



**Committee Meeting
Minutes**

APPENDICES

Items 12.5.1 – 12.5.2

**ORDINARY COUNCIL
MEETING**

To Be Held

Wednesday, 15th of December 2021

Commencing at 5.00pm

At

Shire of Dardanup
ADMINISTRATION CENTRE EATON
1 Council Drive - EATON

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~ Large Print
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Upon request



MINUTES

LOCAL EMERGENCY MANAGEMENT COMMITTEE MEETING

Held

10 November 2021

At

**Shire of Dardanup
Administration Centre Eaton
1 Council Drive - EATON**

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Members of Local Emergency Management Committee

- Cr. M T Bennett - Elected Member - Chairperson
- Cr. E Lilly - Elected Member
- Cr. P Perks – Elected Member (Proxy)
- Coordinator Emergency & Ranger Services – Staff
- Representative – WA Police (Deputy Chairperson)
- Representative – Department of Communities
- Representative – Department of Agriculture & Food WA
- Representative – Department of Biodiversity, Conservation & Attractions
- Representative – Department of Health
- Representative – Main Roads WA
- Representative – Department of Fire & Emergency Services – Fire
- Representative – Department of Fire & Emergency Services – Natural Hazards
- Representative – Public Transport Authority
- Representative – Water Corporation
- Representative – Western Power
- Representative – Aqwest
- Representative – St Johns Ambulance WA
- Representative – Telstra Australia
- Representative – Australian Railroad Group
- Representative – ATCO Gas
- Observer - District Emergency Management Advisor – SW Office of Emergency Management (OEM)

Terms of Reference

The Terms of Reference for this Committee are located in the Tardis records system – refer to the following link:
[2021 - ToR - Local Emergency Management Committee](#)

COUNCIL ROLE

Advocacy	When Council advocates on its own behalf or on behalf of its community to another level of government / body /agency.
Executive/Strategic	The substantial direction setting and oversight role of the Council eg. Adopting plans and reports, accepting tenders, directing operations, setting and amending budgets.
Legislative	Includes adopting local laws, town planning schemes and policies.
Review	When Council reviews decisions made by Officers.
Quasi-Judicial	<p>When Council determines an application/matter that directly affects a person's rights and interests. The Judicial character arises from the obligations to abide by the principles of natural justice.</p> <p>Examples of Quasi-Judicial authority include town planning applications, building licences, applications for other permits/licences (eg: under Health Act, Dog Act or Local Laws) and other decisions that may be appealable to the State Administrative Tribunal.</p>

DISCLAIMER

"Any statement, comment or decision made at a Council or Committee meeting regarding any application for an approval, consent or licence, including a resolution of approval, is not effective as an approval of any application and must not be relied upon as such.

Any person or entity that has an application before the Shire must obtain, and should only rely on, written notice of the Shire's decision and any conditions attaching to the decision, and cannot treat as an approval anything said or done at a Council or Committee meeting.

Any advice provided by an employee of the Shire on the operation of a written law, or the performance of a function by the Shire, is provided in the capacity of an employee, and to the best of that person's knowledge and ability. It does not constitute, and should not be relied upon, as a legal advice or representation by the Shire. Any advice on a matter of law, or anything sought to be relied upon as a representation by the Shire should be sought in writing and should make clear the purpose of the request."

SHIRE OF DARDANUP

**MINUTES FOR THE SHIRE OF DARDANUP LOCAL EMERGENCY MANAGEMENT COMMITTEE MEETING
HELD ON WEDNESDAY 10 NOVEMBER 2021, AT SHIRE OF DARDANUP – EATON ADMINISTRATION
CENTRE, COMMENCING AT 10.00AM.**

1 DECLARATION OF OPENING/ANNOUNCEMENTS OF VISITORS
--

The Chairperson, Cr. M T Bennett declared the meeting open at 10:02am welcomed those in attendance and referred to the Disclaimer, Acknowledgement of Country, Emergency Procedure and the Affirmation of Civic Duty and Responsibility on behalf of Councillors and Officers:

Acknowledgement of Country

The Shire of Dardanup wishes to acknowledge that this meeting is being held on the traditional lands of the Noongar people. In doing this, we recognise and respect their continuing culture and the contribution they make to the life of this region and pay our respects to their elders, past, present and emerging.

Affirmation of Civic Duty and Responsibility

Councillors and Officers of the Shire of Dardanup collectively declare that we will duly, faithfully, honestly and with integrity fulfil the duties of our respective office and positions for all the people in the district according to the best of our judgement and ability. We will observe the Shire's Code of Conduct and Standing Orders to ensure efficient, effective and orderly decision making within this forum.

Committee members acknowledge that only the Chief Executive Officer or a member of the Shire of Dardanup staff appointed by the Chief Executive Officer is to have contact with consultants and suppliers that are appointed under contract to undertake the development and implementation of projects.

The exception to this Policy is when there is a meeting of the committee or working group with the consultant and the Chief Executive Officer or the Chief Executive Officer's representative is present.

Members of committees acknowledge that a breach of this Policy may result in a request to Council to have them removed from the committee.

Emergency Procedure

In the event of an emergency, please follow the instructions of the Chairperson who will direct you to the safest exit route. Once outside, please proceed to the muster point located at the front of the building where we will meet (and complete a roll call).

2 RECORD OF ATTENDANCE/APOLOGIES

2.1 Attendance

Cr Michael Bennett	-	Shire President (Chairperson)
Mr André Schönfeldt	-	Chief Executive Officer
Ms Sharon Hutchins	-	Dept of Communities
Ms Michele Duxbury	-	Dept of Communities
Mrs Erin Hutchins	-	Coordinator – Emergency & Ranger Services
Mr Vik Cheema	-	SW Office of Emergency Management
Sgt Luke Fowler	-	WA Police (Deputy)
Sgt Chris Page	-	WA Police (Capel)
Mr Jerome Wade	-	Water Corporation
Mr David Smith	-	Main Roads
Mr Kal Woods	-	Aqwest

2.2 Observer

Mrs Susan Oosthuizen	-	Director Sustainable Development
Mrs Kathleen Houtt	-	Acting PA - Director Sustainable Development
Ms Melissa Howard	-	Emergency Management Officer
Mr David Griffiths	-	WesPine (Moore Rd Emergency Group)
Mr Paul Sanderson	-	Eaton Lions
Mr Graeme Offer	-	Hexion Australia (Moore Rd Emergency Group)
Ms Karen Bailey	-	Hexion Australia (Moore Rd Emergency Group)
Mr Gary Thompson	-	Manager Sport and Recreation
Mr Murray Connell	-	Manager Development Services
Ms Melanie Ring	-	Place and Community Engagement Officer
Mr Neil Nicholson	-	Principal Environmental Health Officer

2.3 Apologies

Mr Tim Stevens	-	Dept of Primary Industries and Regional Development
Mr Matthew Cooper	-	Department Biosecurity, Conservation and Attractions
Mrs Yvonne Bagwell	-	WA Health
Cr Ellen Lilly	-	Elected Member
Mr John Carter	-	Department of Fire & Emergency Services

3 PRESENTATIONS

3.1 Congratulations to Emergency Management Team for EM Conference

Discussion:

Shire President, Cr. M T Bennett acknowledged the Emergency Management Team for a successful Emergency Management Conference that was held 13 October 2021. There was a great turn out with a variety of speakers and agencies present. Feedback from numerous attendees was very positive and congratulated the Shire for a well-run and engaging conference. It was well received. Cr. M T Bennett expressed his appreciation for a well-run and organised conference.

4 CONFIRMATION OF MINUTES OF PREVIOUS MEETING**4.1 Local Emergency Management Committee Meeting Held 11 August 2021****OFFICER RECOMMENDED RESOLUTION
& LOCAL EMERGENCY MANAGEMENT COMMITTEE RESOLUTION**

LEM 04-21 MOVED - Cr. M T Bennett SECONDED - Mrs E Hutchins

THAT the Minutes of the Local Emergency Management Committee Meeting held on 11 August 2021, be confirmed as true and correct subject to no corrections.

CARRIED

5 ANNOUNCEMENTS OF MATTERS FOR WHICH MEETING MAY BE CLOSED

None.

6 QUESTIONS BY MEMBERS OF WHICH DUE NOTICE HAS BEEN GIVEN

None.

7 DECLARATION OF INTEREST

None.

8 REPORTS OF OFFICERS**8.1 Title: Update Report from Shire of Dardanup**

Reporting Department: Sustainable Development
Reporting Officer: Mrs Erin Hutchins - Coordinator Emergency & Ranger Services
Legislation: Local Government Act 1995
Emergency Management Act 2005

8.1.1. Acronyms & Terms

There have been no amendments or additions to the emergency management list of acronyms or terms.

8.1.2. Confirmation of LEMA Contact Details and Key Stakeholders

A copy of the Shire of Dardanup LEMA contact and resource directory is attached under a separate cover (Appendix LEMC: 8.1A – Under Separate Cover). Please note that this document is confidential and should not be circulated outside of the LEMC.

It is requested that any required changes to contact and key stakeholders details are notified as soon as possible to the Shire of Dardanup via emergency@dardanup.wa.gov.au to allow updates to be made.

8.1.3. Committee Membership & Resources

There are no new membership requests at this time.

8.1.4. Status of Local Emergency Management Arrangements (LEMA)

The Shire of Dardanup Local Emergency Management Arrangements (LEMA) completed a full review and at the LEMC meeting held 11th August, the committee was requested to provide additional feedback no later than Friday 10th September. No feedback was received, therefore the final LEMA is presented to the committee for endorsement. (APPENDIX LEMC: 8.1B)

In addition, the Local Recovery Support Plan (LRSP) completed a full review and at the LEMC meeting held 11th August, the committee was requested to provide additional feedback no later than Friday 10th September. (APPENDIX LEMC: 8.1C)

No feedback was received, therefore the final LEMA and LRSP is presented to the committee for endorsement.

OFFICER RECOMMENDED RESOLUTION

THAT the Local Emergency Management Committee recommends that Council adopt the Shire of Dardanup Local Emergency Management Plan and Local Recovery Support Plan (Appendix LEMC: 8.1A).

8.1.8. Key Achievements**WA Emergency Management Conference (AWARE Funding)**

The WA Emergency Management Conference was held at the Bunbury regional Entertainment Centre (BREC) on Wednesday 13th October with approximately 200 experts, employees and volunteers involved in Emergency Management in attendance. Delegates travelled to Bunbury for the event from as far away as Coolgardie and Ashburton as well as Perth and across the South West and Great Southern regions with additional delegates participating via a live stream.

Minister for Emergency Services the Hon. Reece Whitby MLA opened the conference with the Shire President Mick Bennett also addressing attendees and acknowledging the range of agencies and organisations represented at the conference.

Conference speakers who offered insight, reflection, understanding and motivation over a wide range of cutting edge topics to the theme 'Building Capacity to adapt in an Era of Unprecedented Disasters' were:

- Dr. Robert Glasser - Head of the Climate and Security Policy Centre at the Australian Strategic Policy Institute (ASPI).
- Dr. Kate Brady - National Recovery Adviser, Australian Red Cross. Research Fellow – Community Resilience, University of Melbourne.
- Aaron Kearney (OAM) - ABC International Pacific Disaster Preparedness Broadcast Unit Lead and host of "[Pacific Prepared](#)" program.
- Lewis Winter - Adjunct Lecturer in Emergency Management, Charles Sturt University
- Tim Muirhead - Director of [CSD Network](#).
- Dr Erin Smith - Associate Professor of Disaster and Emergency Response in the School of Medical and Health Sciences at Edith Cowan University.
- Craig Cuthbert - Coordinator Community Safety & Emergency Management Shire of Mundaring.
- Brett Hopley Emergency Preparedness Coordinator, Incident and Emergency Management Sustainability and Biosecurity Department of Primary Industries and Regional Development.
- Bec Pianta – Executive Manager Bushfire Knowledge Western Australian Department of Fire and Emergency Services - Bushfire Centre of Excellence.
- Russell Wells – District Officer Training Delivery Western Australian Department of Fire and Emergency Services.
- Clifton Tjapanangka Payirntarri Bieundurry – Traditional and Cultural Fire Officer Western Australia Bushfire Centre of Excellence.
- Zachariah Merrit – Trainee Western Australia Bushfire Centre of Excellence.
- Jeremy Wright – Trainee Western Australia Bushfire Centre of Excellence.

The Conference was made possible through funding support which was generously provided by the State Emergency Management Committee's AWARE Grants Program.

Animal Welfare in Emergencies (AWE) Training

After the successful completion of the Animal Welfare in Emergencies project that enabled the Shire to review and update their Animal Welfare Support Plan (AWSP), the Shire was successful in its application to Round 2 of the Local Government Animal Welfare in Emergencies Grant Program, funded by the Department of Primary Industries and Regional Development (DPIRD) and administrated by the WA Local Government Association (WALGA). Funding enabled three Officers from the Shire the opportunity to attend a 3 day training course at the Muresk Institute (Northam) that enhanced their skills and knowledge in safely dealing with animals during an emergency. The training covered relevant topics including:

- State-level Plan for Animal Welfare in Emergencies overview.
- Best practice in animal husbandry including identification.
- Establishing an Animal Welfare Centre.
- National Livestock Identification Scheme (NLIS) and reporting to the Central Command Database.
- Tag identification.
- Lessons learnt from Wooroloo.
- Low stress livestock handling.
- AllIMS and the Chain of Command in Emergency Management.
- Role of Department of Biodiversity, Conservation and Attractions and RSPCA.
- Safe fauna handling, containment and transport in emergency situations.
- Animal first aid/triage.
- Livestock health and welfare.
- Livestock handling in emergency situations.
- Humane Euthanasia including compliance with animal welfare requirements.
- Animal Welfare Regulations overview.
- Livestock transportation.
- HMA Structure and Incident Coordination.
- Animal Welfare in Emergencies field exercise.

8.1.9. Local Training Needs or Opportunities - Nil to report.

8.1.10. Funding Opportunities - Nil to report.

8.1.11. Incident Support Group Activations/ Incidents - Nil to report.

8.1.12. Emergency Risk Management Processes/Treatment Strategies - Nil to report.

8.1.13. Post Incident / Exercise Reports - Nil to report.

8.1.14. Completion of Annual and Preparedness Report Capability Survey - Nil to report.

8.1.15. Seasonal review – fire season preparedness

Refer DFES representative report if applicable.

8.1.16. Seasonal review – storm season preparedness – Nil to report

Refer DFES representative report if applicable.

8.2 Title: Agency Reports – Various

Reporting Department:	Various
Reporting Officer:	Various
Legislation:	Local Government Act 1995 Emergency Management Act 2005

(In the interest of time efficiency report to be accepted as presented, not read aloud at the meeting)

Background

Each agency is invited to provide the meeting with a report of their activities for the benefit of the committee.

◇ Office of Emergency Management – Vik Cheema**State**

State Emergency Management Committee met on 1 October 2021. Please see attached copy of the SEMC Communique. Key points to note:

- Animal Welfare in Emergencies plan activation during the Wooroloo bushfire.
- Emergency Preparedness Report
- Allocation of \$1.3 million of the Mitigation Activity Fund (MAF) Royalties for Regions funding to treat priority bushfire risk on Crown land under the care, control and management of eligible LGA in WA.

Discussion Paper for the Community Resilience Strategy has been released. This Paper has been informed by community and stakeholder consultation undertaken over the past 18 months, and also by your input over the course of the project.

The Paper proposes a suite of action for further community consultation. It does not represent a position of Government but has been endorsed by the Minister for consultation. The launch of the Discussion Paper commences a new consultation phase to get feedback on the proposed approaches and develop some of the ideas more fully. The outcomes of this phase will inform a recommendation to Government regarding adoption of a final strategy. Discussion Paper for the Community Disaster Resilience Strategy is available.

For further information, please check <https://semc.wa.gov.au/resilience>

Preparing Australia Program

On 5 May 2021 the Prime Minister announced the Preparing Australia Program which will invest \$600 million toward households and communities to ensure they are better prepared for future disasters. Round one of the program is called Preparing Australian Communities Program for projects of local significance (PACP Local). The program will support projects that mitigate or reduce the disaster risk, impact and consequence associated with large scale natural hazards.

Attached are the grant guidelines which were released recently, and have summarised the key information below:

- PACP Local (this round of the program) is for \$150 million available from 2021–22 to 2024–25.
- It will support locally identified and locally led projects that will improve the resilience of communities against three hazards - bushfires, flood and tropical cyclones.

- The grant is coordinated by the NRRRA and administered by Department of Industry, Science, Energy and Resources. The SEMC BU are providing a WA communications support role to the NRRRA.
- Applications will open on 10 December 2021 and close at 2pm WST on 6 January 2022 (5pm AEDT).
- WA have 24 priority LGA's across the three hazards – bushfire, flood and cyclone. Some of these are across multiple hazards (pages 28 – 31 of the grant guidelines).
- All LGA's are still able to apply, but priority LGA's get 20 additional points.
- Grants are between \$20,000 (minimum) and \$10 million (maximum).

Please note the Preparing Australia Program grant is managed by the National Recovery and Resilience Agency. For further information please check:

<https://recovery.gov.au/preparing-australia-program>

District – South West

South West DEMC meeting held on 26 October at the new Emergency Service Centre Koolinup, Collie. Key points to note:

- Wooroloo Recovery update
- Introduction to the new hazard – Hostile Act
- DBCA spring burn program update

Local

Copy of the Local Emergency Management Arrangement – Status is attached to this report.

Discussion:

Mr Vik Cheema gave an overview of the purpose of the committee for the new representatives of the group and highlighted the importance of the meeting to ensure that local governments are prepared for emergencies in their community. It is also a place where agencies can get familiar with key contacts in the community.

Mr Vik Cheema has a meeting scheduled with State Government to obtain further information on the grant funding available and how this works in conjunction with the current MAF funding already available to local governments through DFES.

♦ **Department of Communities – Michele Duxbury**

- Meeting of stakeholders – Since commencing in the DESO role at the end of September 2021, I have focused on meeting local governments which has included visiting the primary welfare/evacuation centres within that local government to familiarise myself with their set ups.
- I have included in this report information regarding COVID 19 and the department's guidelines & PPE Donning and Doffing in a Non - Hospital setting (APPENDIX LEMC: 8.2A).
- Welfare Plan – the DC local Emergency Welfare Plan for the Shire of Dardanup is a fluid document and they have recently been updated to be sent out with the minutes for members to review, amend, add or delete information, and to make comments before coming back to the next meeting (APPENDIX LEMC: 8.2B).

ACTION:

LEMC members to review and send through any changes to Michele Duxbury by 31 January 2022.

- Exercises/Training – Fortunately, I have been involved in several exercises since commencing which has allowed me to understand the Dept of Communities processes/procedures and other agencies as well.
- Communities staff – As the fire season begins, I have concentrated my efforts on staff being prepared and ensuring emergency kits are stocked and ready.

I have included several links from the Department of Health that may be of interest to you regarding further COVID advice: -

[COVID-19 \(coronavirus\) \(health.wa.gov.au\)](https://www.health.wa.gov.au)

[Personal protective equipment \(PPE\) for the health workforce during COVID-19 | Australian Government Department of Health](#)

Please take the time to read the Department's COVID-19 Welfare Centre Guidelines that have been constructed for the safety of evacuees and staff/volunteers. As the lead agency for evacuation/welfare centres, the Department of Communities (DC) developed the Evacuation Centre Guidelines with a COVID Context. The DC document when it was formulated looked at the QLD, NSW and Red Cross guidelines along with input and guidance from our own Agency Working Group in conjunction with specialist advice from Health Dept, SWICC, SHICC, Emergency Services Agencies and WALGA etc. The Department of Communities Guidelines are the accepted procedures for WA and at all times DC adheres to the advice given by the HMA – Dept of Health in relation to COVID-19.

Currently, should we go into a lockdown (see the isolation and accommodation section) please be advised that:

Isolation Protocol – Self Isolating Residents in the Community

- Those that are either a positive case or significant/high risk close contact will already be in a SHICC hotel.
- It is likely that in the event of an activation we may be presented with a community resident that is self-isolating due to (1) being at a high risk close contact site or (2) pending the result of a COVID test.
- In the event of (1) or (2) if the individual has presented in person at the evacuation centres they are to be directed back to their vehicle and remain there until alternate accommodation can be sought.
- DC/LG will be required to contact the SWICC On-Call through the DC Emergency Services Oncall Duty Officer (0418 943 835) who will triage, assess and coordinate the booking of accommodation.
- If we require a COVID person on-site DC Oncall Duty Officer will arrange on request.

Accommodation

- DC has a number of accommodation providers on a list and will be able to obtain accommodation on request.
- Some accommodation may already be reserved if there is an identified need (notification of a lockdown) – this is dependent on the current status as advised by Health.
- WAPOL are happy to provide self-isolation information for a particular area within an activation area to DC – this information can be provided to LG's.

◇ **Department of Primary Industries and Regional Development – Tim Stevens**

Situation Report

1. Declared incidents – DPIRD is managing:
 - 6 plant pest level 2 incidents.
 - 2 animal pest/disease level 2 incidents
2. Alerts and investigations – DPIRD investigating seven pest and diseases.
3. DPIRD continues to monitor reported outbreaks of African Swine Fever – Republic of Korea, China, Malaysia, Indonesia.
4. Severe Tropical Cyclone Seroja (Recovery) – DPIRD's Rural Business Develop Unit is administering reimbursement grants (Commonwealth funding) and are available to help growers through the process.
5. WA Agricultural workforce shortage – DPIRD continues to work with industry to identify solutions.
6. Covid19 – DPIRD submits weekly reports to the State Health Incident Coordination Centre. DPIRD is maintaining awareness of the virus with staff, providing opportunities for them to hear from experts and vaccination messages.
7. Preparedness for 2021/22 High Risk Weather Season – DPIRD is currently undertaking a series of Natural Hazard & Biosecurity Preparedness workshops including discussion exercises with First Response Teams (FRT) across the State. Kununurra and Broome staff undertook a Cyclone Exercise with Bunbury, Northam and Geraldton undertaking Fire Exercises. Remaining workshops with discussion exercises (Fire) planned for Esperance, Albany and Perth metro.

Issues

Nil.

Discussion:

Cr M T Bennett raised the question of how do we keep the risk of a pest infection spreading throughout the community when there is a natural disaster and movement of animals are required.

Mrs Erin Hutchins advised that animals are able to be tracked which allows personnel to see their movements. Mr Vik Cheema reiterated that the responsibility of biosecurity and risk falls with DPIRD and they have specialised officers for those risks. An outbreak would be classes as more of a national event as opposed to a local event.

◇ **WA Police**

WA Police was represented by two officers, Sgt Chris Page from the Capel Station and Mr Luke Fowler from Australind Station.

Mr Chris Page introduced himself and advised that he is the Officer in charge of the new Capel Police Station and mans the station with three other constables. It is a shared district with Capel and the areas in which they service for the Shire of Dardanup include Crooked Brook, Dardanup, Dardanup West, Ferguson, Henty and Paradise.

Sgt Luke Fowler introduced himself and advised that he had transferred from Margaret River. He has recently conducted Level 3 incident training which was held at the New Emergency Service Centre Koolinup in Collie and conducted by DFES. They ran through some intensive scenarios with a Marine Oil Spill and a Major Flooding Event in Harvey. It was a very challenging but rewarding. Sgt Luke Fowler can provide further information about the training at the next meeting if people would like to know more.

◇ **Main Roads WA – David Smith**

Mr David Smith advised that there is a shortage of traffic controllers at the moment with all the major works and development happening in the state. Where they would normally go to source more resources other areas are also struggling to find adequate personnel for coverage.

There is currently enough people for the initial works, however should there be an emergency or incident they would struggle for resources to cover additional traffic controllers etc to attend to after hours.

Main Roads have had an increase in the amount of variable message boards just for Emergency preparedness. However are struggling with the frequent and ongoing issues of theft of the batteries for the variable message boards. This has been identified as a risk and Main Roads are working with WA Police on the matter.

Conversations are also happening around resource shortage for the busy Christmas /holiday period with the high risk of fire during this time.

◇ **Water Corporation – Jerome Wade**

Mr Jerome Wade introduced himself and is the Operation Manager for Wellington at Water Corp. He recently also participated in the Level 3 incident training in Collie.

He is also currently running the rural drainage scheme.

◇ **Aqwest - Kal Woods**

Nothing to report.

◇ **Hexion Australia (Moore Rd Emergency Group) – Karen Bailey**

Note: Refer to above resolution. Members of the Moore Rd Emergency Group to become members of the LEMC.

We have set up the Moore Road Emergency Group which includes all neighbours with an agreement being created between the companies with the end view of completing regular drills which incorporate all neighbours as well as emergency services personnel and other interested parties.

The group meets on a regular basis to discuss various items including the following:

- Site contact details in an emergency including a 24 hour contact number
- Discuss possible nature of a major incident, along with information concerning the potential effects on the neighbouring business.
- Notification method of an incident including
 - How they will be informed e.g., initial off-site warning systems
 - The role of the emergency services (such as DFES)

- The arrangement for the testing of warning systems
- How to recognise the early signs of a major incident in case a timely warning is not given
- How they will know the major incident is over
- Details of any communication system in place to ensure that the neighbours are provided with information during an incident
- Actions that members of the neighbours should take if a major incident occurs as specified in the emergency plan for the MHF.
- Assistance that each industry in the vicinity can provide each other in the event of an emergency

The agreement between Moore Road businesses has been created with the intent to provide a framework detailing how all business can help each other in the event of an emergency.

We plan to have our first desk top scenario in the first Quarter of next year with a 'live' scenario around the same time in 2023.

9 MATTERS BEHIND CLOSED DOORS

None.

10 CLOSURE OF MEETING

The Chairperson advises that the date of the Local Emergency Management Committee Meeting will be advised at a later date.

There being no further business the Chairperson declared the meeting closed at 10:47am.



Shire of Dardanup

MINUTES

AUDIT & RISK COMMITTEE MEETING

Held

1 December 2021

At

Shire of Dardanup
ADMINISTRATION CENTRE EATON
1 Council Drive - EATON

This document is available in alternative formats such as:

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VISION STATEMENT

“Provide effective leadership in encouraging balanced growth and development of the Shire while recognizing the diverse needs of our communities.”

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COMMITTEE MEMBERSHIP:

- CR M BENNETT
- CR J DOW
- CR T GARDINER
- CR. M HUTCHINSON
- CR. P PERKS

AUDIT & RISK COMMITTEE CHARTER

The Terms of Reference for this Committee are located in the Tardis records system – refer to the following link:

[2021 - ToR - Audit and Risk Committee](#)

COUNCIL ROLE

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Quasi-Judicial	<p>When Council determines an application/matter that directly affects a person's rights and interests. The Judicial character arises from the obligations to abide by the principles of natural justice.</p> <p>Examples of Quasi-Judicial authority include town planning applications, building licences, applications for other permits/licences (eg: under Health Act, Dog Act or Local Laws) and other decisions that may be appealable to the State Administrative Tribunal.</p>

DISCLAIMER

"Any statement, comment or decision made at a Council or Committee meeting regarding any application for an approval, consent or licence, including a resolution of approval, is not effective as an approval of any application and must not be relied upon as such.

Any person or entity that has an application before the Shire must obtain, and should only rely on, written notice of the Shire's decision and any conditions attaching to the decision, and cannot treat as an approval anything said or done at a Council or Committee meeting.

Any advice provided by an employee of the Shire on the operation of a written law, or the performance of a function by the Shire, is provided in the capacity of an employee, and to the best of that person's knowledge and ability. It does not constitute, and should not be relied upon, as a legal advice or representation by the Shire. Any advice on a matter of law, or anything sought to be relied upon as a representation by the Shire should be sought in writing and should make clear the purpose of the request."

RISK ASSESSMENT

Inherent Risk	The level of risk in place in order to achieve the objectives of the Council and before actions are taken to alter the risk's impact or likelihood.
Residual Risk	The remaining level of risk following the development and implementation of Council's response.
Strategic Context	These risks are associated with achieving Council's long term objectives.
Operational Context	These risks are associated with the day-to-day activities of the Council.
Project Context	<p>Project risk has two main components:</p> <ul style="list-style-type: none"> • Direct refers to the risks that may arise as a result of project, which may prevent the Council from meeting its objectives. • Indirect refers to the risks which threaten the delivery of project outcomes.

SHIRE OF DARDANUP

MINUTES OF THE SHIRE OF DARDANUP AUDIT & RISK COMMITTEE MEETING HELD ON WEDNESDAY, 1 DECEMBER 2021, AT SHIRE OF DARDANUP – EATON ADMINISTRATION CENTRE, COMMENCING AT 2.00PM.

1	DECLARATION OF OPENING/ANNOUNCEMENT OF VISITORS
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The Presiding Officer, Mr André Schönfeldt, declared the meeting open at 2.00pm welcomed those in attendance and referred to the Acknowledgement of Country; Emergency Procedures; and the Disclaimer and Affirmation of Civic Duty and Responsibility on behalf of Councillors and Officers:

Acknowledgement of Country

The Shire of Dardanup wishes to acknowledge that this meeting is being held on the traditional lands of the Noongar people. In doing this, we recognise and respect their continuing culture and the contribution they make to the life of this region and pay our respects to their elders, past, present and emerging.

Emergency Procedure

In the event of an emergency, please follow the instructions of the Chairperson who will direct you to the safest exit route. Once outside, you will be directed to an appropriate Assembly Area where we will meet (and complete a roll call).

Affirmation of Civic Duty and Responsibility

Councillors and Officers of the Shire of Dardanup collectively declare that we will duly, faithfully, honestly and with integrity fulfil the duties of our respective office and positions for all the people in the district according to the best of our judgement and ability. We will observe the Shire's Code of Conduct and Standing Orders to ensure efficient, effective and orderly decision making within this forum.

2.	RECORD OF ATTENDANCE/APOLOGIES/LEAVE OF ABSENCE PREVIOUSLY APPROVED
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2.1 Attendance

Voting

Cr Mick Bennett		Elected Member
Cr Tyrrell Gardiner	-	Elected Member
Cr Patricia Perks	-	Elected Member
Cr Janice Dow	-	Elected Member
Cr Mark Hutchinson	-	Elected Member

Non-Voting

Mr André Schönfeldt	-	Chief Executive Officer
Mr Phil Anastasakis	-	Deputy Chief Executive Officer
Mr Theo Naudé	-	Director Infrastructure
Mrs Donna Bailye	-	PA – Deputy Chief Executive Officer
Mrs Natalie Hopkins	-	Manager Financial Services
Mrs Cathy Lee	-	Manager Governance & HR
Mr Ray Pryce	-	Accountant
Mrs Cindy Barbetti	-	Compliance Officer
Mrs Rhianna Scheffner	-	Governance Co-Ordinator [2.49pm]
Mr Kieran O'Brien	-	Business Solutions Team Leader
Mr Matthew Mangano	-	Business Solutions Officer

Visitors

Mr Suraj Karki	-	Office of the Auditor General for WA
Ms Hayley Platt	-	Auditors – Moore Australia (WA) [Zoom 2:09pm]
Mr Wen-Shien Chai	-	Auditors – Moore Australia (WA) [Zoom: 2.09pm]

2.2 Apologies**3. ELECTION OF CHAIRPERSON & DEPUTY CHAIRPERSON**3.1 Election of Chairperson

Nominations for the position of Chairperson are to be given to Mr André Schönfeldt who will be the Presiding Officer for the election in writing [forms available from the Chief Executive Officer].

The position of Chairperson will expire on the October 2023 being the date of the next ordinary election Local Government Act 1995 2.28(2) Item 12.

The nominee is to accept the nomination in writing to the position of Chairperson.

If more than one person is nominated, voting is to be conducted by secret ballot, with the candidate that receives the greater number of votes being elected.

Discussion:

Two nominations were provided to the Presiding Officer, Chief Executive Officer – Mr André Schönfeldt.

*Cr Tyrrell Gardiner was nominated for the position of Chairperson by Cr Patricia Perks.
Cr Tyrrell Gardiner was nominated for the position of Chairperson by Cr Michael Bennett.*

Cr Tyrrell Gardiner accepted the nomination and was declared as Chairperson.

Cr Tyrrell Gardiner assumed the Chair.

3.2 Election of Deputy Chairperson

Nominations for the position of Deputy Chairperson are to be given to the Chairperson in writing [forms available from Chief Executive Officer].

The position of Deputy Chairperson will expire in October 2023 being the date of the next ordinary election Local Government Act 1995 2.28(2) Item 12.

The nominee is to accept the nomination in writing to the position of Deputy Chairperson.

If more than one person is nominated, voting is to be conducted by secret ballot, with the candidate that receives the greater number of votes being elected.

Discussion:

Two nominations were provided to the Chairperson.

*Cr Janice Dow was nominated for the position of Deputy Chairperson by Cr Michael Bennett.
Cr Mark Hutchinson was nominated for the position of Chairperson by Cr Patricia Perks.*

Following discussion, Cr Janice Dow withdrew the nomination for the position of Deputy Chairperson

Cr Mark Hutchinson was declared as Deputy Chairperson.

DECLARATION

Following due process as per Section 5.12 and Schedule 2.3 of the Local Government Act 1995 the following people are declared:

**Cr Tyrrell Gardiner - Chairperson
Cr Mark Hutchinson - Deputy Chairperson**

of the Audit & Risk Committee.

4. PRESENTATIONS

None.

5. CONFIRMATION OF MINUTES OF PREVIOUS MEETING

5.1 Audit & Risk Committee Meeting Held 8 September 2021

AUDIT & RISK COMMITTEE RESOLUTION

24-21 MOVED - Cr M Hutchinson SECONDED - Cr M Bennett

THAT the Minutes of the Audit & Risk Committee Meeting held on 8th of September 2021, be confirmed as true and correct subject to no corrections.

CARRIED
5/0

6. ANNOUNCEMENTS OF MATTERS FOR WHICH MEETING MAY BE CLOSED

None.

7. QUESTIONS BY MEMBERS OF WHICH DUE NOTICE HAS BEEN GIVEN

None.

8. DECLARATION OF INTEREST

"Members should fill in Disclosure of Interest forms for items in which they have a financial, proximity or impartiality interest and forward these to the Presiding Member before the meeting commences."

Key Management Personnel (which includes Elected Members, CEO and Directors) are reminded of their requirement to disclose biannually transactions between Council and related parties in accordance with Council Policy CP039.

Discussion:

Chairperson, Cr. T Gardiner asked Councillors if there were any Declarations of Interest to be made.

There were no Declarations of Interest made.

Note: Mr Theo Naudé left the room at 2.06pm and returned at 2.09pm.

Note: Auditors, Ms Hayley Platt and Mr Wen Shien Chai joined the meeting via Zoom at 2.09pm.

Note: Mr Kieren O'Brien and Mr Matthew Mangano left the meeting at 2.10pm.

9**REPORTS OF OFFICERS AND COMMITTEES****9.1 Title: Annual Meeting – 2020/21 Draft Audit Report**

Reporting Department:	<i>Corporate & Governance</i>
Reporting Officer:	<i>Mr Phil Anastasakis – Deputy Chief Executive Officer</i>
Legislation:	<i>Local Government Act 1995 Local Government (Audit) Regulations 1996 Local Government Amendment (Auditing) Act 2017</i>
Attachments:	<i>AAR 9.1A –2020/21 Draft Auditor Report AAR 9.1B – Risk Assessment</i>

Overview

This report to the Audit and Risk Committee enables an Audit Exit Meeting to be conducted for the 2020/21 audit. It also provides an opportunity for the auditor to present to the Audit and Risk Committee the draft Audit Report for the 2020/21 Annual Financial Statements (Appendix 9.1A - Confidential Document - to be provided under separate cover), together with an occasion to raise any concerns associated with the audit process.

Background

- Audit Exit Meeting*

In accordance with section 7.12A (2) of the Local Government Act and the Local Government (Audit) Regulation 1996, Council is required to meet with the external auditor at least once per year. Council has delegated to the Audit & Risk Committee the power to meet with the external auditor in accordance with the provisions of the Act.

Whilst the Audit Entrance Meeting held in May 2021 provided an overview on how the audit process is undertaken, the Audit Exit Meeting provides an opportunity for the full Audit & Risk Committee to openly discuss items or concerns pertaining to the 2020/21 Annual Financial Report.

At the Ordinary Council Meeting dated 16 December 2020 [Council Res 358-20], Council received and endorsed the *2021 Annual Audit Work Plan* document which included recommendations from the Office of the Auditor General (OAG) *Western Australian Public Sector Audit Committees – Better Practice Guide*.

Outlining the functions, responsibilities and associated activities, section 6 of the *2021 Annual Audit Work Plan* stipulates the Audit & Risk Committee is -

‘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’.

- Annual Meeting – 2020/21 Draft Audit Report*

On the recommendation of its Audit & Risk Committee, Council is required to appoint an auditor per s7.3 of the *Local Government Act 1995 (LGA 1995)*. The LGA 1995 also requires that the Local Government meet annually with the auditor.

From 1 July 2017, the *Local Government Amendment (Auditing) Act 2017* was enacted giving the Auditor General a mandate to audit all Western Australian local governments. *The Local Government Amendment (Auditing) Act 2017* is an Act to amend the *Local Government Act 1995* to provide for the auditing of local governments by the Auditor General and for related purposes. The change in legislation effectively required all local government audits to come under the control of the Office of the Auditor General (OAG).

In 2019/20 Council received its first annual audit of the financial statements under the direction of the Office of the Auditor General (OAG) which was outsourced to Council's previous auditors. In 2020/21 the OAG continued its standard practice by outsourcing approximately 85% of local government annual financial audits by partnering with accredited audit firms to improve its audit processes, quality and reporting. The OAG maintains an active role in quality control and engagement throughout the audit process.

In April 2021 Council received notification from the OAG advising that audit firm Moore Australia (WA) had been appointed to conduct the annual financial audit for a 3 year period, commencing with the audit for the year ended 30 June 2021.

During the 2020/21 financial year, Council staff liaised directly with Moore Australia, who in turn, communicated directly with the OAG throughout the process. The interim audit was conducted onsite from 12th to 14th of May 2021 with the Interim Audit Results report presented to the Audit & Risk Committee on the 8th September 2021.

The final audit was held from 11th to 14th of October 2021. The results from the final audit are presented within this draft unqualified audit report.

The Audit and Risk Committee meeting is scheduled to be held on Wednesday 1st December 2021. This provides the opportunity for the Audit and Risk Committee to meet in person with the OAG Assistant Director of Financial Audit, Mr Suraj Karki, as well as Moore Australia (WA) auditors Mr Wen-Shien Chai, and Ms Hayley Platt (via Zoom).

Legal Implications

Local Government Act 1995

7.12A. Duties of local government with respect to audits

- (1) *A local government is to do everything in its power to —*
 - (a) *assist the auditor of the local government to conduct an audit and carry out the auditor's other duties under this Act in respect of the local government; and*
 - (b) *ensure that audits are conducted successfully and expeditiously.*
- (2) *Without limiting the generality of subsection (1), a local government is to meet with the auditor of the local government at least once in every year.*

Local Government (Audit) Regulations 1996, Regulation 17:

17. CEO to review certain systems and procedures

- (1) *The CEO is to review the appropriateness and effectiveness of a local government's systems and procedures in relation to —*
 - (a) *risk management; and*
 - (b) *internal control; and*
 - (c) *legislative compliance.*

(2) *The review may relate to any or all of the matters referred to in subregulation (1)(a), (b) and (c), but each of those matters is to be the subject of a review at least once every 2 calendar years.*

(3) *The CEO is to report to the audit committee the results of that review.*

[Regulation 17 inserted in Gazette 8 Feb 2013 p. 868.]

Local Government (Financial Management) Regulations 1996, Regulation 5:

5. CEO's duties as to financial management

- (1) *Efficient systems and procedures are to be established by the CEO of a local government —*
 - (a) *for the proper collection of all money owing to the local government; and*
 - (b) *for the safe custody and security of all money collected or held by the local government; and*
 - (c) *for the proper maintenance and security of the financial records of the local government (whether maintained in written form or by electronic or other means or process); and*
 - (d) *to ensure proper accounting for municipal or trust —*
 - (i) *revenue received or receivable; and*
 - (ii) *expenses paid or payable; and*
 - (iii) *assets and liabilities;**and*
 - (e) *to ensure proper authorisation for the incurring of liabilities and the making of payments; and*
 - (f) *for the maintenance of payroll, stock control and costing records; and*
 - (g) *to assist in the preparation of budgets, budget reviews, accounts and reports required by the Act or these regulations.*
- (2) *The CEO is to —*
 - (a) *ensure that the resources of the local government are effectively and efficiently managed; and*
 - (b) *assist the council to undertake reviews of fees and charges regularly (and not less than once in every financial year); and*
 - (c) *undertake reviews of the appropriateness and effectiveness of the financial management systems and procedures of the local government regularly (and not less than once in every 3 financial years) and report to the local government the results of those reviews.*

s7.2. Audit

The accounts and annual financial report of a local government for each financial year are required to be audited by an auditor appointed by the local government.

7.3. Appointment of auditors

- (1) *Subject to subsection (1A), a local government is to, from time to time whenever such an appointment is necessary or expedient, appoint* a person, on the recommendation of the audit committee, to be its auditor.*

** Absolute majority required.*

7.9. Audit to be conducted

- (1) *An auditor is required to examine the accounts and annual financial report submitted for audit and, by the 31 December next following the financial year to which the accounts and report relate or such later date as may be prescribed, to prepare a report thereon and forward a copy of that report to —*
 - (a) *the mayor or president; and*
 - (b) *the CEO of the local government; and*
 - (c) *the Minister.*

- (2) Without limiting the generality of subsection (1), where the auditor considers that —
- (a) there is any error or deficiency in an account or financial report submitted for audit; or
 - (b) any money paid from, or due to, any fund or account of a local government has been or may have been misapplied to purposes not authorised by law; or
 - (c) there is a matter arising from the examination of the accounts and annual financial report that needs to be addressed by the local government,
- details of that error, deficiency, misapplication or matter, are to be included in the report by the auditor.

7.12AB. Conducting a financial audit

The auditor must audit the accounts and annual financial report of a local government at least once in respect of each financial year.

7.12AD. Reporting on a financial audit

- (1) The auditor must prepare and sign a report on a financial audit.
- (2) The auditor must give the report to —
- (a) the mayor, president or chairperson of the local government; and
 - (b) the CEO of the local government; and
 - (c) the Minister.

7.12A. Duties of local government with respect to audits

- (2) Without limiting the generality of subsection (1), a local government is to meet with the auditor of the local government at least once in every year.
- (3) A local government must —
- aa) examine an audit report received by the local government; and
 - (a) determine if any matters raised by the audit report, require action to be taken by the local government; and
 - (b) ensure that appropriate action is taken in respect of those matters.

Local Government (Audit) Regulations 1996

9. Performance of audit

- (3) An auditor must carry out the work necessary to form an opinion whether the annual financial report —
- (a) is based on proper accounts and records; and
 - (b) fairly represents the results of the operations of the local government for the financial year and the financial position of the local government at 30 June in accordance with —
 - (i) the Act; and
 - (ii) the Australian Accounting Standards (to the extent that they are not inconsistent with the Act).

Local Government Amendment (Auditing) Act 2017

No. 5 of 2017

An Act to amend the Local Government Act 1995 to provide for the auditing of local governments by the Auditor General and for related purposes.

3. Act amended

This Act amends the Local Government Act 1995.

4. Section 1.4 amended

- (1) In section 1.4 delete the definition of auditor and insert:
- auditor means —**
- (a) in relation to an audit, other than a performance audit —
 - (i) in relation to a local government that has an audit contract that is in force — a person for the time being appointed under Part 7 Division 2 to be the auditor of the local government; and
 - (ii) in relation to a local government that does not have an audit contract that is in force — the Auditor General;
 - and
 - (b) in relation to a performance audit — the Auditor General;

Strategic Community Plan

- Strategy 1.1.1 - To be equitable, inclusive and transparent in decision making. (Service Priority: High)
- Strategy 1.1.2 - Monitor and ensure compliance with the regulatory framework for local government governance and operations. (Service Priority: High)
- Strategy 1.3.1 - Implement the Integrated Planning and Reporting Framework including the LongTerm Financial Plan, Workforce Plan, Asset Management Plans and Corporate Business Plan. (Service Priority: High)
- Strategy 1.3.2 - Monitor and produce statutory budgetary and financial reporting requirements applicable to local government operations. (Service Priority: High)

Environment - None.

Precedents

The Audit and Risk Committee has in previous years met with the Auditor to consider the audit of the Annual Financial Statements and financial position of Council.

Budget Implications

The 2021/22 budget provides an allocation \$22,427 for the conduct of the annual audit.

The Annual Financial Report presents the financial performance for the past financial year and is scrutinised by an independent auditor to ensure compliance with legislation and accounting standards. The financial impact upon the current financial year is that the audited net current assets position becomes the actual brought forward surplus/(deficit) for the Rate Setting Statement.

Budget – Whole of Life Cost

As no assets/infrastructure is being created, there are no whole of life costs relevant to this item.

Council Policy Compliance - None.

Risk Assessment -

The Risk Management Governance Framework has been considered in arriving at the officer recommendation. Please refer to (Appendix AAR:9.1B) for full assessment document.

Tier 1 – No discernible Inherent Risk has been identified (no Risk Theme or Consequence).	
Risk Event	Annual Meeting – 2020/21 Draft Audit Report
Inherent Risk Rating (prior to treatment or control)	Low (1 - 4)
Risk Action Plan (treatment or controls proposed)	As the Inherent Risk Rating is below 12, this is not applicable.
Residual Risk Rating (after treatment or controls)	As the Inherent Risk Rating is below 12, this is not applicable.
Risk Category Assessed Against	<ul style="list-style-type: none"> Legal & Compliance - Not meeting its compliance obligations pursuant to the Local Government (Audit) Regulations 1996 and Australian Accounting Standards. Reputational – Loss of reputation through non-compliance or mismanagement of funds.

Officer Comment

Council's auditors Moore Australia (WA) visited the Council office in October 2021 to conduct the final audit, with three audit staff in attendance. Council staff had prepared the draft annual financial statements, together with all of the working files and audit material provided to the auditors during their visit. Council staff subsequently worked with the auditors to finalise the annual financial statements.

The audit did not identify any areas of concern and the auditors have provided an unqualified Audit Report. The Audit Report (Appendix AAR: 9.1A) advises that the financial report of the Shire of Dardanup gives a true and fair view of the Shire of Dardanup financial position as at 30th of June 2021 and of its performance during the year, and complies with Australian Accounting Standards.

- *Audit Closed Door Session*

At the release of OAG reports presented to Parliament, Council staff review each report to determine if any of the OAG recommendations can be made to improve Council's current processes. The OAG report *Western Australian Public Sector Audit Committees – Better Practice Guide* provided guidance to local governments to recommend that during the financial audit exit meeting with the OAG, the audit committee has a closed-door session with the auditors without management present.

This recommendation was subsequently adopted in the Audit & Risk Committee Charter 'Terms of Reference' and forms the basis of this report. It is proposed that in order to allow the Audit & Risk Committee to meet with the Council Auditors without Shire management present, that the Committee Suspend Standing Orders and go Behind Closed Doors.

Council Role - Executive.

Voting Requirements - Simple Majority.

Change to Officer Recommendation No Change.

PROCESS

To enable the Audit & Risk Committee and the Council Auditors to conduct a closed door session without Shire management present, the Committee resolved to Go Behind Closed Doors and Suspend Standing Orders.

AUDIT & RISK COMMITTEE RESOLUTION 'A'

25-21 MOVED - Cr J Dow SECONDED - Cr P Perks

THAT the Audit & Risk Committee Go Behind Closed Doors [2.24pm] and Suspend Standing Order.

- a matter affecting an employee or employees;
- legal advice obtained, or which may be obtained, by the local government and which relates to a matter to be discussed at the meeting.

CARRIED
5/0

Note: All Staff left the room at 2.24pm, leaving Elected Members, Mr Suraj Karki of the OAG for WA and Auditors [Mrs Hayley Platt & Mr When Shien Chai via Zoom] in the room.

AUDIT & RISK COMMITTEE RESOLUTION 'B'

26-21 MOVED - Cr M Bennett SECONDED - Cr P Perks

THAT the Audit & Risk Committee Resume Standing Orders and Return from Behind Closed Doors [2.48 pm].

CARRIED
5/0

Note: All Staff that left the room at 2.24pm returned to the room at 2.48pm (excluding Mrs Donna Bailye who left the meeting). Mrs Rhianna Scheffner joined the meeting at 2.48pm.

Note: Cr Janice Dow left the room at 2.49pm.

AUDIT & RISK COMMITTEE RESOLUTION 'C'

27-21 MOVED - Cr P Perks SECONDED - Cr T Gardiner

THAT the Shire of Dardanup Audit and Risk Committee recommends that Council:

- 1. Accept the Draft Unqualified Auditor's Report (Appendix AAR: 9.1A – Confidential Document Under Separate Cover) as issued by the Office of the Auditor General (OAG) of the Annual Financial Statements for the 2020/21 financial year.**
- 2. Acknowledges that the 2020/21 Audit Exit meeting and Behind Closed Door session with Council's auditors was held at the Audit & Risk Committee meeting on the 1st of December 2021 as per the adopted 2021 Annual Audit Work Plan.**

CARRIED
4/0

Note: Cr. J P Dow returned to the room at 2.50pm.

Note: Auditors Mrs Hayley Platt & Mr When Shien Chai left the Zoom meeting at 2.52pm.

9.2 Title: 2020/21 Annual Financial Report

Reporting Department:	<i>Corporate & Governance</i>
Reporting Officer:	<i>Mr Phil Anastasakis – Deputy Chief Executive Officer Mrs Natalie Hopkins – Manager Financial Services</i>
Legislation:	<i>Local Government Act 1995 Local Government (Financial Management) Reg 1996</i>
Attachments:	<i>AAR 9.2A –2020/21 Annual Financial Report AAR 9.2B – Risk Assessment</i>

Overview

This report presents the Annual Financial Report for the 2020/21 financial year to the Audit and Risk Committee and Council for consideration and adoption.

Background

Section 6.4 of the *Local Government Act 1995* requires a Local Government to prepare an Annual Financial Report each financial year. This report has been audited and is provided as (Appendix AAR: 9.2A).

The Annual Financial Report has been prepared in accordance with the *Local Government (Financial Management) Regulations 1996* and includes the following:

- Statement by the Chief Executive Officer;
- Statement of Comprehensive Income (by Nature or Type);
- Statement of Comprehensive Income (by Program);
- Statement of Financial Position;
- Statement of Changes in Equity;
- Statement of Cash Flows;
- Rate Setting Statement;
- Notes to and forming Part of the Financial Statements; and
- Auditor Report.

In accordance with section 5.53 of the *Local Government Act 1995*, the 2020/21 Annual Financial Report forms part of the Annual Report.

The adoption of the Annual Financial Report by Council allows for the adoption of the Annual Report and the holding of the Annual Electors Meeting which is proposed to be held on Tuesday 25th of January 2022, commencing at 7.00pm in the Eaton Council Chambers, following the completion of the monthly Council meeting.

Legal Implications**Local Government Act 1995****5.53. Annual Reports**

- (1) *The local government is to prepare an annual report for each financial year.*
- (2) *The annual report is to contain —*
 - (f) *the financial report for the financial year; and*

6.4. Financial Report

- (1) *A local government is to prepare an annual financial report for the preceding financial year and such other financial reports as are prescribed.*
- (2) *The financial report is to —*

- (a) *be prepared and presented in the manner and form prescribed; and*
 - (b) *contain the prescribed information.*
- (3) *By 30 September following each financial year or such extended time as the Minister allows, a local government is to submit to its auditor —*
- (a) *the accounts of the local government, balanced up to the last day of the preceding financial year; and*
 - (b) *the annual financial report of the local government for the preceding financial year.*

Local Government (Financial Management) Regulations 1996

4. AAS, effect of

- (1) *These regulations are in addition to and not in derogation of the requirements of the AAS.*
- (2) *If a provision of the AAS is inconsistent with a provision of these regulations, the provision of these regulations prevails to the extent of the inconsistency.*
- (3) *All words in the Act or these regulations that import revenue or expenditure are to be interpreted to permit compliance with the requirements of the AAS.*

5A. Local governments to comply with AAS

Subject to regulation 4, the annual budget, annual financial report and other financial reports of a local government must comply with the AAS.

R36. Annual financial report, content of (Act s. 6.4(2))

- (1) *The annual financial report is to include —*
 - (a) *a statement setting out all movements of money to and from reserve accounts which has not been included in the income statement but which has been included in the rate setting statement; and*
 - (b) *if the net current assets carried forward from the previous financial year for the purpose of the budget of the financial year to which the report relates is different from the net current assets shown in the audited annual financial report for the previous financial year, the amount of that difference; and*
 - [(c), (d) *deleted*]
 - (e) *in relation to the disposal of a class of assets —*
 - (i) *the net book value of that class of assets; and*
 - (ii) *the sale price of that class of assets; and*
 - (iii) *the profit or loss on the sale of that class of assets; and*
 - (f) *notes or statements containing the information set forth in regulations 37 to 50.*
- (2) *The annual financial report is to include the following —*
 - (a) *the rate setting statement included under regulation 22(1)(d) in the annual budget for the year to which the report relates;*
 - (b) *adjacent to each item in that rate setting statement that states an amount, the end-of-year amount for the item;*
 - (c) *adjacent to each item in the income statement that states an end-of-year amount, the original or amended budget estimate for the item;*
 - (d) *adjacent to each item that states an end-of-year amount required by a provision of these regulations listed in the Table to this subregulation, the original or amended budget estimate for the item.*

R37. *Trust fund, information about in annual financial report*

R38. *Reserve accounts, information about in annual financial report*

R39. *Rates, information about in annual financial report*

- R40. *Service charges, information about in annual financial report*
- R41. *Fees and charges, information about in annual financial report*
- R42. *Discounts for early payment etc., information about in annual financial report*
- R43. *Interest charges etc., information about in annual financial report*
- R44. *Fees etc. to council members, information about in annual financial report*
- R45. *Trading undertakings, information about in annual financial report*
- R46. *Major land transactions, information about in annual financial report*
- R47. *Completed major land transactions, information about in annual financial report*
- R48. *Borrowings, information about in annual financial report*
- R49. *Invested money, information about in annual financial report*
- R50. *Financial ratios to be included in annual financial report*
- R51. *Annual financial report to be signed etc. by CEO and given to Department*

Strategic Community Plan

- Strategy 1.3.1 Implement the Integrated Planning and Reporting Framework including the Long Term Financial Plan, Workforce Plan, Asset Management Plans and Corporate Business Plan. (Service Priority: High)
- Strategy 1.3.2 Monitor and produce statutory budgetary and financial reporting requirements applicable to local government operations. (Service Priority: High)

Environment - None.

Precedents

Each year the Council is required to receive the audited Annual Financial Report.

Budget Implications

The Annual Financial Report is produced internally and the preparation and printing costs are incorporated within the staffing, printing and stationery budgets. The Annual Financial Report presents the financial performance for the past financial year and is scrutinised by an independent auditor to ensure compliance with legislation and accounting standards. The financial impact upon the current financial year is that the audited net current assets position becomes the actual brought forward surplus/(deficit) for the Rate Setting Statement.

Budget – Whole of Life Cost

As no asset/infrastructure is being created, there are no whole of life costs relevant to this item.

Council Policy Compliance

CnG CP128 – *Significant Accounting Policies* applies.

Risk Assessment

The Risk Management Governance Framework has been considered in arriving at the officer recommendation. Please refer to (Appendix AAR: 9.2B) for full assessment document.

Tier 2 – ‘Low’ or ‘Moderate’ Inherent Risk.	
Risk Event	2020/21 Annual Financial Report
Inherent Risk Rating (prior to treatment or control)	Low (1 - 4)
Risk Action Plan (treatment or controls proposed)	As the Inherent Risk Rating is below 12, this is not applicable.
Residual Risk Rating (after treatment or controls)	As the Inherent Risk Rating is below 12, this is not applicable.
Risk Category Assessed Against	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.

Officer Comment

The 2020/21 Annual Financial Report has been produced in accordance with the *Local Government Act 1995*, *Local Government (Financial Management) Regulations 1996*, and to the extent that they are not inconsistent with the Act, the Australian Accounting Standards.

The Annual Financial Statements for the year ended 30th of June 2021 have been completed, and have been audited by the Office of the Auditor General (OAG) appointed auditors, Moore Australia (WA). Council's Auditors have issued an unqualified draft Audit Report (Appendix AAR: 9.2A). The draft Audit Report is also shown on page 61 of the Annual Financial Report and will form part of the Annual Report scheduled to be adopted at the ordinary Council meeting on 15th of December 2021.

The financial statements includes additional new Notes and Disclosures relating to Changes in Accounting Policy, Future Policy and Correction of Error summarised below.

- *Changes to Australian Accounting Standards Board (AASB)*

During the year, two new Australian Accounting Standards came into effect on 1st July 2020 that apply for the first time to Local Governments for the financial year ending 30th June 2021. The new standards include:

AASB 1059 Service Concession Arrangements - Grantor

AASB 2018-7 Amendment to Australian Accounting Standards – Definition of Material

AASB 1059 Service Concession Arrangements – Grantors establishes the accounting principles a Local Government shall apply where a third-party operator constructs an asset 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 amount of time. Where in these circumstances, the third-party operator, provides a public service on behalf of the Shire and is deemed to manage at last some of the services under its own discretion, the assets are classified as service concession assets. For example, a local government enters into an arrangement for the provision of public services in a community or remote area eg doctor's surgery, hospital or aged care accommodation. This standard is not expected to impact the majority of local governments.

AASB 2018-7 Amendment to Australian Accounting Standards – Definition of Material refines the definition of material in *AASB 101 Presentation of the Financial Statements*. The updated definition clarifies 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity'.

Prior year AASB changes continue to impact Council's financial resources significantly and are summarised below.

➤ *AASB 15 Revenue from Contracts with Customers*

AASB 15 Revenue from Contracts with Customers required Council to assess grant and other revenue for which there is a future contract performance obligation.

➤ *AASB 16 Leases*

Recognition Council's Lease Liability has meant the vast majority of existing leases now require Council to capitalise each lease from the date of adopting the new standard, or on commencement of a new lease. The accounting treatment requires Council to measure and record the lease liability of all Leases at the present value of the future lease payments (using a discount rate), and recognise a corresponding right-of-use (ROU) asset which is depreciated over the life of the ROU asset (i.e. 'over the life of the lease').

➤ *AASB 1058 Income of Not-for-Profit Entities*

Similar to *AASB 15*, *AASB 1058 Income of Not-for-Profit Entities* is about deciding which accounting period various items of revenue belong to. As per prior audited financial statements, Council has continued to recognise rates received in advance as 'Prepaid Rates' and revenue received in advance 'Prepaid Revenue' in the Statement of Financial Position.

- *Financial Ratios*

Council is in good financial health and this is reflected in its statutory financial ratios that require reporting in the Annual Financial Report. The draft Annual Financial Report incorporates the 2021 financial ratios, noting that the majority of each individual ratio is favourably reported at either the same rating as the prior financial year (2020) or an improvement on last year, with the exception of the Operating Surplus Ratio.

It is important to note that statutory financial ratios are not intended to be the only factor to consider in assessing Council's overall performance. Other factors include the range of services offered, the efficiency of services delivered and overall community satisfaction.

- *Current Ratio*

Formulae

$$\frac{(\text{Current Assets MINUS Restricted Assets})}{(\text{Current Liabilities MINUS Liabilities Associated with Restricted Assets})}$$

30th of June 21 = 1.512 or 151.2%

Department Standard = Achieving Standard

Department of Local Government Description & Benchmark:

This is a modified commercial ratio designed to focus on the liquidity position of a local government that has arisen from past year's transactions.

The standard is not met if the ratio is lower than 1:1 (less than 100%).

Achieving Standard is met if the ratio is greater than 1:1 (100% or greater).

A ratio less than 1:1 means that a local government does not have sufficient assets that can be quickly converted into cash to meet its immediate cash commitments.

This may arise from a budget deficit from the past year, a Council decision to operate an overdraft or a decision to fund leave entitlements from next year's revenues.

Officer Comment

The Current Ratio, as adopted by the Department of Local Government is modified from the standard commercial calculation of the Current Ratio. The Department requires "Restricted Assets" (cash backed reserve funds) to be excluded from the calculation.

The Current Ratio is calculated in the commercial world as follows;

$$\frac{\text{Current Assets}}{\text{Current Liabilities}}$$

While the Shire of Dardanup does meet the required Department benchmark, if the standard commercial calculation of the Current Ratio was made, the Shire's Current Ratio as at 30th June 2021 would be calculated at 665.2%, meaning the Shire has a multiple of 6.652 in liquid Current Assets to meet its Current Liabilities.

- Asset Sustainability Ratio (ASR)

Formulae

$$\frac{\text{Capital renewal and replacement expenditure}}{\text{Depreciation expense}}$$

30th June 21 = 1.312 or 131.2%

Department Standard = Standard Improving

Department of Local Government Description & Benchmark:

This ratio indicates whether a local government is replacing or renewing existing non-financial assets at the same rate that its overall asset stock is wearing out.

Achieving Standard is met if the ratio data can be calculated and ratio is 90% (0.90)

Standard Improving is met if the ratio is between 90% and 110% (or 0.90 and 1.10)

Capital / Renewal Expenditure means expenditure to renew or replace existing assets. In other words, it is expenditure on an existing asset to return the service potential or the life of the asset up to that which it had originally. It is periodically required expenditure. As it reinstates existing service potential it may reduce operating and maintenance costs.

Officer Comment

Council's asset management planning process has identified and is rectifying the existing infrastructure renewal backlog. Council has acknowledged this backlog and has committed funding to renew its asset base for a number of years. The ratio result for 30th June 2021 is reflective of this commitment.

- Debt Service Cover Ratio

30th of June 21 = 4.368

Department Standard = Achieving Standard

Formulae

$$\frac{\text{Annual operating surplus before interest and depreciation}}{\text{Principal and interest}}$$

Department of Local Government Description & Benchmark:

This ratio is the measurement of a local government's ability to repay its debt including lease payments. The higher the ratio is, the easier it is for a local government to obtain a loan.

Achieving Standard is met if the ratio is greater than or equal to 2.

Advanced Standard is met at a higher level if this ratio is greater than 5.

Officer Comment

The Shire's integrated financial management process has led to a significant reduction in the reliance on borrowed funds. Since the commencement of Council's Asset Management & Integrated Financial Planning process in 2005, the reduced reliance on borrowings has been a key demonstrable benefit. Borrowings are planned through Council's Debt Management Plan rather than used to meet immediate or operational funding requirements.

The benefit of such a process is evident by borrowing related financial ratios. Despite sustained population and fiscal demand upon Council's budget, historically these ratios have demonstrated a sustained improving trend.

However, as a result of the new Wanju Developer Contribution Plan Loan of \$750,000 taken out in the 2020/21 financial year, the increased borrowings has adversely affected the Department Standard Rating; with a change from *Advanced Standard* at 30th of June 2020 to *Achieving Standard* at 30th of June 2021.

Borrowings are planned for future projects; the structured process to borrowing planning ensures these projects are able to be undertaken with affordable and sustainable debt levels.

- Operating Surplus Ratio

30th of June 21 = -0.181

Department Standard = Standard Not Met

Formulae

$$\frac{\text{Operating Revenue MINUS Operating Expense}}{\text{Own Source Operating Revenue}}$$

Department of Local Government Description & Benchmark:

This ratio is a measure of a local government's ability to cover its operational costs and have revenues available for capital funding or other purposes.

Achieving Standard is met if the operating surplus ratio is between 0% and 15% (0 and 0.15).

Advanced Standard is met if the operating surplus ratio is greater than 15% (>0.15).

“Operating Revenue” Means the revenue that is operating revenue for the purposes of the AAS, excluding grants and contributions for the development or acquisition of assets.

“Operating Expense” Means the expense that is operating expense for the purposes of the AAS.

“Own Source Operating Revenue” Means revenue from rates and service charges, fees and user charges, reimbursements and recoveries, interest income and profit on disposal of assets.

Officer Comment

Meeting this standard is dependent upon achieving an Operating Surplus as defined by the Department. Operating Surplus is ordinarily calculated as Operating Revenue minus Operating Expenditure. The Department requires the exclusion of grants and contribution revenue for the development of assets from the calculation. Council’s Operating Surplus as at 30th of June 2021 = (\$3,139,891). The 2021 Operating Surplus Ratio has been negatively impacted from *Achieving Standard* at 30th of June 2020 to *Standard Not Met* for the year ended 30th of June 2021 due largely to the exclusion of non-operating grants, the write down and demolition of various building and infrastructure assets, and reduced interest earnings.

This ratio demonstrates the ability to service its day to day operational costs, including asset depreciation from its revenue base. If a local government consistently achieves a positive operating surplus ratio and has sound long term financial plans showing that it can continue to do so in the future, having regard to asset management and the community’s service level needs, then it is considered financially sustainable.

The inclusion depreciation expense (a non-cash expense) as part of this calculation provides a challenge to meet this ratio into the future. As the Council’s asset base increases the ratio has an expectation to meet annual depreciation expenditure from revenue.

- Own Source Revenue Coverage Ratio

30th of June 21 = 0.754

Department Standard = Achieving Standard

Formulae

$$\frac{\text{Own Source Operating Revenue}}{\text{Operating Expense}}$$

Department of Local Government Description & Benchmark:

This ratio is the measurement of a local government’s ability to cover its costs through its own revenue efforts. Different standards have been established to recognise the varying revenue raising capacities across the sector, where some rural and remote local governments have limited rate bases and revenue raising capacity, whereas others such as major metropolitan and regional local governments have significant rate bases and other own source revenues.

Achieving Standard is met if the ratio is between 40% and 90% (or 0.4 and 0.9)

Advanced Standard is met if the ratio is greater than 90% (or > 0.9)

“Own Source Operating Revenue”

Means revenue from rates and service charges, fees and user charges, reimbursements and recoveries, interest income and profit on disposal of assets.

Officer Comment

The ratio measures Council's ability to cover operating expenses from own source revenue (ie revenue, excluding grants). The higher the ratio, the more self-reliant a local government is.

This ratio is maximised by:

- a) Greater reliance upon user pay services;
- b) Reduced Operating Expenditure; and
- c) Ongoing commitment to fund Council's asset base from its own source funds.

- Asset Consumption Ratio (ACR)

30th of June 21 = 0.653 (65.3%)

Department Standard = Standard Improving

Formulae

$$\frac{\text{Depreciated Replacement Cost of Depreciable Assets}}{\text{Current Replacement Cost of Depreciable Assets}}$$

Department of Local Government Description & Benchmark:

This ratio measures the extent to which depreciable assets have been consumed, by comparing their written down value to their replacement cost.

Achieving Standard is met if the ratio data can be identified and ratio is 50% or greater (0.50 or >).

Standard Improving is met if the ratio is between 60% and 75% (0.60 and 0.75).

Officer Comment

This ratio essentially measures the depreciated state of Council's asset base. 100% would mean all brand new assets, 0% would mean all the assets have reached the end of their life.

The result of 65.3% indicates that Council Assets are at 65.3% of their useful life.

This ratio is improved by a sustained program of renewing assets.

Council's current asset management planning process is addressing the backlog of infrastructure renewal. Ongoing commitment to funding this process is required to improve performance in this area.

- Asset Renewal Funding Ratio

30th of June 21 = 1.601 (160.1%)

Department Standard = Standard Improving

Formulae

$$\frac{\text{Net Present Value of Planned Capital Renewals over 10 years}}{\text{Net Present Value of Required Capital Expenditure over 10 years}}$$

This ratio is a measure of the ability of a local government to fund its identified asset renewal / replacement requirements over a period of 10 years.

Department of Local Government Description & Benchmark:

This ratio is a measure of the ability of a local government to fund its projected asset renewal/replacements in the future.

The ratio is calculated from information included in the local government's Long Term Financial Plan and Asset Management Plan; not the Annual Financial Report. For the ratio to be meaningful, a consistent discount rate should generally be applied in NPV calculations.

Achieving Standard is met if the ratio is between 75% and 95% (or 0.75 and 0.95)

Standard Improving is met if the ratio is between 95% and 105% (or 0.95 and 1.05), and

The Asset Sustainability Ratio falls within the range 90% to 110%, and

Asset Consumption Ratio falls within the range 50% to 75%

Officer Comment

The Asset Renewal Funding Ratio should be read in conjunction with Asset Consumption Ratio (ACR) and the Asset Sustainability Ratio (ASR). This ratio measures asset renewal works identified as being required against actual planned asset renewal expenditure. To meet the standard this ratio must be met in addition to the Asset Consumption Ratio (ACR) and the Asset Sustainability Ratio (ASR).

For the year ended 30th of June 2021 the Shire of Dardanup has met the 3 required ratio benchmarks.

Council's commitment to its integrated financial planning process and addressing its infrastructure backlog from own sourced funds, has been integral to achieving the benchmark standard.

- Financial Summary

As at 30th of June 2021 Council's Equity (Total Assets *minus* Total Liabilities) increased by \$15,346,124 from \$190,190,278 to \$205,536,402. The increase in Total Equity is primarily due to the revaluation of Land, Building and Bridges, which are required to be revalued no more than every 5 years in accordance with the *Local Government (Financial Management) Regulations 1996*.

Council's carry forward surplus at 30th June 2021 is \$961,190. This was against the forecast budgeted carry forward surplus in the 2021/22 budget of \$169,557. The favourable variance of \$791,633 has been presented to Council at the Special Council Meeting dated 17th of November 2021 as part of the 2021/22 Budget Review – October 2021 report for consideration. The total carry forward surplus amount equates to approximately 2.3% of total budgeted expenditure for 2020/21.

In summary, the Shire of Dardanup is in a sound financial position.

This result is directly attributed to:

1. Comprehensive integrated financial planning model;
2. Commitment to investment in infrastructure asset renewal;
3. Cash backed funding model for future asset obligations; and
4. Structured planning for all borrowings.

I would like to take the opportunity to thank all Corporate & Governance staff for their efforts and high service standard during the year under review.

Council is requested to consider and receive the audited Annual Financial Statements for the 2020/21 financial year.

Council Role - Executive.

Voting Requirements - Simple Majority.

ITEM 9.2– FURTHER INFORMATION

Officer Comment:

Following the distribution of the Audit & Risk Committee Meeting Agenda on Friday, our Auditors Moore Australia (WA) have requested the following changes to the Annual Financial Report as provided for in (Appendix AAR: 9.2A).

The minor disclosure changes in the updated Annual Financial Report are summarised as follows:

Page 5	Reference to Note 35 (refer asterisk *) has been added to this page;
Page 6	The word 'restated' removed;
Page 7	Note column note '35' added; Reference to Note 35 (refer asterisk *) has been added to this page;
Page 14	'Commonwealth certifications' has been added to Note 2(b) which identifies Other Services provided by Council's auditors e.g. grant acquittals;
Page 16	Note column note '35' added; the 2020 figures have been updated to reflect contract liabilities and capital grant liabilities held as at 30 June 2020;
Page 17	Note 4 now includes a reference to Reserve Funds for which a capital grant liability (contract liability) exists;
Page 18	Note 4 updated to include reference to section 154 of the Planning and Development Act 2005 for cash in lieu public open space contributions;
Page 19	Reference to Note 35 has been added to <i>Note 5 - Other Financial Assets</i> ;
Page 23	Duplicated column removed;
Page 30	Rows removed that have no impact on the 2020/21 Annual Financial Report;
Page 34	Renaming from 'Capital Grant Liability' to 'Capital Grant Liabilities';
Page 40	Reference to Note 35, Note 11(a) and 11(c) has been added to <i>Note 22 - Notes to the Statement of Cash Flows</i> ;
Page 51	Reference to Note 34 has been added to <i>Note 31 – Rate Setting Statement Information</i> ;

Change to Officer Recommendation No Change.

AUDIT & RISK COMMITTEE RESOLUTION

28-21 MOVED - Cr M Bennett SECONDED - Cr P Perks

THAT the Audit & Risk Committee recommends that Council receive the Shire of Dardanup 2020/21 audited Annual Financial Statements for the financial year ended 30th of June 2021 (Appendix AAR: 9.2A).

CARRIED
5/0

9.3 Title: Update on Regulation 17 Audit Findings

Reporting Department: Corporate & Governance Directorate
 Mr Phil Anastasakis - Deputy CEO
 Local Government Act 1995

Legislation: Local Government (Audit) Regulations 1996

Attachments: AAR 9.3A – Regulation 17 Report
 AAR 9.3B – Risk Assessment

Overview

To provide the Audit and Risk Committee with an update on the findings from the audit undertaken pursuant to Regulation 17 of the *Local Government (Audit) Regulations 1996*.

Background

Local Government (Audit) Regulations 1996, Regulation 17 prescribes a number of matters that are to be reviewed by a local governments audit committee. These matters are in relation to:

- a) Risk management,
- b) Internal control; and
- c) Legislative compliance.

In February 2021, AMD Chartered Accountants (AMD) conducted an external Regulation 17 review with the scope of work based on the Local Government *Operational Guidelines No. 9 – Audit in Local Government*. A copy of the report (refer Appendix AAR: 9.3A) was presented to the Audit and Risk Committee on 3rd of March 2021, with the committee through Council endorsement, requesting an update of the actions from the findings to be presented to each future committee meeting until resolved [OCM 67-21].

The report received from AMD contained six (6) findings for consideration, together with management's response on how these findings will be actioned. This report details the progress of those findings.

Legal Implications

Local Government Act 1995
Local Government (Audit) Regulations 1996 (as Amended):

Reg 17. CEO to review certain systems and procedures

- (1) *The CEO is to review the appropriateness and effectiveness of a local government's systems and procedures in relation to —*
 - (a) *risk management; and*
 - (b) *internal control; and*
 - (c) *legislative compliance.*
- (2) *The review may relate to any or all of the matters referred to in subregulation (1)(a), (b) and (c), but each of those matters is to be the subject of a review not less than once in every 3 financial years.*
- (3) *The CEO is to report to the audit committee the results of that review.*

Reg 16. Functions of audit committee

An audit committee has the following functions —

(c) to review a report given to it by the CEO under regulation 17(3) (the CEO's report) and is to

- (i) report to the council the results of that review; and
- (ii) give a copy of the CEO's report to the council;

Strategic Community Plan

Strategy 1.1.1 - Ensure equitable, inclusive and transparent decision-making. (Service Priority: High)

Strategy 1.1.3 - Monitor and ensure compliance with the regulatory framework for local government governance and operations. (Service Priority: High)

Strategy 1.1.4 Maintain best practice governance systems and practices. (Service Priority: Moderate)

Environment - None.

Precedents

This is the third 'update' report to be received by the Audit and Risk Committee on the progress of the findings resulting from the Regulation 17 review undertaken in February 2021.

Budget Implications

Staff time is the only resource requirement needed to implement the findings from the Regulation 17 review. This remains in accordance with existing staff budgetary allocation.

Future Regulation 17 reviews will be provided for as an expenditure allocation under consultancies in the annual budget relating to the financial year of review.

Budget – Whole of Life Cost

As no assets/infrastructure is being created, there are no whole of life costs relevant to this item.

Council Policy Compliance

- Shire of Dardanup Risk Management Governance Framework (which incorporates AP023 Risk Management Policy and PR036 Risk Management Procedure).
- CnG CP304 – Fraud, Corruption and Misconduct.

Risk Assessment

The Risk Management Governance Framework has been considered in arriving at the officer recommendation. Please refer to (Appendix AAR: 9.3B) for full assessment document.

Tier 2 – 'Low' or 'Moderate' Inherent Risk.		
Risk Event	Update on Regulation 17 Audit Findings	
Inherent Risk Rating (prior to treatment or control)	Low (1 - 4)	
Risk Action Plan (treatment or controls proposed)	As the Inherent Risk Rating is below 12, this is not applicable.	
Residual Risk Rating (after treatment or controls)	As the Inherent Risk Rating is below 12, this is not applicable.	
Risk Category Assessed Against	Legal and Compliance	Failure to fulfil obligations pursuant to the Local Government (Audit) Regulations 1996, Regulation 17.
	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.

Officer Comment

The table below provides the six (6) findings noted within the Regulation 17 Review report, together with an update on the current status and officer comment:

Ref	Issue	Risk Rating	Responsible Officer	Proposed Completion Date	Status
2	<i>Risk Management</i>				
2.2.1	Outdated Policies and Handbook	Low	Manager Governance & HR	31 December 2021	In Progress
	<p>Auditor 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.</p> <p>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.</p> <p>Officer Update Individual Council policies continue to be updated or created during the financial year based on need, prioritisation or changes to legislation. Nintex Promapp® Software will be launched in early 2022 with the aim towards establishing total visibility and control over the organisations administration processes. This will require staff and management collaboration as we work towards increasing accountability and improving processes.</p>				
2.2.2	Code of Conduct	Low	Manager Governance & HR	Was: 30 April 2021 Now: 30 November 2021	Completed AAR 01-12-21 Res Pending
	<p>Auditor Recommendation We recommend: <ul style="list-style-type: none"> 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. </p> <p>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.</p>				

Ref	Issue	Risk Rating	Responsible Officer	Proposed Completion Date	Status
	<p>Officer Update</p> <p>The Code of Conduct for Council Members, Committee Members and Candidates was adopted at the 24th February 2021 Council meeting [Res 31-21]; this was based on the Model Code of Conduct in the LG Regulations.</p> <p>The Code of Conduct for Employees has been endorsed as an Administration Policy by the Executive Management Team (EMT) in November 2021 and subsequently made available to employees as part of the Annual Review Process in November/December 2021.</p> <p>This action is now completed.</p>				
2.2.3	<p>Framework, Plan and Procedures in Review</p> <p>The following Shire policies, procedures and/or plans are currently under internal review and yet to be adopted and implemented accordingly:</p> <ul style="list-style-type: none"> Local Emergency Management & Recovery Arrangement Plan; Work Health & Safety Framework; Contractor Management – High Risk Cover Procedure; and Administration Policy Register and Procedure Register. <p>Auditor Recommendation</p> <p>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.</p> <p>Management Comment</p> <p>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.</p> <p>Officer Update</p> <ul style="list-style-type: none"> Local Emergency Management & Recovery Arrangement Plan – subject of a 5-yearly review, due 2021. The Local Emergency Management Arrangements (LEMA) and Local Recovery Support Plan (LRSP) (now separate) have been reviewed and endorsed by the Local Emergency Management Committee (LEMC) on 10-11-2021. These are scheduled to be presented to OCM 24-11-2021. Note: contacts within the plan are reviewed annually and this function is up-to-date. Work Health & Safety Framework – completed; adopted in May 2021. Contractor Management – High Risk Cover Procedure – near completion, new WHS Officer to finalise by November 2021. Administration Policy Register and Procedure Register – Nintex Promapp® Software will be launched in early 2022 with the aim towards establishing total visibility and control over the organisations administration processes. This will require staff and management collaboration as we work towards increasing accountability and improving processes. 	Low	Manager Governance & HR	31 December 2021	In Progress
3	Internal Controls				
3.2.1	Contract Management Framework	Moderate	Deputy CEO	31 December 2021	Completed AAR 01-12-21 Res pending
	<p>Auditor Recommendation</p> <p>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.</p> <p>Management Comment</p> <p>A contract management framework will be considered as part of the new Procurement Framework, together with the Risk Management Governance Framework.</p> <p>Officer Update</p> <p>The Procurement Framework (which incorporates the contract management framework) was presented and endorsed by the Executive Management Team on the 9th March 2021. Management and officer level training has been rolled out across the organisation with the Framework in force from 1 July 2021.</p> <p>In relation to the contractor induction processes, Officers are required to complete a risk assessment as per AP023 Risk Management to determine the level of risk for a project. Once the level of risk has been determined, the Officer must refer</p>				

Ref	Issue	Risk Rating	Responsible Officer	Proposed Completion Date	Status
	to AP028 Contractor Management which requires the Officer to engage with WHS so that the contractor is made aware of the safety documentation, qualifications and licences required. This stage may require a site induction. The contractor induction safety presentation is emailed to contractors by WHS where required, and a receipt is provided to the Council's safety mailbox when completed. This action is now completed.				
3.2.2	Post Tender Review	Low	Deputy CEO	31 December 2021	Completed AAR 08-09-21 Res 17-21
4	Legislative Compliance				
4.2.1	Complaints Register	Low	Manager Governance & HR	31 December 2021	Completed AAR 16-06-21 Res 07-21

Management will continue to progress towards completing the outstanding actions. The Audit and Risk Committee will receive a further 'update' report at the March 2022 meeting.

Council Role - Legislative.

Voting Requirements - Simple Majority.

Change to Officer Recommendation No Change.

AUDIT & RISK COMMITTEE RESOLUTION

29-21 MOVED - Cr T Gardiner SECONDED - Cr M Bennett

THAT the Audit and Risk Committee receive the December 2021 update report on the implementation of actions required from the findings of the February 2021 Regulation 17 Review.

CARRIED
5/0

9.4 Title: Financial Management System Review Update

Reporting Department:	Corporate & Governance
Reporting Officer:	Mr Phil Anastasakis - Deputy Chief Executive Officer
Legislation:	Local Government Act 1995 and Local Government (Financial Management) Regulations 1996 Local Government (Model Code of Conduct) Regs 2021
Attachments:	AAR:9.4A Shire of Dardanup Financial Management Systems Review (February 2019) AAR:9.4B Risk Assessment

Overview

This report provides the Audit and Risk Committee with an update on the implementation of the Financial Management Systems Review (FMSR) actions.

Background

In accordance with regulation 5(2)(c) of the *Local Government (Financial Management) Regulations 1996*, the Chief Executive Officer is required to undertake reviews of the appropriateness and effectiveness of the financial management systems and procedures of the Local Government regularly (and not less than once in every 3 financial years) and report to the Local Government the results of those reviews. This review was undertaken by AMD Chartered Accountants in February 2019 and the report, along with management comments were presented to the former Audit Committee meeting held on 6th of March 2019.

There were eight (8) findings noted within the 2019 report (refer Appendix AAR:9.4A) and since that time the Audit and Risk Committee have been updated as the findings have progressed towards completion.

At the committee meeting held on 3rd of June 2020 the committee acknowledged that the Code of Conduct finding was the only outstanding item and this would be reviewed once the new *Local Government (Model Code of Conduct) Regulations 2021* were enacted [AAR 15-20]. These regulations are now in place and it is timely for management to provide an update on the outstanding finding 7.2.1 Code of Conduct.

Legal Implications

Local Government (Financial Management) Regulations 1996 (as Amended):

5.CEO's duties as to financial management

- (2) *The CEO is to —*
 - (c) *undertake reviews of the appropriateness and effectiveness of the financial management systems and procedures of the local government regularly (and not less than once in every 3 financial years) and report to the local government the results of those reviews.*

Local Government Act 1995

5.103. Model code of conduct for council members, committee members and candidates

- (1) *Regulations must prescribe a model code of conduct for council members, committee members and candidates.*
- (2) *The model code of conduct must include —*

- (a) *general principles to guide behaviour; and*
- (b) *requirements relating to behaviour; and*
- (c) *provisions specified to be rules of conduct.*
- (3) *The model code of conduct may include provisions about how the following are to be dealt with —*
 - (a) *alleged breaches of the requirements referred to in subsection (2)(b);*
 - (b) *alleged breaches of the rules of conduct by committee members.*
- (4) *The model code of conduct cannot include a rule of conduct if contravention of the rule would, in addition to being a minor breach under section 5.105(1)(a), also be a serious breach under section 5.105(3).*
- (5) *Regulations may amend the model code of conduct.*

5.51A. Code of conduct for employees

- (1) *The CEO must prepare and implement a code of conduct to be observed by employees of the local government.*
- (2) *The CEO may amend the code of conduct.*
- (3) *The CEO must publish an up-to-date version of the code of conduct on the local government's official website.*
- (4) *Regulations may prescribe the content of, and other matters in relation to, codes of conduct under this section.*
- (5) *A code of conduct under this section is of no effect to the extent that it is inconsistent with regulations made for the purposes of subsection (4).*

Local Government (Model Code of Conduct) Regulations 2021

Strategic Community Plan

Strategy 1.1.2- Monitor and ensure compliance with the regulatory framework for local government governance and operations. (Service Priority: High)

Strategy 1.1.3- Maintain best practice governance systems and practices. (Service Priority: Moderate)

Environment - None.

Precedents

The Audit and Risk Committee were last presented with an update on the outstanding actions resulting from the 2019 Financial Management Systems review at the meeting held on 3rd of June 2020.

Budget Implications

Staff time is the only resource requirement needed to implement the findings from the 2019 Financial Management Systems review. This remains in accordance with existing staff budgetary allocation.

Future Financial Management Systems reviews will be provided for as an expenditure allocation under consultancies in the annual budget relating to the financial year of review.

Budget – Whole of Life Cost

As no assets/infrastructure is being created, there are no whole of life costs relevant to this item.

Council Policy Compliance - None.

Risk Assessment

The Risk Management Governance Framework has been considered in arriving at the officer recommendation. Please refer to (Appendix AAR: 9.4B) for full assessment document.

Tier 2 – ‘Low’ or ‘Moderate’ Inherent Risk.	
Risk Event	Update on the Financial Management Systems Review Actions
Inherent Risk Rating (prior to treatment or control)	Low (1 - 4)
Risk Action Plan (treatment or controls proposed)	As the Inherent Risk Rating is below 12, this is not applicable.
Residual Risk Rating (after treatment or controls)	As the Inherent Risk Rating is below 12, this is not applicable.
Risk Category Assessed Against	<p>Legal and Compliance Failure to fulfil compliance obligations pursuant to regulation 5(2)(c) of the Local Government (Financial Management) Regulations 1996.</p> <p>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.</p>

Officer Comment

The Code of Conduct (Item 7.2.1) remains the only outstanding action from the February 2019 Financial Management Systems Review. The auditor’s recommendation and management comment noted within the 2019 report is summarised in the table below:

Ref	Issue	Risk Rating	Completion Date	Status
7.	Preparation of budgets, budget reviews, accounts and reports required by the Act or the Regulations			
7.2.1	<p>Code of Conduct The Shire Code of Conduct for Council Members, Committee Members and Staff was last reviewed and adopted by Council on the 6 November 2013.</p> <p>Auditor Recommendation We recommend the Code of Conduct be reviewed and subsequently communicated to current Council Members, Committee Members and Staff.</p> <p>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.</p>	Minor	30 November 2021	Completed

As an update to finding 7.2.1, the Code of Conduct for Council Members, Committee Members and Candidates was adopted at the 24th of February 2021 Ordinary Council Meeting [Res 31-21].

In relation to the Code of Conduct for Employees, this has been endorsed as an Administration Policy by the Executive Management Team (EMT) in November 2021 and subsequently made available to employees as part of the Annual Review Process in November/December 2021.

This now concludes all outstanding action items from the February 2019 Financial Management Systems Review.

The next three-yearly Financial Management Systems Review is scheduled for February 2022.

Council Role - Legislative.

Voting Requirements - Simple Majority.

Change to Officer Recommendation No Change.

AUDIT & RISK COMMITTEE RESOLUTION

30-21 MOVED - Cr T Gardiner SECONDED - Cr M Hutchinson

THAT the Audit and Risk Committee:

1. **Receive the December 2021 update report on the implementation of actions required from the findings of the February 2019 Financial Management Systems Review.**
2. **Acknowledge that this concludes all outstanding action items resulting from the 2019 Financial Management Systems Review.**
3. **Acknowledge that the Chief Executive Officer will be undertaking the three-yearly Financial Management Systems Review in accordance with regulation 5(2)(c) of the Local Government (Financial Management) Regulations 1996 in February 2022, with the results of the review to be reported to the Shire of Dardanup Audit & Risk Committee and Council.**

CARRIED
5/0

9.5 *Title: Bi-Annual Risk Management Dashboard Report*

<i>Reporting Department:</i>	<i>Corporate & Governance</i>
<i>Reporting Officer:</i>	<i>Mrs Cindy Barbetti – Senior Corporate Governance Officer</i>
<i>Legislation:</i>	<i>Local Government Act 1995 and Local Government (Audit) Regulations 1996, Regulation 17</i>
<i>Attachments:</i>	<i>AAR 9.5A - Risk Dashboard Report AAR 9.5B - Risk Assessment</i>

Overview

The purpose of this report is to present the six-monthly Risk Dashboard Report to the Audit and Risk Committee for consideration.

Background

In August 2019 Council, through the Audit and Risk Committee, adopted the revised Risk Management Governance Framework (the Framework) for the Council. The Framework has been developed to connect all of the risk management processes and methodologies and to clearly articulate the appetite for risk. This ensures Council's commitment to meeting its compliance obligations pursuant to the *Local Government (Audit) Regulations 1996*, Regulation 17.

In accordance with the reporting requirements of the Framework, the Senior Corporate Governance Officer is required to present the Audit and Risk Committee with a Risk Dashboard Report (Appendix AAR 9.5A) every six (6) months. In addition, the Terms of Reference within the Audit and Risk Committee Charter state the following as a committee objective:

- 5.8 *To consider the Shire of Dardanup Risk Management Governance Framework (once in every 3 years) for appropriateness and effectiveness and progress on the relevant action plans biannually.*

The Risk Dashboard Report has been developed as part of the Framework and in collaboration with a risk consultant from Council's insurer (LGIS), and contains an overall snapshot of the following 15 Risk Theme Profiles:

1. Asset Sustainability Practices.
2. Business and Community Disruptions.
3. Failure to Fulfil Compliance Requirements (Statutory, Regulatory).
4. Document Management Processes.
5. Employment Practices.
6. Engagement Practices.
7. Environment Management.
8. Errors, Omissions and Delays.
9. External Theft and Fraud (includes Cyber Crime).
10. Management of Facilities, Venues and Events.
11. IT, Communication Systems and Infrastructure.
12. Misconduct.
13. Project/Change Management.
14. Safety and Security Practices.
15. Supplier and Contract Management.

Legal Implications

Local Government Act 1995

Local Government (Audit) Regulations 1996, Regulation 17:

17. CEO to review certain systems and procedures

- (1) The CEO is to review the appropriateness and effectiveness of a local government's systems and procedures in relation to —
 - (a) risk management; and
 - (b) internal control; and
 - (c) legislative compliance.
- (2) The review may relate to any or all of the matters referred to in subregulation (1)(a), (b) and (c), but each of those matters is to be the subject of a review at least once every 2 calendar years.
- (3) The CEO is to report to the audit committee the results of that review.

[Regulation 17 inserted in Gazette 8 Feb 2013 p. 868.]

Strategic Community Plan

Strategy 1.1.3 - Monitor and ensure compliance with the regulatory framework for local government governance and operations. (Service Priority: High)

Strategy 1.1.4 - Maintain best practice governance systems and practices. (Service Priority: Moderate)

Strategy 1.3.5 - Implement a Risk Management Governance Framework for the Shire of Dardanup (Service Priority: High)

Environment - None.

Precedents

The Audit and Risk Committee has been presented with Risk Management Dashboard Report's at the following meetings:

Committee Meeting Date	AAR Resolution Number
4 th of December 2019	AAR 05-19
3 rd of June 2020	AAR 14-20
7 th of December 2020	AAR 26-20
16 th of June 2021	AAR 08-21

Budget Implications

As part of the Senior Corporate Governance Officer role, regular reporting of the Risk Management Governance Framework is essential. Therefore the cost to Council is through staff time and the usage of IT/Software systems where applicable.

Budget – Whole of Life Cost

As no assets/infrastructure is being created, there are no whole of life costs relevant to this item.

Council Policy Compliance

Risk Management Governance Framework

- Administration Policy AP023
- Procedure PR036
- Australian Standard AS/NZS ISO 31000:2018 Risk Management – Principles and Guidelines

Risk Assessment

The Risk Management Governance Framework has been considered in arriving at the officer recommendation. Please refer to (Appendix AAR 9.5B) for full assessment document.

Tier 2 – ‘Low’ or ‘Moderate’ Inherent Risk.	
Risk Event	Bi-Annual Risk Management Dashboard Report.
Inherent Risk Rating (prior to treatment or control)	Low (1 - 4)
Risk Action Plan (treatment or controls proposed)	As the Inherent Risk Rating is below 12, this is not applicable.
Residual Risk Rating (after treatment or controls)	As the Inherent Risk Rating is below 12, this is not applicable.
Risk Category Assessed Against	<div>Legal and Compliance</div> <div>Reputational</div> <div>Failure to fulfil compliance obligations pursuant to the Local Government (Audit) Regulations 1996, Regulation 17. 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.</div>

Officer Comment

It is essential to monitor and review the management of risks, as changing circumstances may result in some risks increasing or decreasing in significance.

The Risk Dashboard Report for December 2021 (Appendix AAR 9.5A) summarises the risks of Council and provides the current treatment plans (actions) that have been identified by management to improve certain key control ratings. Typically these control ratings have been identified as inadequate and a treatment plan (action) has been determined to improve the control effectiveness to at least adequate.

To provide a comparison between reporting periods, table 1 below indicates that there are currently 23 treatments in place, compared with 26 treatments in June 2021. 6 new treatments have been added, with 9 being completed in the last 6 months. As treatments are cleared or completed they are removed from the Dashboard.

Table 1 – Treatment Plan Summary

June 2021 (last reporting period)			December 2021 (this reporting period)		
Total	Completed	In Progress	Total	New	In Progress
26	9	17	23	6	17

The Risk Dashboard Report also provides an indication of the value of the combined controls in mitigating levels of risk. This is summarised by the overall control rating (how effective the controls in place are operating) and the overall risk rating (the determined level of risk). From the last reporting period, there has been no change to the overall control rating or the overall risk rating.

In summary, the Dashboard Report shows that of the 15 Risk Profile Themes, 9 combined controls are rated as ‘Adequate’ and 6 are rated as ‘Effective’.

The Audit and Risk Committee can expect the next Risk Dashboard Biannual Report at the committee meeting scheduled for June 2022.

Council Role - Legislative.

Voting Requirements - Simple Majority.

Change to Officer Recommendation No Change.

AUDIT & RISK COMMITTEE RESOLUTION

31-21 MOVED - Cr M Bennett SECONDED - Cr P Perks

THAT the Audit and Risk Committee receive the December 2021 Risk Dashboard Report provided in (Appendix AAR 9.5A).

CARRIED
5/0

9.6

Title: Western Australian Auditor General Schedule of Reports

Reporting Department:	<i>Corporate & Governance Services</i>
Reporting Officer:	<i>Mrs Cindy Barbetti – Senior Corporate Governance Officer</i>
Legislation:	<i>Local Government Act 1995</i> <i>Local Government (Audit) Regulations 1996</i>
Attachments:	<i>AAR 9.6A – Risk Assessment</i> <i>AAR 9.6B – OAG Report 5 Local Government COVID-19 Financial Hardship Support</i> <i>AAR 9.6C – Ministerial Circular 03-2020</i>

Overview

This report provides the Audit and Risk Committee with a schedule of Western Australian Auditor General Reports that have been released since the September 2021 committee meeting. These reports hold some significance to the local government sector and staff have provided their observations in response to the Auditor General's findings.

Background

The *Local Government Amendment (Auditing) Act 2017* was proclaimed on 28th of October 2017. The purpose of the Act was to make legislative changes to the *Local Government Act 1995* to provide for the auditing of local governments by the Auditor General.

The Act also provides for a new category of audits known as 'performance audit reports' which examine the economy, efficiency and effectiveness of any aspect of a local governments operations. The findings of these audits are likely representative of issues in other local government entities that were not part of the sample. In addition, the Auditor General releases 'guides' to help support good governance within a local government's operations.

The Auditor General encourages all entities, not just those audited, to periodically assess themselves against the risks and controls noted in each of the performance audit reports and guides when published. Testing our performance against the Auditor General findings and reporting the outcomes to the Audit and Risk Committee can be viewed as a vital component of managing compliance reporting under Regulation 17.

This report presents to the Audit and Risk Committee a summary of the performance reports released by the Auditor General since the last committee meeting.

Legal Implications

Local Government Act 1995

Local Government (Audit) Regulations 1996, r17

Reg 17. CEO to review certain systems and procedures

- (1) The CEO is to review the appropriateness and effectiveness of a local government's systems and procedures in relation to —*
 - (a) risk management; and*
 - (b) internal control; and*
 - (c) legislative compliance.*
- (2) The review may relate to any or all of the matters referred to in subregulation (1)(a), (b) and (c), but each of those matters is to be the subject of a review at least once every 2 calendar years.*
- (3) The CEO is to report to the audit committee the results of that review.*

Strategic Community Plan

Strategy 1.1.3 - Monitor and ensure compliance with the regulatory framework for local government governance and operations. (Service Priority: High)

Strategy 1.1.4- Maintain best practice governance systems and practices. (Service Priority: Moderate)

Strategy 1.3.5 - Implement a Risk Management Governance Framework for the Shire of Dardanup. (Service Priority: High)

Environment - None.

Precedents

The Audit and Risk Committee previously received a report at the September 2021 meeting that responded to the reports released by the OAG from June 2021 to August 2021.

Budget Implications

As part of the Senior Corporate Governance Officer role, regular monitoring and assessment of reports released by the OAG is deemed a matter of good governance and a vital component of managing compliance under Regulation 17. Therefore the cost to Council is through staff time and the usage of IT/Software systems where applicable.

Budget – Whole of Life Cost

As no assets/infrastructure is being created, there are no whole of life costs relevant to this item.

Risk Assessment

The Risk Management Governance Framework has been considered in arriving at the officer recommendation. Please refer to (Appendix AAR:9.6A) for full assessment document.

Tier 2 – ‘Low’ or ‘Moderate’ Inherent Risk.	
Risk Event	Western Australian Auditor General – Schedule of Reports
Inherent Risk Rating (prior to treatment or control)	Moderate (5 - 11)
Risk Action Plan (treatment or controls proposed)	As the Inherent Risk Rating is below 12, this is not applicable.
Residual Risk Rating (after treatment or controls)	As the Inherent Risk Rating is below 12, this is not applicable.
Risk Category Assessed Against	<p>Legal and Compliance</p> <p>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.</p> <p>Reputational</p> <p>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.</p>

Officer Comment

Council staff take an active approach by reviewing each 'Issue', 'Finding' and 'Recommendation' as contained in any report released by the OAG to benchmark against Council's own internal controls and processes working towards an industry 'best practice standard'. Identifying relevant messages and opportunities from these reports leads to continuous improvement and informed decision making.

There has been one (1) report released by the OAG relevant to local government operations since the last Audit and Risk Committee meeting in September 2021. This report is provided in the table below, together with a summary of the report and staff responses to the findings.

DATE	REPORT NO	REPORT	APPENDIX
October 2021	5	Local Government COVID-19 Financial Hardship Support	AAR:9.6B

- Report 5 Local Government COVID-19 Financial Hardship Support*

This performance audit report summarised the financial hardship support provided by local government (LG) entities in 2020-21 to ratepayers impacted by the COVID-19 pandemic. This audit followed on from the distribution of Ministerial Circular 03-2020 (refer Appendix AAR:9.6C) on 8th of May 2020 by the Minister for Local Government, which encouraged LG's to adopt financial hardship policies to assist ratepayers.

Three (3) Councils were directly involved in the audit (City of Belmont, Shire of Northhampton and City of Rockingham) with WA's remaining 134 LG entities providing confirmation if they had policies in place to support ratepayers impacted by COVID-19. The Shire of Dardanup is mentioned on page 15 of the report after providing a yes or no response via email to OAG in October 2021, which was reported as follows:

LG entity	2020-21 policy	2021-22 policy	2021-22 policy on website
Dardanup, Shire of	✓	✓	✓

As an overview, Council endorsed the original CP098 COVID-19 Financial Hardship Policy for Rates and Sundry Debtors on 27-05-2020 (Res: 126-20). The policy has subsequently undergone two (2) further reviews with the most recent review occurring on 30-06-2021 (Res: 203-21).

In response to the findings noted in the OAG report, there are numerous channels and approaches that Shire of Dardanup staff have implemented to actively promote this policy and application process to inform our ratepayers of their options when it comes to applying for financial hardship due to COVID-19. These include:

- Policy and Application Form available on Council's website;
- Reverse of Rate Notice includes a section on financial hardship;
- Rates Information Brochure issued with Rate Notice includes a section on financial hardship;
- 2021-2022 Rate Notice Accompanying Information Brochure includes a section on financial hardship;
- Reverse of Final Reminder Notice includes a section on financial hardship;
- Standard letter accompanying the Final Reminder Notice provides the ratepayer with their payment arrangement options and to seek assistance from the Rates Department;
- Reverse of Instalment Notice includes a section on financial hardship;
- Direct Debit Arrangement in Default Letters includes a section on financial hardship;

- A template letter and template email both titled 'Options for Financial Hardship Relief' are issued to ratepayers post contact enquiry with the Rates Team; and
- Application Form 226 COVID-19 Financial Hardship Application gives ratepayers a complete overview on the eligibility process, how a decision is reached about their application and if unfavourable the right to have their decision reviewed.

As a matter of interest, the following table provides a summary of the number of COVID-19 financial hardship applications that have been approved/declined for Shire of Dardanup ratepayers since the policy was enacted:

Financial Year	Number of APPROVED applications for CP098 COVID-19 Financial Hardship Policy	Number of DECLINED applications for CP098 COVID-19 Financial Hardship Policy
2019-2020	0	0
2020-2021	9	0
2021-2022	0	0

Further to this, the OAG acknowledges within their report that 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.

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 the OAG was encouraged 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.

- *Conclusion*

The OAG report review process will continue to be applied to future reports and guides released by the Auditor General. The analysis of these reports provides Council with a greater level of confidence in internal control practices and processes throughout Council operations.

Council Role - Executive/Strategic.

Voting Requirements - Simple Majority.

Change to Officer Recommendation No Change.

AUDIT & RISK COMMITTEE RESOLUTION

32-21 MOVED - Cr M Bennett SECONDED - Cr P Perks

THAT the Audit and Risk Committee receive the December 2021 report on the Western Australian Auditor General – Schedule of Reports as provided for in (Appendix AAR:9.6B).

CARRIED
5/0

9.7 Title: Confirmation Committee Responsibilities Have Been Carried Out

Reporting Department:	Corporate & Governance Directorate Mr Phil Anastasakis - Deputy CEO
Legislation:	Local Government Act 1995
Attachments:	AAR 9.7A – 2021 Annual Audit Work Plan AAR 9.7B – Risk Assessment

Overview

To provide Council, through the Audit and Risk Committee, with annual confirmation that the responsibilities outlined in the Audit and Risk Committee Charter and subsequent 2021 Annual Audit Work Plan have been carried out.

Background

In June 2020, the Auditor General released the 'Western Australian Public Sector Audit Committees - Better Practice Guide' as a beneficial resource to state and local governments when further developing the role of audit committees. The Guide takes into consideration the relevant functions, responsibilities and associated activities that a committee will undertake. From the publication of this Guide, management and staff considered Councils legal and regulatory requirements, as well as the operating environment, and comprehensively reviewed the role of Councils Audit and Risk Committee.

As a result, Council through the Audit and Risk Committee reconsidered and endorsed the Terms of Reference for the committee as a 'Charter' which incorporates the Terms of Reference, Instrument of Appointment and Annual Audit Work Plan template [OCM 30 September 2020 Res 279-20].

Following on from the endorsement of the Charter, the Audit and Risk Committee were then presented with the 2021 Annual Audit Work Plan (Appendix: AAR 9.7A) at the 7th of December 2021 meeting. The purpose of the Plan is to assist and guide the committee on the functions, roles and responsibilities that are undertaken in a calendar year, and this was subsequently endorsed by Council on 16th of December 2020 [Res 358-20].

The following committee operation function is noted within the Plan:

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.

Scheduled: December 2021.

This report has been compiled in response to the above committee operation function, and seeks a direct decision from Council that the responsibilities outlined in the 2021 Annual Audit Work Plan have been carried out.

Legal Implications

Local Government Act 1995

7.1A. Audit committee

- (1) A local government is to establish an audit committee of 3 or more persons to exercise the powers and discharge the duties conferred on it.
- (2) The members of the audit committee of a local government are to be appointed* by the local government and at least 3 of the members, and the majority of the members, are to be council members.

* Absolute majority required.

- (3) A CEO is not to be a member of an audit committee and may not nominate a person to be a member of an audit committee or have a person to represent the CEO as a member of an audit committee.
- (4) An employee is not to be a member of an audit committee.

Strategic Community Plan

Strategy 1.1.3 Monitor and ensure compliance with the regulatory framework for local government governance and operations. (Service Priority: High)

Environment - None.

Precedents

This is the first occurrence of confirmation that the Audit and Risk Committee responsibilities have been carried out.

Budget Implications

This confirmation is administered through staff time which is supported by the salaries and wages budget specific to the Corporate and Governance directorate.

Budget – Whole of Life Cost

As no assets/infrastructure is being created, there are no whole of life costs relevant to this item.

Council Policy Compliance

- Audit and Risk Committee Charter
- Western Australian Public Sector Audit Committees – Better Practice Guide

Risk Assessment

The Risk Management Governance Framework has been considered in arriving at the officer recommendation. Please refer to (Appendix AAR: 9.7B) for full assessment document.

Tier 2 – ‘Low’ or ‘Moderate’ Inherent Risk.		
Risk Event	Confirmation committee responsibilities have been carried out.	
Inherent Risk Rating (prior to treatment or control)	Low (1 - 4)	
Risk Action Plan (treatment or controls proposed)	As the Inherent Risk Rating is below 12, this is not applicable.	
Residual Risk Rating (after treatment or controls)	As the Inherent Risk Rating is below 12, this is not applicable.	
Risk Category Assessed Against	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.
	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.

Officer Comment

Since the emergence of Regulation 17 of the *Local Government (Audit) Regulations 1996*, an audit and risk committee operates to not only support the local government in financial management but also to provide effective corporate governance. To achieve this, Council's Audit and Risk Committee have formally met on the following four (4) occurrences throughout 2021:

- 3rd of March 2021;
- 16th of June 2021;
- 8th of September 2021; and
- 1st of December 2021.

The committee has also informally met on the following dates:

- 10th of May 2021 - Audit Entrance Meeting with Audit and Risk Committee Chair, Deputy Chair, Moore Australia representative, OAG representative & Management; and
- 24th of November 2021 – Audit and Risk Committee briefing to provide new members with an overview of their committee responsibilities and functions.

The Ordinary Council Elections and subsequent appointment of Councillors to the Audit and Risk Committee has also taken place in October 2021. The outgoing committee was represented by the following Councillors:

- Cr. M Bennett (Deputy Chairperson)
- Cr. P Robinson
- Cr. C Boyce
- Cr. T Gardiner (Chairperson)
- Cr. M Hutchinson

At the Special Council Meeting held on 20 October 2021 [Res 312-21], the following Councillors were appointed to the Audit and Risk Committee for a two (2) year term or in accordance with Section 5.11 of the *Local Government Act 1995*:

- Cr. M Bennett
- Cr. J Dow
- Cr. T Gardiner
- Cr. M Hutchinson
- Cr. P Perks

Appointment of Chairperson and Deputy Chairperson will occur at the 1st of December 2021 committee meeting.

In terms of confirming that the committee's responsibilities have been carried out, the following table provides the 2021 Annual Audit Work Plan that was endorsed for the period January 2021 to December 2021. The table also provides management's response on the completion of these functions.

Please note:

- **1. Committee Operation Biennial Review of the Charter** – this was noted in the 2021 Annual Audit Work Plan as next being due in 2022, however the Charter was considered and endorsed by Council on 29 September 2021 [Res 295-21] prior to the Ordinary Council Elections held in October 2021. Therefore, the next review of the Charter will be 2023 in line with the 2023 Council Elections.
- **9. Governance Health & Financial Sustainability Biennial Review** – is now budgeted for in 2023-24 financial year and will occur every four (4) years, not biennially as noted in the Charter.
- **10. Information Systems Security Audit** - is now budgeted for in 2022-23 financial year and as such has not been completed in the 2021 Annual Audit Work Plan. This function has been carried forward to the 2022 Annual Work Plan.
- **December 2021 Functions** - these are being presented at this committee meeting, therefore the resolution numbers are not yet to hand.

AUDIT AND RISK COMMITTEE – 2021 ANNUAL AUDIT WORK PLAN						MANAGEMENT RESPONSE
FUNCTIONS, RESPONSIBILITIES & ASSOCIATED ACTIVITIES	3 Mar 21	* Apr 21	16 Jun 21	8 Sep 21	1 Dec 21	
1. Committee Operation						
Biennial review of the Charter (Terms of Reference).				✓ OCM 29-09-21 Res: 295-21		Completed. This function was next due in 2022, however the Charter was considered and endorsed at OCM prior to the 2021 Council Elections.
Agree on the annual audit work plan; and set priority areas for the coming year.					✓ AAR 33-21	This function is occurring at this committee meeting
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.					✓ AAR 33-21	This function is occurring at this committee meeting
New members are briefed on their appointment to assist them to meet their Committee responsibilities. <i>Next Due 2021.</i>					✓ <i>Not minuted</i>	Completed Briefing session held 24-11-2021
Appointment of Presiding Member and Deputy Presiding Member. <i>Next Due 2021.</i>					✓ AAR 33-21	This function is occurring at this committee meeting
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 – next due 2022					
Receive the biannual dashboard report			✓ AAR 08-21		✓ AAR 33-21	Completed
3. Legislative Compliance						
Review the annual Compliance Audit Return (CAR) and report to the Council the results of that review.	✓ AAR 04-20					Completed
Receive the biannual compliance report resulting from	✓ AAR			✓ AAR		Completed

AUDIT AND RISK COMMITTEE – 2021 ANNUAL AUDIT WORK PLAN						MANAGEMENT RESPONSE
FUNCTIONS, RESPONSIBILITIES & ASSOCIATED ACTIVITIES	3 Mar 21	* Apr 21	16 Jun 21	8 Sep 21	1 Dec 21	
the Compliance Manual (incorporating the annual calendar).	03-21			18-21		
4. Internal Audit						
Review annually the internal audit annual work plan, including any reports produced as part of special assignments undertaken by internal audit.				✓ AAR 20-21		Completed
5. Financial Reporting						
Consider and recommend adoption of the Annual Financial Report to Council.					✓ AAR 33-21	This function is occurring at this committee meeting
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.		* ✓ Not minuted				Completed Microsoft Teams Meeting held 10 May 2021 with Chair, Deputy Chair, Moore Australia representative, OAG representative & Management
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.					✓ AAR 33-21	These functions are occurring at this committee meeting
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.					✓ AAR 33-21	
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.					✓ AAR 33-21	
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.	✓ AAR 05-20		✓ AAR 09-21	✓ AAR 19-21	✓ AAR 33-21	Completed
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.	✓ AAR 02-21					Completed
Set the action plan arising from auditor recommendations from the Regulation 17 review.	✓ AAR 02-21					Completed
Receive an update on the action plan arising from auditor recommendations from the Regulation 17 review.			✓ AAR 07-21	✓ AAR 17-21	✓ AAR 33-21	Completed
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 – next due 2022					
Set the action plan arising from auditor recommendations from the Financial Management Systems Review.	Not Applicable – next due 2022					

AUDIT AND RISK COMMITTEE – 2021 ANNUAL AUDIT WORK PLAN						MANAGEMENT RESPONSE
FUNCTIONS, RESPONSIBILITIES & ASSOCIATED ACTIVITIES	3 Mar 21	* Apr 21	16 Jun 21	8 Sep 21	1 Dec 21	
Receive an update on the action plan arising from auditor recommendations from the Financial Management Systems Review.	Not Applicable – next due 2022					
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 – next due 2022					
Set the action plan arising from the recommendations from the review.	Not Applicable – next due 2022					
Receive an update on the action plan arising from the recommendations from the review.	Not Applicable – next due 2022					
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 – next due 2022					
10. Information Systems Security Audit (report next Due: June 2021)						
Receive the audit report arising from the 2 yearly Information Systems Security Audit.				x		C/F - Now scheduled for 2022-23
Set the action plan arising from the recommendations from the Information Systems Security Audit.					x	C/F - Now scheduled for 2022-23
Receive an update on the action plan arising from the recommendations from the Information Systems Security Audit.					x	C/F - Now scheduled for 2022-23

* 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.

Council Role - Legislative.

Voting Requirements - Simple Majority.

Change to Officer Recommendation No Change.

Note: Cr M Bennett left the room at 3.04pm and returned at 3.06pm.

AUDIT & RISK COMMITTEE RESOLUTION

33-21 MOVED - Cr T Gardiner SECONDED - Cr P Perks

THAT the Audit and Risk Committee:

1. Receive this report confirming the Audit and Risk Committee's responsibilities that have been carried out in the 2021 Annual Audit Work Plan.
2. Update the pending resolution numbers noted within this report.
3. Acknowledge that the Information Systems Security Audit is now scheduled in the 2022 Annual Audit Work Plan.
4. Acknowledge that the Governance Health and Financial Sustainability Review will occur on a four (4) yearly cycle and this is next scheduled to occur in 2023-24.
5. Recommends that Council endorse this report confirming the Audit and Risk Committee's responsibilities that have been carried out in the 2021 Annual Audit WorkPlan.

CARRIED
5/0

9.8 Title: Annual Audit Work Plan

Reporting Department:	Corporate & Governance Services
Reporting Officer:	Mr Phil Anastasakis – Deputy CEO
Legislation:	Local Government Act 1995 Local Government (Audit) Regulations 1996 Local Government (Administration) Regulations 1996
Attachments:	AAR 9.8A Risk Assessment

Overview

This report to the Audit and Risk Committee provides members with the Annual Audit Work Plan for 2022 for their consideration and subsequent recommendation to Council.

Background

In accordance with section 7.1A of the *Local Government Act 1995* Council has established an Audit and Risk Committee. The Audit and Risk Committee operates in accordance with all relevant provisions of the Act and the *Local Government (Audit) Regulations 1996* and the *Local Government (Administration) Regulations 1996*.

Since the emergence of Regulation 17 of the *Local Government (Audit) Regulations 1996*, the operation of the Audit and Risk Committee has been expanded to not only support the local government in effective financial management but also to provide effective corporate governance. This is achieved through the review of systems and procedures in place relating to risk management, internal control and legislative compliance.

To assist and guide the Audit and Risk Committee on the functions, roles and responsibilities that are undertaken in a calendar year, and in accordance with the committee Charter, an Annual Audit Work Plan has been developed.

This reports presents to the committee the proposed 2022 Annual Audit Work Plan.

Legal Implications*Local Government Act 1995*7.1A. *Audit committee*

- (1) *A local government is to establish an audit committee of 3 or more persons to exercise the powers and discharge the duties conferred on it.*
- (2) *The members of the audit committee of a local government are to be appointed* by the local government and at least 3 of the members, and the majority of the members, are to be council members.*

** Absolute majority required.*

- (3) *A CEO is not to be a member of an audit committee and may not nominate a person to be a member of an audit committee or have a person to represent the CEO as a member of an audit committee.*
- (4) *An employee is not to be a member of an audit committee.*

Strategic Community Plan

Strategy 1.1.2 - Monitor and ensure compliance with the regulatory framework for local government governance and operations. (Service Priority: High)

Environment - None.

Precedents

This is the second Annual Audit Work Plan to be considered by the Audit and Risk Committee.

Budget Implications

Setting the Annual Audit Work Plan for the Audit and Risk Committee is administered through staff time which is supported by the salaries and wages budget specific to the Corporate and Governance directorate.

Budget – Whole of Life Cost

As no assets/infrastructure is being created, there are no whole of life costs relevant to this item.

Council Policy Compliance - None.

Risk Assessment

The Risk Management Governance Framework has been considered in arriving at the officer recommendation. Please refer to (Appendix AAR:9.8A) for full assessment document.

Tier 2 – ‘Low’ or ‘Moderate’ Inherent Risk.	
Risk Event	2022 Annual Audit Work Plan.
Inherent Risk Rating (prior to treatment or control)	Low (1 - 4)
Risk Action Plan (treatment or controls proposed)	As the Inherent Risk Rating is below 12, this is not applicable.
Residual Risk Rating (after treatment or controls)	As the Inherent Risk Rating is below 12, this is not applicable.
Risk Category Assessed Against	Legal and Compliance Not considering the Annual Work Plan would not be in line with the Audit and Risk Committee Charter.
	Reputational Council’s reputation could be seen in a negative light for not adhering to the Audit and Risk Committee Charter.

Officer Comment -

The following Terms of Reference within the Audit and Risk Committee Charter instructs that:

“A forward annual work plan will be agreed by the Committee each year. The forward annual work plan will cover all Committee responsibilities as detailed in this ToR”.

The Charter provides a template to assist and guide the committee on the functions and roles and responsibilities that may be undertaken in a calendar year. Staff have used this template as a guideline and the proposed ‘Annual Audit Work Plan’ for the calendar year January 2022 to December 2022 is presented as follows:

AUDIT AND RISK COMMITTEE – 2022 ANNUAL AUDIT WORK PLAN					
FUNCTIONS, RESPONSIBILITIES & ASSOCIATED ACTIVITIES	16 Mar 22	* Apr/ May 22	8 Jun 22	14 Sep 22	7 Dec 22
1.Committee Operation					
Biennial review of the Charter (Terms of Reference). Next Due 2023.	Not Applicable – next due 2023				
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. Next Due 2023.	Not Applicable – next due 2023				
Appointment of Presiding Member and Deputy Presiding Member. Next Due 2023.	Not Applicable – next due 2023				
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] Report Next Due: 30-06-2022			✓		
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				✓	

AUDIT AND RISK COMMITTEE – 2022 ANNUAL AUDIT WORK PLAN					
FUNCTIONS, RESPONSIBILITIES & ASSOCIATED ACTIVITIES	16 Mar 22	* Apr/ May 22	8 Jun 22	14 Sep 22	7 Dec 22
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 Chair and Deputy Chair as representatives of the Audit and Risk Committee, Management and Council Auditors.		*			
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.					✓
Examine the reports of the auditor to – iii.) determine if any matters raised require action to be taken by the local government; and iv.) 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.	✓		✓	✓	✓

AUDIT AND RISK COMMITTEE – 2022 ANNUAL AUDIT WORK PLAN					
FUNCTIONS, RESPONSIBILITIES & ASSOCIATED ACTIVITIES	16 Mar 22	* Apr/ May 22	8 Jun 22	14 Sep 22	7 Dec 22
7 Regulation 17 Triennial Review (report next Due: March 2024)					
To consider the CEO's triennial review on risk management, internal control and legislative compliance.	Not Applicable – next due 2024				
Set the action plan arising from auditor recommendations from the Regulation 17 review.	Not Applicable – next due 2024				
Receive an update on the action plan arising from auditor recommendations from the 2021 Regulation 17 review (until all action items are completed).	✓		✓	✓	✓
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.	✓				
Set the action plan arising from auditor recommendations from the Financial Management Systems Review.	✓				
Receive an update on the action plan arising from auditor recommendations from the Financial Management Systems Review.			✓	✓	✓
9 Governance Health & Financial Sustainability Four-Yearly Review (report next Due: 2023-24)					
To consider the CEO's biennial Governance Health and Financial Sustainability Review, and report to the Council the results of that review.	Not Applicable – next due 2023-24				
Set the action plan arising from the recommendations from the review.	Not Applicable – next due 2023-24				
Receive an update on the action plan arising from the recommendations from the review.	Not Applicable – next due 2023-24				
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	Not Applicable – next due 2023-24				

AUDIT AND RISK COMMITTEE – 2022 ANNUAL AUDIT WORK PLAN					
FUNCTIONS, RESPONSIBILITIES & ASSOCIATED ACTIVITIES	16 Mar 22	* Apr/ May 22	8 Jun 22	14 Sep 22	7 Dec 22
Sustainability Review.					
10 Information Systems Security Audit (report next Due: 2022-23)					
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/May 2022 that serves as an audit entrance meeting with Council's appointed Auditors, Chair and Deputy Chair as representatives of the Audit and Risk Committee and management.*

Council Role - Legislative.

Voting Requirements - Simple Majority.

Change to Officer Recommendation No Change.

AUDIT & RISK COMMITTEE RESOLUTION

34-21 MOVED - Cr M Bennett SECONDED - Cr P Perks

THAT the Audit and Risk Committee recommends that Council receive and endorse the 2022 Annual Audit Work Plan.

CARRIED
5/0

10. ELECTED MEMBER MOTIONS OF WHICH PREVIOUS NOTICE HAS BEEN GIVEN

None.

11. NEW BUSINESS OF AN URGENT NATURE

[Please Note: This is Not General Business – This is for Urgent Business Approved By the Person Presiding or by Decision. In cases of extreme urgency or other special circumstance, matters may, with the consent of the person presiding, or by decision of the members present, be raised without notice and decided by the meeting.]

None.

12. MATTERS BEHIND CLOSED DOORS

None.

13. CLOSURE OF MEETING

The date of the next Audit & Risk Committee Meeting will be Wednesday, 16th of March 2022.

There being no further business the Chairperson declared the meeting closed at 3.08pm.

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

[Appendix ORD: 12.5.2B]

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
		19,797,844	19,698,762	20,546,238
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	2(b)	(420,346)	(394,316)	(333,680)
		(21,636,809)	(22,074,566)	(21,370,724)
		(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
		3,968,640	9,243,071	3,292,058
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

[Appendix ORD: 12.5.2B]

	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
		19,797,844	19,698,762	20,546,238
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)
		(21,530,339)	(21,967,361)	(21,252,911)
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)
		(106,470)	(107,205)	(117,813)
		(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 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
		3,968,640	9,243,071	3,292,058
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.

	NOTE	2021	2020 Restated*	1 July 2019 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	196,311
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.

* Refer to note 35.

	NOTE	RESERVES CASH/FINANCIAL			TOTAL EQUITY
		RETAINED SURPLUS	ASSET BACKED	REVALUATION SURPLUS	
		\$	\$	\$	\$
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		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.

	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	35	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.

* Refer to note 35.

	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

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

2. REVENUE AND EXPENSES

(a) Grant revenue

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

	2021 Actual	2021 Budget	2020 Actual
	\$	\$	\$
Operating grants, subsidies and contributions			
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
	2,507,208	2,680,137	3,490,049
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
	5,269,566	9,243,071	2,242,144
Total grants, subsidies and contributions	7,776,774	11,923,208	5,732,193
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
	3,237,538	2,730,279	2,832,064

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
	11,042,408	14,681,578	8,588,943

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
Revenue from transfers intended for acquiring or constructing recognisable non financial assets held as a liability at the start of the period

4,807,472 5,438,507 3,920,115

1,362,820 0 0

Revenue from transfers intended for acquiring or constructing recognisable non financial assets during the year

3,160,370 9,243,071 4,653,828

11,042,408 14,681,578 8,588,943

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.

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

2. REVENUE AND EXPENSES (Continued)

(a) Revenue (Continued)

Revenue from statutory requirements

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

General rates
 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 \$
General rates	13,462,306	13,490,863	13,369,053
Specified area rates	350,178	348,421	347,651
Statutory permits and licences	214,549	150,000	162,092
Fines	23,701	26,500	26,848
	14,050,734	14,015,784	13,905,644
Reimbursements and recoveries	28,096	28,091	24,686
	28,096	28,091	24,686
Interest on reserve funds	132,565	271,376	271,781
Interest on other funds	27,052	74,337	71,709
Rates instalment and penalty interest (refer Note 30(c))	51,650	73,168	136,866
Other interest earnings	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.

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

2. REVENUE AND EXPENSES (Continued)

(b) Expenses

Auditors remuneration

- Audit of the Annual Financial Report
- Other services (Commonwealth certifications)

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

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

[Appendix ORD: 12.5.2B]

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

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

3. CASH AND CASH EQUIVALENTS

	NOTE	2021 \$	2020 \$
Cash at bank and on hand		11,431,690	13,245,523
Term deposits	35	3,011,369	4,000,000
Total cash and cash equivalents		14,443,059	17,245,523
Financial Assets			
Principal Amount of term deposit	35	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	2,699,261
Capital grant liability - developer contributions	17	1,301,832	2,633,282
Less Contract liabilities - cash backed		(3,223,347)	(5,332,543)
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.

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

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	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
	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.

* A capital grant liability has been recognised under note 17 for these balances since 1 July 2019 due to initial application of AASB 1058.

SHIRE OF DARDANUP
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[Appendix ORD: 12.5.2B]

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 Section 154 of the Planning and Development Act 200, which came into effect on 12 September 2020.

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

NOTE	2021	2020
	\$	\$
35	12,600,296	8,400,000
	12,600,296	8,400,000
35	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.

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	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	440,038	111,397	2,282,175	571,644	32,453,361
Additions	42,581	138,502	181,083	130,795	0	325,321	31,390	668,589
(Disposals)	(69,959)	(29,064)	(99,023)	(82,439)	(3,200)	(100,468)	0	(285,130)
Depreciation (expense)	0	(806,986)	(806,986)	(131,139)	(13,568)	(345,221)	0	(1,296,914)
Transfers	63,099	0	63,099	0	0	0	(63,099)	0
Carrying amount at 30 June 2020	6,401,394	21,984,886	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	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)	(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
Carrying amount at 30 June 2020	6,401,394	21,984,886	28,386,280	357,255	94,629	2,161,807	539,935	31,539,906
Additions	7,500	11,941	19,441	24,754	(0)	531,430	2,058,267	2,633,891
(Disposals)	(107,150)	(445,316)	(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	0	0	0	0	10,334,020
Depreciation (expense)	0	(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	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	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)	(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	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 2021	Price per m2
Buildings - non-specialised	3	Market approach using recent observable market data for properties	Independent registered valuer	June 2021	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.

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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

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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 FOR THE YEAR ENDED 30 JUNE 2021

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	(89,143)
Eaton Bowling Club (Former Building)	356,173		0	(356,173)
	445,316	0	0	(445,316)
Infrastructure				
Transport				
Bridges	282,903		0	(282,903)
	282,903	0	0	(282,903)
Work in progress				
Other property and services				
Design Costs	481,722		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.

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

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

Adjustment due to subsequent changes in lease liabilities

Depreciation (expense)

Carrying amount at 30 June 2021

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

Lease principal expense

Total amount recognised in the statement of comprehensive income

Total cash outflow from leases

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
\$	\$	\$	
122,212	264,330	7,719	394,261
0	262,667	0	262,667
(21,509)	(122,411)	(7,115)	(151,035)
100,703	404,586	604	505,893
0	171,395	12,213	183,608
11,132	2,442	(604)	12,970
(23,397)	(139,424)	(5,978)	(168,799)
88,438	438,999	6,235	533,672

2021 Actual	2020 Actual
\$	\$
(11,148)	(7,988)
(39,150)	0
(165,751)	(148,175)
(216,049)	(156,163)
(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.

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

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 liabilities - Developer Contributions
Contract liabilities from contracts with customers - Revenue

Non-current

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

2021	2020
\$	\$
1,906,515	2,684,261
538,409	2,035,010
27,290	0
2,472,214	4,719,271
15,000	15,000
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 liabilities - Developer Contributions
\$	\$
1,933,805	538,409
0	763,423
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.

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

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 Lease Principal 1 July 2020	30 June 2021 Actual New Leases	30 June 2021 Actual Lease Principal Repayments	30 June 2021 Actual Adjustment to Lease	30 June 2021 Actual Lease Principal Outstanding	30 June 2021 Actual Lease Interest Repayments	Budget Lease Principal 1 July 2020	30 June 2021 Budget New Leases	30 June 2021 Budget Lease Principal Repayments	30 June 2021 Budget Lease Principal Outstanding	30 June 2021 Budget Lease Interest Repayments	Actual Lease Principal 1 July 2019	30 June 2020 Actual New Leases	30 June 2020 Actual Lease Principal Repayments	30 June 2020 Actual Lease Principal Outstanding	30 June 2020 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	(319)
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	(10,689)	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	0	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)

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

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	Actual Principal 1 July 2020	30 June 2021 Actual New Loans	30 June 2021 Actual Principal repayments	30 June 2021 Accrued Interest	30 June 2021 Actual Interest repayments	30 June 2021 Actual Principal outstanding	Budget Principal 1 July 2020	30 June 2021 Budget New Loans	30 June 2021 Budget Principal repayments	30 June 2021 Budget Interest repayments	30 June 2021 Budget Principal outstanding	Actual Principal 1 July 2019	30 June 2020 Actual New Loans	30 June 2020 Actual Principal repayments	30 June 2020 Accrued Interest	30 June 2020 Actual Interest repayments	30 June 2020 Actual Principal outstanding
				\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Particulars																				
Community amenities																				
Warju Developer Contribution Plan/M	70	WATC	1.44%	0	750,000	0	(1,317)	0	750,000	0	750,000	0	0	750,000	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		(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		(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

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

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	Borrowed During Year	Expended During Year	Unspent Balance
		1 July 2020			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.

20. EMPLOYEE RELATED PROVISIONS

(a) Employee Related Provisions

Opening balance at 1 July 2020

Current provisions

Non-current provisions

Additional provision

Amounts used

Balance at 30 June 2021

Comprises

Current

Non-current

	Provision for Annual Leave	Provision for 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

Amounts are expected to be settled on the following basis:

Less than 12 months after the reporting date

More than 12 months from reporting date

	2021	2020
	\$	\$
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.

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

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:

	NOTE	2021 Actual \$	2021 Budget \$	2020 Actual \$
Cash and cash equivalents	35	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	11(c)	5,270,048	5,289,647	5,253,788
(Profit)/loss on sale of asset	11(a)	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		27,290	(2,310,010)	0
Non-operating grants, subsidies and contributions		(5,269,566)	(9,243,071)	(2,242,144)
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 Actual	2020 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).

SHIRE OF DARDANUP
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
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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 Actual Rateable Value	2020/21 Actual Rate Revenue	2020/21 Actual Interim Rates	2020/21 Actual Back Rates	2020/21 Actual Total Revenue	2020/21 Budget Rate Revenue	2020/21 Budget Interim Rate	2020/21 Budget Back Rate	2020/21 Budget Total Revenue	2019/20 Actual Total Revenue
Differential general rate / general rate			\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Gross rental valuations												
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
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
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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 townsites.	Residential improved properties within the townsites 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 townsite 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
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
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 prior year errors	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

		2020/21 Budget	2020/21	2019/20
	2020/21 (30 June 2021 Carried Forward)	(30 June 2021 Carried Forward)	(1 July 2020 Brought Forward)	(30 June 2020 Carried Forward)
Note	\$	\$	\$	\$
(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	11(a)	(18,861)	0	(1,170,841)
Less: Movement in liabilities associated with restricted cash		(2,109,196)	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)
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)		
Add: Loss on disposal of assets	11(a)	1,322,374	0	122,079
Add: Depreciation on non-current assets	11(c)	5,270,048	5,289,647	5,253,788
Non cash amounts excluded from operating activities		4,249,214	6,657,079	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)	(22,205,416)
Add: Current liabilities not expected to be cleared at end of year				
- Current portion of borrowings	19(a)	333,977	750,000	250,116
- Current portion of contract liability held in reserve		2,444,924	602,792	4,719,271
- Current portion of lease liabilities		167,309	86,490	143,625
Total adjustments to net current assets		(18,892,682)	(12,577,953)	(17,092,404)
Net current assets used in the Rate Setting Statement				
Total current assets		28,262,811	18,083,044	27,179,668
Less: Total current liabilities		(8,408,940)	(5,286,105)	(9,612,766)
Less: Total adjustments to net current assets		(18,892,682)	(12,577,953)	(17,092,404)
Net current assets used in the Rate Setting Statement		961,190	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		27,179,668
Adjustments on application of new accounting standards		0
Total current assets at 1 July 2020		27,179,668
Total current liabilities at 30 June 2020		(9,612,766)
Adjustments on application of new accounting standards		0
Total current liabilities at 1 July 2020		(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.

Impact of a 1% movement in interest rates on profit and loss and equity*

* Holding all other variables constant

	2021	2020
	\$	\$
	114,317	132,455

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
2021	\$	\$	\$	\$	\$
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
	2,300,363	1,298,072	1,203,222	4,801,657	6,744,308
2020					
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
	3,554,450	1,398,578	1,165,249	6,118,277	5,534,615

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

The Shire previously recorded term deposits, with maturity of 3 months or less, 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. This error has been corrected in the current year, and prior year figures have been restated as follows:

Statement of Financial Position (Extract)	30 June 2020 \$	Increase/ (Decrease) \$	30 June 2020 (Restated) \$	30 June 2019 \$	Increase/ (Decrease) \$	01 July 2019 (Restated) \$
Cash and cash equivalents (Note 3)	25,645,523	(8,400,000)	17,245,523	19,441,957	(10,000,000)	9,441,957
Other Financial Assets - Term deposits (Note 3)	0	8,400,000	8,400,000	0	10,000,000	10,000,000
Total	25,645,523	0	25,645,523	19,441,957	0	19,441,957

Statement of Cash Flows	Reported at 30 June 2020 \$	Increase/ (Decrease) \$	Restated 30-Jun-20 \$	Reported at 30 June 2019 \$	Increase/ (Decrease) \$	Restated 30 June 2019 \$
Proceeds for financial assets at amortised cost - term deposits	0	1,600,000	1,600,000	0	529,158	529,158
Cash at beginning of the year	19,441,957	(10,000,000)	9,441,957	17,832,573	(10,529,158)	7,303,415
Cash and cash equivalent at the end of the year	25,645,523	(8,400,000)	17,245,523	19,441,957	(10,000,000)	9,441,957

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
GOVERNANCE To provide a decision making process for the efficient allocation of scarce resources.	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.
GENERAL PURPOSE FUNDING To collect revenue to allow for the provision of services.	Rates, general purpose government grants and interest revenue.
LAW, ORDER, PUBLIC SAFETY To provide services to help ensure a safer and environmentally conscious community.	Supervision and enforcement of various local-laws relating to the fire prevention, animal control and protection of the environment, and other aspects of public safety including emergency services.
HEALTH To provide services to achieve community and environmental health.	Maternal and infant health facilities, immunisation, meat inspection services, inspection of food outlets, noise control and pest control services.
EDUCATION AND WELFARE To provide services to children, youth, the elderly and disadvantaged persons.	Pre-school and other education services, child minding facilities, playgroups, senior citizens' centres, meals on wheels and home care services.
HOUSING To provide and maintain staff housing and elderly residents' housing.	Provision and maintenance of staff housing and elderly residents' housing.
COMMUNITY AMENITIES To provide services required by the community.	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.
RECREATION AND CULTURE To establish and effectively manage infrastructure and resources which help the social well being of the community.	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.
TRANSPORT To promote safe, effective and efficient transport services to the community.	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.
ECONOMIC SERVICES To help promote the shire and its economic wellbeing.	To help promote the shire and its economic wellbeing.
OTHER PROPERTY AND SERVICES To monitor and control Council's overheads operating accounts.	Private works operations, plant repairs and operations costs, engineering operation costs.

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

