduct to identify and manage conflicts of interest in the assessment process. Additional assurance would be provided if the City implemented a process to confirm that staff who assess financial hardship applications do not have any conflicts of interest when assessing applications. However, we did not become aware of any conflicts for the applications we reviewed
- the City's complaints register did not list any formal complaints from ratepayers about its hardship policy, processes or decisions.

Rockingham received 70 applications and approved 41. Most approved applicants received more than 1 type of support. All approved applicants were allowed extra time to pay, most had interest and administration fees waived, and around 15% received a one-off rebate of \$200. Applications were rejected for reasons including being assessed as not experiencing COVID-19 related hardship or providing insufficient information. We reviewed 9 applications for COVID-19 specific relief and found:

- Rockingham's eligibility and assessment criteria aligned with the intent of its policy. Applicants were assessed against general financial hardship criteria and, if found not eligible, were then assessed against COVID-19 specific criteria. This allowed applicants to be assessed for maximum financial assistance under the policy. The City kept the

applications open and followed-up applicants for supporting information. In our view this approach was time consuming and onerous for ratepayers in need of short term support, and likely meant the City's costs to process each application exceeded the risks and dollar value of COVID-19 specific support available to individual ratepayers (which was in the order of \$250⁵ for 2020-21, or about 20% of the median rate value):

- all 9 applicants indicated they were seeking COVID-19 specific support but were required to provide information to demonstrate eligibility for general financial hardship support
- this required applicants to enter into a payment arrangement with the City to pay off their rates for the current and next year by the end of next financial year. The 6 applicants that could not meet this requirement were asked to provide an income and expense statement from a State-funded financial counsellor
- 1 of the 6 applicants provided the required statement and their support was approved in 22 days, another application was considered withdrawn by the City after 20 days due to the applicant's changed circumstances. The remaining 4 applications remained open for between 143 and 271 days.
- consistent with the Order, the City did not charge interest or administration fees to approved applicants. Further, the City did not take legal action against ratepayers while assessing their applications and any interest charges were reversed if approval was granted
- the City relied on existing employee declarations against its code of conduct to identify and manage conflicts of interest in the assessment process. Additional assurance would be provided if the City implemented a process to confirm that staff who assess financial hardship applications do not have any conflicts of interest when assessing applications. However, we did not become aware of any conflicts for the applications we reviewed
- the City's complaints register did not include any formal complaints from ratepayers about its policy, processes or decisions.

Northampton did not receive any applications for COVID-19 financial support. The Shire's policy was available on its website, but it was not promoted to ratepayers. This may have limited ratepayer knowledge about the support available to them. Furthermore, the Shire did not create an application form or other processes to support the assessment of applications. At the time of our review Northampton had not received any formal complaints about its policy or lack of processes.

Most of the State's 137 LG entities have a financial hardship policy

Of WA's 137 LG entities, 123 advised they had a financial hardship policy in 2020-21. Three of the 34 LG entities in the Perth and Peel region, and 11 of the 103 LG entities in regional WA advised they did not (Table 4).

	Perth and Peel entities	Regional WA entities	Total
Number with a financial hardship policy	31	92	123

⁵ For example, a ratepayer owing \$1,278 in overdue rates (being the median value of residential rates in Rockingham in 2020-21) would have received an interest waiver of about \$51 (at 8% per annum for 6 months). They may have also received a rebate of \$200 if found eligible for COVID-19 support.

	Perth and Peel entities	Regional WA entities	Total
Number without a financial hardship policy	3	11	14
Total	34	103	137
Percent with a financial hardship policy	91%	89%	90%

Source: OAG using LG entity information

Table 4: LG entities with a financial hardship policy in 2020-21

On 1 June 2021, the Minister for Local Government issued the Local Government (COVID-19 Response) Amendment Order 2021 to extend the requirements of the Order to 2021-22. The Order specifies instalment interest thresholds that LG entities must comply with based on whether they do or do not have a financial hardship policy in place.

At October 2021, 109 LG entities advised they have policies in 2021-22, 105 of which made the policies available online. LG entities might continue to apply their 2020-21 financial hardship policies or might be in the process of updating them to apply to 2021-22 rates.

As a result of our audit information request, some LG entities updated their policies or sought Council approval to apply the policies to 2021-22 rates.

LG entities that do not have a financial hardship policy in 2021-22 may still support ratepayers. For example, through flexible payment arrangements.

Information on the 2020-21 and 2021-22 financial hardship policies of all 137 LG entities is presented in Appendix 1.

Recommendations

All LG entities, including those not sampled in this audit, should review their policies and implement processes to support their approach to providing financial hardship support to ratepayers. LG entities should balance application and assessment costs with the value of any support provided, and ensure they:

1. have a current Council-approved financial hardship policy that, if they want to charge the higher threshold of instalment interest, covers 2021-22 rates
2. actively promote the policy to their ratepayers and make the policy and application form publicly available (Northampton)
3. put in place clear eligibility and assessment criteria and timeframes to process applications (Northampton and Rockingham)
4. maintain records of applications and outcomes
5. identify and manage actual, potential and perceived conflicts of interest for staff who assess applications (Belmont, Northampton and Rockingham)
6. review their application and assessment processes in response to complaint feedback.

Under section 7.12A of the *Local Government Act 1995*, the 3 sampled LG entities are required to prepare an action plan addressing significant matters relevant to them for submission to the Minister for Local Government within 3 months of this report being tabled in Parliament, and within 14 days of submission publish it on their website. The action plans should address the recommendations relevant to each entity as indicated in the brackets above.

Response from the City of Belmont

The City of Belmont is especially proud that in the short time available it was able to implement processes in response to the Financial Hardship requirements, we welcome the OAG's acknowledgement of what we were able to do well during this time.

The City appreciates the recommendations and areas for improvement and these will be or have been incorporated to ensure there is continuous improvement and transparency of processes.

Response from the Shire of Northampton

The Shire of Northampton has co-operated fully with Office of Auditor General (OAG) in relation to "Financial Hardship" performance audit. We didn't find any major factual inaccuracies in the audit report and we intend to address any shortcomings in our approach to this matter.

Whilst the Shire didn't actively promote the Financial Hardship Policy our staff have always encouraged ratepayers that were having financial hardship to go onto payment plans. Additionally, we have a very small proportion of ratepayers on payment plans and outstanding rates debtors. Currently we have less than 20 ratepayers on a payment plan and our rate debt is approximately 4% of our annual rate billings. Therefore the impact of ratepayers not being aware of the Financial Hardship policy would have been minimal due to our pro-active approach to helping ratepayers that are having difficulty.

Council has approved the extension of our Financial Hardship policy to apply for rates levied in the current 2021/2022 financial year and we have implemented other measures to ensure we comply with the requirements of the points raised in the "Emerging Findings" report.

Response from the City of Rockingham

The City has clear eligibility criteria and an assessment process. It is management's view that the systems are appropriate based on support available and Council Policy requirement of an evidence-based approach. Council Policy – Financial Hardship is responding to matters related to public funds and the process applied by the City maximises the benefit to applicants on an evidence-based approach. The City has received no complaints regarding its process and to those applicants which received support, it is considered a material benefit to them.

The City has multi-layered conflict of interest systems enshrined in organisational processes and practices. On a risk based approach further controls are also applied to further reduce actual, potential or perceived conflicts of interest. These controls apply to all staff involved in assessing applications. These have all been applied and the audit found no evidence of any actual, potential or perceived conflicts of interest for staff who assess the applications.

Audit focus and scope

The objective of the audit was to assess if LG entities provided effective financial hardship support to assist ratepayers impacted by COVID-19 using the following criteria:

- Do the sampled LG entities have an effective financial hardship policy?
- Do the sampled LG entities process applications for financial hardship effectively?

The audit included testing for the 2020-21 financial year at the 3 sampled LG entities:

- City of Belmont
- Shire of Northampton
- City of Rockingham.

Selection of these LG entities was based on a number of factors including the socio-economic ratings assigned by the Australian Bureau of Statistics and their locations in metropolitan and regional Western Australia.

We also received confirmation from Western Australia's other 134 LG entities (excluding Christmas and Cocos Islands and regional councils) if they had financial hardship policies in 2020-21 and 2021-22, and if the 2021-22 policies were available on their LG entity's website. We did not independently verify most of the information provided by the 134 LG entities, but we did confirm that their 2021-22 policies were available on their websites.

Audit evidence was gathered by:

- reviewing relevant Government policies, Ministerial Circular 3-2020, Local Government (COVID-19 Response) Order 2020, Local Government (COVID-19 Response) Amendment Order 2021 (Amendment Order), and better practice guidance and templates⁶
- identifying and reviewing LG entities' policies and procedures
- assessing the public availability of LG entity policies and processes
- interviewing LG entity staff responsible for assessing and approving hardship applications
- reviewing LG entities' eligibility assessments and their timeliness. We tested 10 of the 53 COVID-19 specific hardship applications at Belmont and 9 of the 70 applications at Rockingham. Northampton did not receive any formal applications
- validating if LG entities provided the approved support to the eligible persons
- reviewing LG entity complaint registers for complaints about the hardship application process or decisions
- assessing if LG entities have processes to identify and address conflicts of interest in the hardship application assessment process.

We audited compliance with the financial hardship aspects of the Local Government (COVID-19 Response) Order 2020, specifically whether LG entities waived interest and administration charges for people assessed as experiencing financial hardship. We did not

⁶ WALGA, Good Governance in Practice: Implementing a Financial Hardship Policy - A Guide for Developing Administrative Practices.

audit LG entity compliance with the maximum limits on interest for ratepayers not assessed as experiencing COVID-19 financial hardship, or the Amendment Order.

This was an independent performance audit, conducted under Section 18 of the *Auditor General Act 2006*, in accordance with Australian Standard on Assurance Engagements ASAE 3500 *Performance Engagements*. We complied with the independence and other ethical requirements related to assurance engagements. Performance audits focus primarily on the effective management and operations of entity programs and activities. The approximate cost of undertaking the audit and reporting was \$293,000.

Appendix 1: Summary of LG financial hardship policies

LG entities provided the information included in the following table about their 2020-21 and 2021-22 financial hardship policies. We did not independently verify most of it. However, we did confirm if their 2021-22 policies were available on their websites.

LG entity	2020-21 policy	2021-22 policy	2021-22 policy on website
Albany, City of	✓	✓	✓
Armadale, City of	✓	✓	✓
Ashburton, Shire of	✓	✓	✓
Augusta-Margaret River, Shire of	✓	✓	✓
Bassendean, Town of	✓	✓	✓
Bayswater, City of	✓	✓	✓
Belmont, City of	✓	✓	✓
Beverley, Shire of	✓	X	n/a
Boddington, Shire of	X	✓	✓
Boyup Brook, Shire of	✓	✓	✓
Bridgetown-Greenbushes, Shire of	✓	✓	✓
Brookton, Shire of	✓	✓	✓
Broome, Shire of	✓	✓	✓
Broomehill-Tambellup, Shire of	✓	✓	X
Bruce Rock, Shire of	✓	X	n/a
Bunbury, City of	✓	✓	✓
Busselton, City of	✓	✓	✓
Cambridge, Town of	✓	✓	✓
Canning, City of	✓	✓	✓
Capel, Shire of	X	X	n/a
Carnamah, Shire of	✓	✓	✓
Carnarvon, Shire of	✓	✓	✓
Chapman Valley, Shire of	✓	✓	✓
Chittering, Shire of	✓	✓	✓
Claremont, Town of	✓	✓	✓
Cockburn, City of	✓	✓	✓
Collie, Shire of	X	X	n/a
Coolgardie, Shire of	✓	✓	✓
Coorow, Shire of	✓	✓	✓

LG entity	2020-21 policy	2021-22 policy	2021-22 policy on website
Corrigin, Shire of	✓	✓	✓
Cottesloe, Town of	X	✓	✓
Cranbrook, Shire of	✓	✓	✓
Cuballing, Shire of	✓	X	n/a
Cue, Shire of	✓	X	n/a
Cunderdin, Shire of	✓	✓	✓
Dalwallinu, Shire of	✓	✓	✓
Dandaragan, Shire of	X	X	n/a
Dardanup, Shire of	✓	✓	✓
Denmark, Shire of	✓	✓	✓
Derby-West Kimberley, Shire of	✓	✓	✓
Donnybrook-Balingup, Shire of	✓	✓	✓
Dowerin, Shire of	✓	X	n/a
Dumbleyung, Shire of	✓	✓	✓
Dundas, Shire of	✓	✓	✓
East Fremantle, Town of	✓	✓	✓
East Pilbara, Shire of	✓	✓	✓
Esperance, Shire of	✓	✓	✓
Exmouth, Shire of	✓	✓	✓
Fremantle, City of	✓	✓	✓
Gingin, Shire of	✓	X	n/a
Gnowangerup, Shire of	✓	✓	✓
Goomalling, Shire of	✓	✓	✓
Gosnells, City of	X	X	n/a
Greater Geraldton, City of	✓	✓	X
Halls Creek, Shire of	✓	✓	✓
Harvey, Shire of	✓	✓	✓
Irwin, Shire of	✓	✓	✓
Jerramungup, Shire of	✓	✓	✓
Joondalup, City of	✓	✓	✓
Kalamunda, City of	✓	✓	✓
Kalgoorlie-Boulder, City of	✓	✓	✓
Karratha, City of	✓	✓	✓
Katanning, Shire of	✓	✓	✓
Kellerberrin, Shire of	X	✓	✓

LG entity	2020-21 policy	2021-22 policy	2021-22 policy on website
Kent, Shire of	✓	✓	✓
Kojonup, Shire of	✓	✓	✓
Kondinin, Shire of	✓	✓	✓
Koorda, Shire of	✓	✓	✓
Kulin, Shire of	X	X	n/a
Kwinana, City of	✓	✓	✓
Lake Grace, Shire of	✓	✓	✓
Laverton, Shire of	X	X	n/a
Leonora, Shire of	✓	✓	✓
Mandurah, City of	✓	✓	✓
Manjimup, Shire of	✓	✓	✓
Meekatharra, Shire of	✓	X	n/a
Melville, City of	✓	✓	✓
Menzies, Shire of	✓	✓	✓
Merredin, Shire of	✓	✓	✓
Mingenew, Shire of	✓	✓	✓
Moora, Shire of	✓	✓	X
Morawa, Shire of	✓	✓	✓
Mosman Park, Town of	✓	X	n/a
Mount Magnet, Shire of	✓	X	n/a
Mt Marshall, Shire of	✓	✓	✓
Mukinbudin, Shire of	✓	✓	✓
Mundaring, Shire of	✓	X	n/a
Murchison, Shire of	✓	✓	✓
Murray, Shire of	✓	✓	✓
Nannup, Shire of	✓	X	n/a
Narembeen, Shire of	✓	✓	✓
Narrogin, Shire of	✓	✓	✓
Nedlands, City of	✓	✓	✓
Ngaanyatjarraku, Shire of	✓	✓	✓
Northam, Shire of	✓	X	n/a
Northampton, Shire of	✓	✓	✓
Nungarin, Shire of	X	X	n/a
Peppermint Grove, Shire of	✓	✓	✓
Perenjori, Shire of	✓	X	n/a

LG entity	2020-21 policy	2021-22 policy	2021-22 policy on website
Perth, City of	✓	✓	✓
Pingelly, Shire of	✓	✓	✓
Plantagenet, Shire of	✓	✓	✓
Port Hedland, Town of	✓	✓	✓
Quairading, Shire of	X	X	n/a
Ravensthorpe, Shire of	✓	✓	✓
Rockingham, City of	✓	✓	✓
Sandstone, Shire of	X	X	n/a
Serpentine Jarrahdale, Shire of	✓	✓	✓
Shark Bay, Shire of	✓	X	n/a
South Perth, City of	✓	✓	✓
Stirling, City of	✓	✓	✓
Subiaco, City of	✓	✓	✓
Swan, City of	✓	✓	✓
Tammin, Shire of	✓	✓	✓
Three Springs, Shire of	✓	✓	✓
Toodyay, Shire of	✓	✓	✓
Trayning, Shire of	✓	X	n/a
Upper Gascoyne, Shire of	X	X	n/a
Victoria Park, Town of	✓	✓	✓
Victoria Plains, Shire of	✓	✓	✓
Vincent, City of	✓	✓	✓
Wagin, Shire of	✓	X	n/a
Wandering, Shire of	✓	✓	✓
Wanneroo, City of	✓	✓	✓
Waroon, Shire of	✓	✓	✓
West Arthur, Shire of	✓	✓	X
Westonia, Shire of	✓	✓	✓
Wickepin, Shire of	✓	✓	✓
Williams, Shire of	✓	✓	✓
Wiluna, Shire of	✓	X	n/a
Wongan-Ballidu, Shire of	✓	✓	✓
Woodanilling, Shire of	X	X	n/a
Wyalkatchem, Shire of	✓	✓	✓
Wyndham-East Kimberley, Shire of	✓	✓	✓

LG entity	2020-21 policy	2021-22 policy	2021-22 policy on website
Yalgoo, Shire of	✓	✓	✓
Yilgarn, Shire of	✓	✓	✓
York, Shire of	✓	✓	✓

Source: OAG using information provided by LG entities

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Auditor General's 2021-22 reports

Number	Title	Date tabled
4	Public Building Maintenance	24 August 2021
3	Staff Exit Controls	5 August 2021
2	SafeWA – Application Audit	2 August 2021
1	Opinion on Ministerial Notification – FPC Arbitration Outcome	29 July 2021

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 Office of the Auditor General for
Western Australia



Hon David Templeman MLA
Minister for Local Government; Heritage; Culture & the Arts

Our Ref: 66-12319

TO ALL LOCAL GOVERNMENTS

CIRCULAR N^o 03-2020

LOCAL GOVERNMENT (COVID-19 RESPONSE) ORDER 2020

As you would be aware, the *Local Government Amendment (COVID-19 Response) Act 2020* was passed by Parliament on 16 April 2020 and came into effect on 21 April 2020.

This Act provided a power to enable the Minister to modify or suspend provisions of the Local Government Act 1995 and Regulations while a State of Emergency declaration is in force and where the Minister considers that such an order is necessary to deal with the consequences of the COVID-19 pandemic.

I have made the first Order under this legislation to deal with issues relating to requirements to hold public meetings, for access to information when council offices are closed due to the COVID-19 pandemic, and budgetary matters. This will be published on 8 May 2020, coming into effect on that day.

Some of these measures will assist ratepayers who have been adversely impacted by this COVID-19 pandemic. As you are displaying through your actions in freezing rates, fees and charges during these extraordinary times, it is vital to maximise assistance to get our economy back on track.

The Order recognises that the local government is in the best position to assess whether a person in their district is in hardship but does provide that those residential and small business ratepayers that are suffering financial hardship because of the consequences of the COVID-19 pandemic will not be charged interest in the 2020/21 financial year. Local governments will be able to assess whether any other ratepayers are in hardship and should be provided with assistance.

Local governments are encouraged to adopt a financial hardship policy. This will address the manner in which the local government will deal with financial hardship that may be suffered by ratepayers and other persons who are required to make payments to the local government. Local governments with such a policy in place will be able to charge a maximum of 5.5% for instalment interest as they are formally

recognising and providing for other groups that are in hardship. This recognises that the 5.5% will apply to those who wish to pay by instalments but are not in hardship.

If a local government does not have in place a financial hardship policy, the interest rate that can be charged for payment by instalments will be capped at 3%.

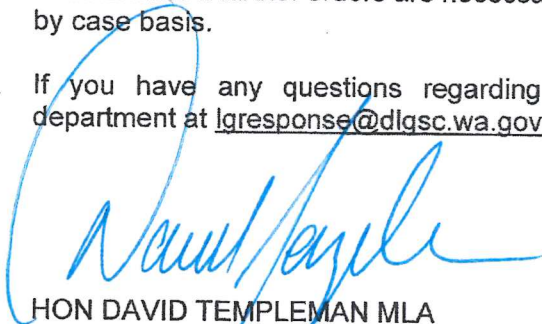
Interest rates that can be charged for late payments are being capped at 8%, which aligns with the interest rate charged by the Australian Taxation Office.

Other measures will directly assist local governments through removing red tape and compliance requirements which are not considered to be necessary while local governments and the community deal with the pandemic. This includes a number of measures that are designed to assist local governments that resolve to not increase the rate in the dollar from those applied last year.

The attachment details the modifications made to the operation of the *Local Government Act 1995*.

The Department of Local Government, Sport and Cultural Industries and the Western Australian Electoral Commission will continue to monitor council vacancies to determine if further orders are necessary to deal with electoral matters on a case by case basis.

If you have any questions regarding these provisions, please contact the department at lgresponse@dlqsc.wa.gov.au



HON DAVID TEMPLEMAN MLA
MINISTER FOR LOCAL GOVERNMENT;
HERITAGE; CULTURE AND THE ARTS

08 MAY 2020

Local Government (COVID-19 Response) Order 2020

The order deals with issues relating to requirements to hold public meetings, access to information when council offices are closed due to the COVID-19 pandemic, and budgetary matters, including financial hardship of ratepayers.

Specifically, the order provides for:

Clause 2: Commencement

The order comes into effect on the day it is published in the *Gazette*.

Clause 3: Terms Used

Key terms relate to the definition of an excluded person. This is a residential or small business ratepayer who is considered by the local government to be suffering financial hardship as a consequence of the COVID-19 pandemic.

A small business has the same meaning as under the *Small Business Development Corporation Act 1983*:

a business undertaking which is wholly owned and operated by an individual person or by individual persons in partnership or by a proprietary company within the meaning of the *Corporations Act 2001* of the Commonwealth and which —

- (i) has a relatively small share of the market in which it competes; and
- (ii) is managed personally by the owner or owners or directors, as the case requires; and
- (iii) is not a subsidiary of, or does not form part of, a larger business or enterprise.

Clause 4: Section 5.27 – Electors' general meetings

Section 5.27 of the Local Government Act requires a general meeting of electors to be held once every financial year and within 56 days after the local government accepts the annual report for the previous financial year. Holding such a meeting would breach the prohibition on gatherings direction and could result in health risks to attendees.

The requirement for the holding of a general meeting of electors under section 5.27(2) has been modified so that any meeting for 2019/20 that has not yet been held is to be held within 56 days of the date on which the state of emergency declaration ceases to have effect, but not while a declaration is in effect.

Clause 5: Section 5.28 modified – Electors’ special meetings

Section 5.28 requires a local government to hold an electors’ special meeting within 35 days of receiving a request from 5% (or 100 if less) of the electors of that district. At least 14 days’ notice must be given of the meeting. As above this presents health risks and is contrary to the prohibition on public gatherings.

The requirement for holding an electors’ special meeting under section 5.28(4) has been modified so that any meeting is to be held within 35 days after the end of the state of emergency declaration but not while a declaration is in effect.

Clause 6: Section 5.94 modified – Public can inspect certain local government information

Section 5.94 provides a list of information that must be available for inspection free of charge to a person who attends the local government office during office hours. The effect of the pandemic has been to close local government offices, removing the ability for members of the community to access information thereby reducing transparency and accountability. Access to information is likely to become even more important to the community as the length of the state of emergency extends and the economic impacts on local governments and the community become more pressing.

Section 5.94 is modified so that during the closure of a local government office due to the COVID-19 pandemic, the local government is to provide access to the information listed in 5.94 either by having it available on their website or by providing a free copy to the person by mail or email. This does not override the current provisions in section 5.95 which limits access to certain information, including confidential information.

Clause 7: Section 6.2 modified – Local government to prepare annual budget

Section 6.2(2) provides that in preparing the annual budget, the local government is to have regard to the contents of the plan for the future. The aspirations of the community as reflected in the plan for the future are not at the current time the best basis for the 2020/21 budget, but rather the more pressing and unforeseen consequences of the COVID-19 pandemic.

Section 6.2(1) has been modified such that in preparing the budget for 2020/21 a local government is to have regard to the consequences of the COVID-19 pandemic (rather than the plan for the future, although this can also be considered by the local government).

Clause 8: Section 6.13 modified – Interest on money owing to local governments

Section 6.13 allows local governments to charge interest on overdue amounts, with the rate set by the local government in its budget. The rate is capped in the *Local Government (Financial Management) Regulations 1996* at 11%.

Recognising the substantial hardship likely to be caused because of consequences of the pandemic, local governments will be unable to charge interest on money owing by any person they consider to be in financial hardship in these circumstances for the 2020/21 financial year.

Local governments will need to resolve (when setting their interest rate on overdue amounts) that this will not apply to a person who is considered by the local government to be suffering hardship as a consequence of the COVID-19 pandemic.

The interest that can be charged on amounts owing by others will be capped at 8% – the interest rate used by the Australian Taxation Office on overdue amounts.

Clause 9: Section 6.33 modified – Differential general rates

Where a local government is imposing differential rates and the rate to be imposed on one category is more than twice the lowest differential rate to be imposed in another category, Ministerial approval must be obtained under section 6.33(3).

Local governments that resolve to freeze their rates in the dollar at or below those imposed in 2019/20 recognising the economic impacts of the pandemic, are being released from the requirement to obtain Ministerial approval if they obtained Ministerial approval under this section in that year. This reduces the regulatory burden on those local governments that are assisting ratepayers by not increasing the rate in the dollar.

Clause 10: Section 6.34 modified – Limit on revenue or income from general rates

Section 6.34 provides that local governments must set their rates at a level to cover between 90 and 110% of the estimated budget deficiency, unless the Minister otherwise approves. As local governments have been requested to freeze their rate in the dollar, it is likely that, due to the effects of the COVID-19 pandemic, revenue from rates will be less than 90% of the estimated deficiency.

Recognising that local governments are likely to be receiving less income, section 6.34(b) is modified so that the yield from the general rate for the 2020/21 financial year is not to be less than 80% of the amount of the budget deficiency (rather than 90%). Approval for less than 80% (or more than 110%) can still be sought from the Minister for Local Government.

Clause 11: Section 6.35 modified – Minimum payment

Section 6.35 allows a local government to set a minimum payment for rates on any land. Certain conditions apply, including that more than half of the properties in a category cannot be paying the minimum. An exception to this is if there is a differential rating category for vacant land for which a minimum is applied, and if the Minister approves more than half the properties being subject to the minimum.

The effect of this variation is to remove the requirement for Ministerial approval for those local governments that are not increasing their differential rates or minimum payments from 2019/20 and that obtained Ministerial approval for those minimum payments last year. This reduces the regulatory burden on those local governments that are assisting ratepayers by not increasing the rate in the dollar or the minimum payment.

Clause 12: Section 6.36 modified – Local government to give notice of certain rates

Section 6.36 sets out the process that a local government must go through to advertise and set their rates. This requires local governments that are seeking to impose differential general rates or minimum payments to give local public notice and seek submissions for a minimum of 21 days and then consider these submissions before imposing the rates. A document describing the objects of, and reasons for, each proposed rate must be prepared and published on the local government's website.

To address the economic consequences of the COVID-19 pandemic, it is understood that many local governments are in the process of agreeing to freeze their rates in the dollar at the levels imposed in 2019/20. For those local governments, the process set out in 6.36 is unnecessary, meaningless and costly in a time when budgets are being negatively impacted.

Local governments that resolve to set differential general rates and minimum payments at a level no higher than that imposed in 2019/20 will not have to comply with the provisions of section 6.36.

Local governments will be required to publish the differential general rates and minimum payments on their website within ten days of the resolution or of this notice coming into effect whichever is later.

Clause 13: Section 6.45 modified – Options for payment of rates or service charges

Section 6.45(3) allows a local government to charge an additional amount if a payment of rates or service charge is made in instalments. This is capped at 5.5% in the *Local Government (Financial Management) Regulations 1996*.

Recognising the substantial hardship likely to be caused to many ratepayers because of consequences of the pandemic, local governments will be unable to charge excluded persons interest for payment by instalments for the 2020/21 financial year.

If a local government does not have in place a financial hardship policy, the interest rate that they can charge other ratepayers for payment by instalments will be capped at 3%.

Local governments that have a policy in place that addresses the manner in which the local government will deal with financial hardship that may be suffered by ratepayers and other persons who are required to make payments to the local government will be able to charge a maximum of 5.5%. This recognises that the local government will be able to distinguish those that are in hardship and make appropriate provisions regarding their payments.

Clause 14: Section 6.51 modified – Accrual of interest on overdue rates or service charges

Section 6.51 allows local governments to charge interest on overdue amounts of rates and service charges. The rate is set by the local government by resolution when it imposes the rate or service charge. The rate is capped in the *Local Government (Financial Management) Regulations 1996* at 11%.

Recognising the substantial hardship likely to be caused to many ratepayers because of consequences of the pandemic, local governments will be unable to charge excluded persons interest on overdue rates or service charges for the 2020/21 financial year. This will be reflected in a resolution of council when they set the interest rate.

This provides relief for those residential and small business ratepayers who are experiencing financial hardship because of the COVID-19 pandemic. Local governments will determine the applications for hardship.

The interest that can be charged on amounts owing by others will be capped at 8% – the interest rate used by the Australian Taxation Office on overdue amounts.

Clause 13: Section 9.51 modified – Giving documents to local governments

Section 9.51 deals with the giving of documents and states that a document is given to a local government if given personally to an employee of the local government at its office or sent by post to the local government's postal address. A consequence of the pandemic is that any hand delivery is no longer possible.

Section 9.51 has been modified so that a document may be given to a local government electronically.

AUDIT AND RISK COMMITTEE – 2021 ANNUAL AUDIT WORK PLAN

FUNCTIONS, RESPONSIBILITIES & ASSOCIATED ACTIVITIES	Mar 21	* Apr 21	Jun 21	Sep 21	Dec 21
1. Committee Operation					
Biennial review of the Charter (Terms of Reference). <i>Next Due 2022.</i>	Not Applicable				
Agree on the annual audit work plan; and set priority areas for the coming year.					✓
Annual confirmation that all responsibilities outlined in the Charter have been carried out. The annual confirmation will be reported through to Council and will include information about the Committee and the outcomes delivered during the period.					✓
New members are briefed on their appointment to assist them to meet their Committee responsibilities. <i>Next Due 2021.</i>					✓
Appointment of Presiding Member and Deputy Presiding Member. <i>Next Due 2021.</i>					✓
2. Risk Management					
To consider the Risk Management Governance Framework (once in every 3 years) for appropriateness and effectiveness. Current Framework adopted: OCM 14-08-2019 [Res 250-19] <i>Report Next Due: 30-06-2022</i>	Not Applicable				
Receive the biannual dashboard report			✓		✓
3. Legislative Compliance					
Review the annual Compliance Audit Return (CAR) and report to the Council the results of that review.	✓				
Receive the biannual compliance report resulting from the Compliance Manual (incorporating the annual calendar).	✓			✓	
4. Internal Audit					
Review annually the internal audit annual work plan, including any reports produced as part of special assignments undertaken by internal audit.				✓	
5. Financial Reporting					
Consider and recommend adoption of the Annual Financial Report to Council.					✓
6. External Audit (OAG)					
Audit Entrance Meeting with Audit and Risk Committee, Management and Council Auditors. The option exists for this entrance meeting to be only with the CEO and Finance staff negating the need for an Audit and Risk Committee meeting.		*			
To meet with the auditor, at least once per year without management present (closed door session). The Committee will discuss matters relating to the conduct of the audit, including any difficulties encountered, restrictions on scope of activities or access to information, significant disagreements with management and adequacy of management responses.					✓

AUDIT AND RISK COMMITTEE – 2021 ANNUAL AUDIT WORK PLAN

FUNCTIONS, RESPONSIBILITIES & ASSOCIATED ACTIVITIES	Mar 21	* Apr 21	Jun 21	Sep 21	Dec 21
Examine the reports of the auditor to – i.) determine if any matters raised require action to be taken by the local government; and ii.) ensure that appropriate action is taken in respect of those matters.					✓
Audit Exit Meeting with Audit and Risk Committee, Management and Council Auditors. To meet with the auditor, once in each year and provide a report to Council on the matters discussed and the outcome of those discussions.					✓
To consider that relevant mechanisms are in place to review and implement, where appropriate, issues raised in OAG better practice guides and performance audits of other State and local government entities.	✓		✓	✓	✓
7. Regulation 17 Triennial Review (report next Due: March 2021)					
To consider the CEO's triennial review on risk management, internal control and legislative compliance.	✓				
Set the action plan arising from auditor recommendations from the Regulation 17 review.	✓				
Receive an update on the action plan arising from auditor recommendations from the Regulation 17 review.			✓	✓	✓
8. Financial Management Systems Triennial Review (report next Due: March 2022)					
To consider the Financial Management Systems Review required every three years under Regulation 5 of the Local Government (Financial Management) Regulations 1996, and report to Council the results of that review.					Not Applicable
Set the action plan arising from auditor recommendations from the Financial Management Systems Review.					Not Applicable
Receive an update on the action plan arising from auditor recommendations from the Financial Management Systems Review.					Not Applicable
9. Governance Health & Financial Sustainability Biennial Review (report next Due: March 2022)					
To consider the CEO's biennial Governance Health and Financial Sustainability Review, and report to the Council the results of that review.					Not Applicable
Set the action plan arising from the recommendations from the review.					Not Applicable
Receive an update on the action plan arising from the recommendations from the review.					Not Applicable
Undertake an independent external assessment of the Committee at least once in every three years. This assessment may be included in the scope of the Governance Health and Financial Sustainability Review.					Not Applicable
10. Information Systems Security Audit (report next Due: June 2021)					
Receive the audit report arising from the 2 yearly Information Systems Security Audit.				✓	
Set the action plan arising from the recommendations from the Information Systems Security Audit.					✓
Receive an update on the action plan arising from the recommendations from the Information Systems Security Audit.					✓

* A minimum of four meetings per annum is required, however an additional meeting may be scheduled for April 2021 that serves as an audit entrance meeting with Council's appointed Auditors, unless this entrance meeting can be conducted with just the CEO and Finance Staff.

RISK ASSESSMENT TOOL

OVERALL RISK EVENT: Confirmation committee responsibilities have been carried out

RISK THEME PROFILE:

3 - Failure to Fulfil Compliance Requirements (Statutory, Regulatory)

Choose an item.

RISK ASSESSMENT CONTEXT: Operational

CONSEQUENCE CATEGORY	RISK EVENT	PRIOR TO TREATMENT OR CONTROL			RISK ACTION PLAN (Treatment or controls proposed)	AFTER TREATMENT OR CONTROL		
		CONSEQUENCE	LIKELIHOOD	INHERENT RISK RATING		CONSEQUENCE	LIKELIHOOD	RESIDUAL RISK RATING
HEALTH	No risk event identified for this category.	Not Required - No Risk Identified	N/A	N/A	Not required	Not required.	Not required.	Not required.
FINANCIAL IMPACT	No risk event identified for this category.	Not Required - No Risk Identified	N/A	N/A	Not required	Not required.	Not required.	Not required.
SERVICE INTERRUPTION	No risk event identified for this category.	Not Required - No Risk Identified	N/A	N/A	Not required.	Not required.	Not required.	Not required.
LEGAL AND COMPLIANCE	Not confirming that the committees responsibilities have been carried out would not be in line with the recommendations from the Auditor General's publication (Better Practice Guide), or the Audit and Risk Committee Charter.	Moderate (3)	Rare (1)	Low (1 - 4)	Not required.	Not required.	Not required.	Not required.
REPUTATIONAL	Council's reputation could be seen in a negative light for not adhering to the functions of the Charter or the Better Practice Guide.	Moderate (3)	Rare (1)	Low (1 - 4)	Not required.	Not required.	Not required.	Not required.
ENVIRONMENT	No risk event identified for this category.	Not Required - No Risk Identified	N/A	N/A	Not required.	Not required.	Not required.	Not required.

RISK ASSESSMENT TOOL**OVERALL RISK EVENT:** 2022 Annual Audit Work Plan**RISK THEME PROFILE:**

3 - Failure to Fulfil Compliance Requirements (Statutory, Regulatory)

Choose an item.

RISK ASSESSMENT CONTEXT: Operational

CONSEQUENCE CATEGORY	RISK EVENT	PRIOR TO TREATMENT OR CONTROL			RISK ACTION PLAN (Treatment or controls proposed)	AFTER TREATMENT OR CONTROL		
		CONSEQUENCE	LIKELIHOOD	INHERENT RISK RATING		CONSEQUENCE	LIKELIHOOD	RESIDUAL RISK RATING
HEALTH	No risk event identified for this category.	Not Required - No Risk Identified	N/A	N/A	Not required	Not required.	Not required.	Not required.
FINANCIAL IMPACT	No risk event identified for this category.	Not Required - No Risk Identified	N/A	N/A	Not required	Not required.	Not required.	Not required.
SERVICE INTERRUPTION	No risk event identified for this category.	Not Required - No Risk Identified	N/A	N/A	Not required.	Not required.	Not required.	Not required.
LEGAL AND COMPLIANCE	Not considering the Annual Work Plan would not be in line with the Audit and Risk Committee Charter.	Moderate (3)	Rare (1)	Low (1 - 4)	Not required.	Not required.	Not required.	Not required.
REPUTATIONAL	Council's reputation could be seen in a negative light for not adhering to the Audit and Risk Committee Charter.	Moderate (3)	Rare (1)	Low (1 - 4)	Not required.	Not required.	Not required.	Not required.
ENVIRONMENT	No risk event identified for this category.	Not Required - No Risk Identified	N/A	N/A	Not required.	Not required.	Not required.	Not required.