



# AGENDA

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# AUDIT COMMITTEE

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15 FEBRUARY 2021



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**SHIRE OF WAGIN**  
**NOTICE OF MEETING**

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Dear President and Councillors,

The next Audit Committee meeting will be held

**ON:** Monday 15 February 2021

**WHERE:** Council Chambers, Shire Office, 2 Arthur Road, WAGIN

**AT:** 2:00pm

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Bill Atkinson  
**CHIEF EXECUTIVE OFFICER**

*Note: That, under section 5.65 of the Local Government Act 1995, care should be exercised by all councillors to ensure that a 'financial interest' is declared and that they refrain from voting on any matters which are considered that may come within the ambit of the Act.*



## DISCLAIMER

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The Shire of Wagin disclaims any liability for any loss whatsoever and howsoever caused arising out of reliance by any person or legal entity on any such act, omission or statement or intimation occurring during Council or committee meetings.

Any person or legal entity who acts or fails to act in reliance upon any statement, act or omission made in a Council or committee meeting does so at that person's or legal entity's own risk.

In particular and without detracting in any way from the broad disclaimer above, in any discussion regarding any planning application or application for a licence, any statement or intimation of approval made by any member or officer of the Shire of Wagin during the course of any meeting is not intended to be and is not taken as notice of approval from the Shire of Wagin

The Shire of Wagin advises that anyone who has any application lodged with the Shire of Wagin shall obtain and should only rely on **WRITTEN CONFIRMATION** of the outcome of the application, and any conditions attaching to the decision made by the Shire of Wagin in respect of the application.

**Bill Atkinson**  
CHIEF EXECUTIVE OFFICER



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## SHIRE OF WAGIN

Agenda for the Audit Committee meeting to be held in the Council Chambers, Wagin on  
Monday 15 February 2021 commencing at 2pm

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### CONTENTS

<b>1.</b>	<b>OFFICIAL OPENING</b> .....	<b>5</b>
<b>2.</b>	<b>RECORD OF ATTENDANCE/APOLOGIES/LEAVE OF ABSENCE (PREVIOUSLY APPROVED)</b> .....	<b>5</b>
2.1	ATTENDANCE .....	5
2.2	APOLOGIES .....	5
<b>2.3</b>	<b>VISITORS</b> .....	<b>5</b>
<b>3.</b>	<b>PETITIONS/DEPUTATIONS/PRESENTATIONS</b> .....	<b>5</b>
<b>4.</b>	<b>DISCLOSURE OF FINANCIAL AND OTHER INTERESTS</b> .....	<b>5</b>
<b>5.</b>	<b>CONFIRMATION OF PREVIOUS MEETING MINUTES</b> .....	<b>5</b>
5.1	MINUTES FROM THE AUDIT COMMITTEE MEETING HELD 28 JULY 2020 .....	6
<b>6.</b>	<b>CORRESPONDENCE AND REPORTS</b> .....	<b>6</b>
6.1	SHIRE OF WAGIN 2020 COMPLIANCE AUDIT RETURN .....	6
6.2	2019/2020 DRAFT INDEPENDENT AUDITOR'S REPORT .....	19
6.3	2019/2020 DRAFT AUDIT MANAGEMENT LETTER .....	87
<b>7.</b>	<b>GENERAL BUSINESS</b> .....	<b>93</b>
<b>8.</b>	<b>CLOSURE</b> .....	<b>93</b>



## 1. OFFICIAL OPENING

The Presiding Member, Cr Phil Blight opened the meeting at \_\_\_\_\_pm.

## 2. RECORD OF ATTENDANCE/APOLOGIES/LEAVE OF ABSENCE (PREVIOUSLY APPROVED)

### 2.1 ATTENDANCE

Cr Phillip Blight	Shire President
Cr Bronwyn Hegarty	
Cr Bryan Kilpatrick	
Cr Jason Reed	
Bill Atkinson	Acting Chief Executive Officer
Brian Roderick	Deputy Chief Executive Officer
Tegan Hall	Manager of Finance
Emily Edwards	Executive Assistant

### 2.2 APOLOGIES

Cr Greg Ball	Deputy Shire President
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### 2.3 VISITORS

Marcia Johnson	Butler Settineri – Director
Aram Madnack	Butler Settineri – OAG Director

## 3. PETITIONS/DEPUTATIONS/PRESENTATIONS

## 4. DISCLOSURE OF FINANCIAL AND OTHER INTERESTS

### 4.1 DISCLOSURE OF FINANCIAL INTEREST – Local Government Act Section 5.60a

### 4.2 DISCLOSURE OF PROXIMITY INTEREST – Local Government Act Section 5.6

### 4.3 DISCLOSURE OF IMPARTIALITY INTEREST – Administration Regulation Section 34c

## 5. CONFIRMATION OF PREVIOUS MEETING MINUTES



## 5.1 MINUTES FROM THE AUDIT COMMITTEE MEETING HELD 28 JULY 2020

### COUNCIL DECISION

Moved Cr

Seconded Cr

**That the minutes of the Audit Committee meeting held on Tuesday 28 July 2020 and circulated to all Councillors, be confirmed as a true and accurate record.**

**Carried 0/0**

## 6. CORRESPONDENCE AND REPORTS

### 6.1 SHIRE OF WAGIN 2020 COMPLIANCE AUDIT RETURN

PROPONENT:	N/A
OWNER:	N/A
LOCATION/ADDRESS:	N/A
AUTHOR OF REPORT:	Chief Executive Officer
SENIOR OFFICER:	Chief Executive Officer
DATE OF REPORT:	28 January 2021
PREVIOUS REPORT(S):	March 2020
DISCLOSURE OF INTEREST:	Nil
FILE REFERENCE:	FM.AD.1
ATTACHMENTS:	<ul style="list-style-type: none"><li>2020 Compliance Audit Return</li></ul>

### OFFICER RECOMMENDATION

Moved Cr

Seconded Cr

**That the Committee recommend that Council receives and adopts the 2020 Compliance Audit Return for the period 1 January 2020 to 31 December 2020.**

**Carried 0/0**

### BRIEF SUMMARY

The local government's audit committee is required to review the completed 2020 Compliance Audit Return and report the results to council prior to its adoption by council. It must then be submitted to the Department of Local Government by 31 March 2021.

### BACKGROUND/COMMENT

In accordance with Regulation 13 of the Local Government (Audit) Regulations 1996, each year every local government is required to carry out a compliance audit in relation to the period 1 January to 31 December against the requirements of the Compliance Audit Return (CAR).

The CAR contains 89 questions (plus 10 optional questions) and provides the tool for the Council to monitor legislative compliance by examining a range of prescribed subjects under Regulation 13 of the Local Government (Audit) Regulations 1996 in detail.



The Audit Return has been completed by the CEO, Deputy CEO and Manager of Finance. A copy of the completed document is included in the Agenda for the Committee to review. No matters of concern are brought to the Committee's notice.

After the CAR has been reviewed by the Audit Committee and presented to Council, a copy certified by the President and CEO, along with the relevant section of the minutes and any additional information explaining or qualifying the CAR, is to be submitted to the Department of Local Government, Sport and Cultural Industries by 31 March.

#### **CONSULTATION/COMMUNICATION**

- Deputy Chief Executive Officer
- Manager of Finance

#### **STATUTORY/LEGAL IMPLICATIONS**

- Regulation 13 of the Local Government Audit Regulations

#### **POLICY IMPLICATIONS**

Nil

#### **FINANCIAL IMPLICATIONS**

Nil

#### **STRATEGIC IMPLICATIONS**

Nil

#### **VOTING REQUIREMENTS**

Simple Majority



## Wagin - Compliance Audit Return 2020

### Certified Copy of Return

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

<b>Commercial Enterprises by Local Governments</b>					
<b>No</b>	<b>Reference</b>	<b>Question</b>	<b>Response</b>	<b>Comments</b>	<b>Respondent</b>
1	s3.59(2)(a) F&G Regs 7,9,10	Has the local government prepared a business plan for each major trading undertaking that was not exempt in 2020?	N/A		Bill Atkinson
2	s3.59(2)(b) F&G Regs 7,8,10	Has the local government prepared a business plan for each major land transaction that was not exempt in 2020?	N/A		Bill Atkinson
3	s3.59(2)(c) F&G Regs 7,8,10	Has the local government prepared a business plan before entering into each land transaction that was preparatory to entry into a major land transaction in 2020?	N/A		Bill Atkinson
4	s3.59(4)	Has the local government complied with public notice and publishing requirements for each proposal to commence a major trading undertaking or enter into a major land transaction or a land transaction that is preparatory to a major land transaction for 2020?	N/A		Bill Atkinson
5	s3.59(5)	During 2020, did the council resolve to proceed with each major land transaction or trading undertaking by absolute majority?	N/A		Bill Atkinson





<b>Delegation of Power/Duty</b>					
<b>No</b>	<b>Reference</b>	<b>Question</b>	<b>Response</b>	<b>Comments</b>	<b>Respondent</b>
1	s5.16	Were all delegations to committees resolved by absolute majority?	N/A		Bill Atkinson
2	s5.16	Were all delegations to committees in writing?	N/A		Bill Atkinson
3	s5.17	Were all delegations to committees within the limits specified in section 5.17?	N/A		Bill Atkinson
4	s5.18	Were all delegations to committees recorded in a register of delegations?	N/A		Bill Atkinson
5	s5.18	Has council reviewed delegations to its committees in the 2019/2020 financial year?	N/A		Bill Atkinson
6	s5.42(1) & s5.43 Admin Reg 18G	Did the powers and duties delegated to the CEO exclude those listed in section 5.43 of the Act?	No		Bill Atkinson
7	s5.42(1)	Were all delegations to the CEO resolved by an absolute majority?	Yes		Bill Atkinson
8	s5.42(2)	Were all delegations to the CEO in writing?	Yes		Brian Roderick
9	s5.44(2)	Were all delegations by the CEO to any employee in writing?	N/A		Bill Atkinson
10	s5.16(3)(b) & s5.45(1)(b)	Were all decisions by the council to amend or revoke a delegation made by absolute majority?	N/A		Bill Atkinson
11	s5.46(1)	Has the CEO kept a register of all delegations made under Division 4 of the Act to the CEO and to employees?	Yes		Brian Roderick
12	s5.46(2)	Were all delegations made under Division 4 of the Act reviewed by the delegator at least once during the 2019/2020 financial year?	No	Due to Changeover of Senior staff	Brian Roderick
13	s5.46(3) Admin Reg 19	Did all persons exercising a delegated power or duty under the Act keep, on all occasions, a written record in accordance with Admin Reg 19?	No	Management has compiled a written record register to take effect 1st January 2021	Brian Roderick

<b>Disclosure of Interest</b>					
<b>No</b>	<b>Reference</b>	<b>Question</b>	<b>Response</b>	<b>Comments</b>	<b>Respondent</b>
1	s5.67	Where a council member disclosed an interest in a matter and did not have participation approval under sections 5.68 or 5.69, did the council member ensure that they did not remain present to participate in discussion or decision making relating to the matter?	Yes		Bill Atkinson



No	Reference	Question	Response	Comments	Respondent
2	s5.68(2) & s5.69 (5) Admin Reg 21A	Were all decisions regarding participation approval, including the extent of participation allowed and, where relevant, the information required by Admin Reg 21A, recorded in the minutes of the relevant council or committee meeting?	N/A		Bill Atkinson
3	s5.73	Were disclosures under section sections 5.65, 5.70 or 5.71A(3) recorded in the minutes of the meeting at which the disclosures were made?	Yes		Bill Atkinson
4	s5.75 Admin Reg 22, Form 2	Was a primary return in the prescribed form lodged by all relevant persons within three months of their start day?	Yes		Bill Atkinson
5	s5.76 Admin Reg 23, Form 3	Was an annual return in the prescribed form lodged by all relevant persons by 31 August 2020?	Yes		Bill Atkinson
6	s5.77	On receipt of a primary or annual return, did the CEO, or the mayor/president, give written acknowledgment of having received the return?	Yes		Bill Atkinson
7	s5.88(1) & (2)(a)	Did the CEO keep a register of financial interests which contained the returns lodged under sections 5.75 and 5.76?	Yes		Bill Atkinson
8	s5.88(1) & (2)(b) Admin Reg 28	Did the CEO keep a register of financial interests which contained a record of disclosures made under sections 5.65, 5.70, 5.71 and 5.71A, in the form prescribed in Admin Reg 28?	Yes		Bill Atkinson
9	s5.88(3)	When a person ceased to be a person required to lodge a return under sections 5.75 and 5.76, did the CEO remove from the register all returns relating to that person?	Yes		Brian Roderick
10	s5.88(4)	Have all returns removed from the register in accordance with section 5.88(3) been kept for a period of at least five years after the person who lodged the return(s) ceased to be a person required to lodge a return?	Yes		Bill Atkinson
11	s5.89A(1), (2) & (3) Admin Reg 28A	Did the CEO keep a register of gifts which contained a record of disclosures made under sections 5.87A and 5.87B, in the form prescribed in Admin Reg 28A?	Yes		Brian Roderick
12	s5.89A(5) & (5A)	Did the CEO publish an up-to-date version of the gift register on the local government's website?	Yes		Bill Atkinson
13	s5.89A(6)	When a person ceases to be a person who is required to make a disclosure under section 5.87A or 5.87B, did the CEO remove from the register all records relating to that person?	Yes		Bill Atkinson



No	Reference	Question	Response	Comments	Respondent
14	s5.89A(7)	Have copies of all records removed from the register under section 5.89A (6) been kept for a period of at least five years after the person ceases to be a person required to make a disclosure?	Yes		Bill Atkinson
15	Rules of Conduct Reg 11(1), (2) & (4)	Where a council member had an interest that could, or could reasonably be perceived to, adversely affect the impartiality of the person, did they disclose the interest in accordance with Rules of Conduct Reg 11(2)?	N/A		Bill Atkinson
16	Rules of Conduct Reg 11(6)	Where a council member disclosed an interest under Rules of Conduct Reg 11 (2) was the nature of the interest recorded in the minutes?	N/A		Bill Atkinson
17	s5.70(2) & (3)	Where an employee had an interest in any matter in respect of which the employee provided advice or a report directly to council or a committee, did that person disclose the nature and extent of that interest when giving the advice or report?	Yes		Bill Atkinson
18	s5.71A & s5.71B (5)	Where council applied to the Minister to allow the CEO to provide advice or a report to which a disclosure under s5.71A(1) relates, did the application include details of the nature of the interest disclosed and any other information required by the Minister for the purposes of the application?	N/A		Bill Atkinson
19	s5.71B(6) & s5.71B(7)	Was any decision made by the Minister under subsection 5.71B(6) recorded in the minutes of the council meeting at which the decision was considered?	N/A		Bill Atkinson
20	s5.103 Admin Regs 34B & 34C	Has the local government adopted a code of conduct in accordance with Admin Regs 34B and 34C to be observed by council members, committee members and employees?	Yes		Bill Atkinson
21	Admin Reg 34B(5)	Has the CEO kept a register of notifiable gifts in accordance with Admin Reg 34B(5)?	Yes		Bill Atkinson

**Disposal of Property**

No	Reference	Question	Response	Comments	Respondent
1	s3.58(3)	Where the local government disposed of property other than by public auction or tender, did it dispose of the property in accordance with section 3.58(3) (unless section 3.58(5) applies)?	Yes		Bill Atkinson
2	s3.58(4)	Where the local government disposed of property under section 3.58(3), did it provide details, as prescribed by section 3.58(4), in the required local public notice for each disposal of property?	Yes		Bill Atkinson



<b>Elections</b>					
<b>No</b>	<b>Reference</b>	<b>Question</b>	<b>Response</b>	<b>Comments</b>	<b>Respondent</b>
1	Elect Regs 30G(1) & (2)	Did the CEO establish and maintain an electoral gift register and ensure that all disclosure of gifts forms completed by candidates and donors and received by the CEO were placed on the electoral gift register at the time of receipt by the CEO and in a manner that clearly identifies and distinguishes the forms relating to each candidate?	Yes		Bill Atkinson
2	Elect Regs 30G(3) & (4)	Did the CEO remove any disclosure of gifts forms relating to an unsuccessful candidate, or a successful candidate that completed their term of office, from the electoral gift register, and retain those forms separately for a period of at least two years?	N/A		Bill Atkinson
3	Elect Regs 30G(5) & (6)	Did the CEO publish an up-to-date version of the electoral gift register on the local government's official website in accordance with Elect Reg 30G(6)?	N/A	No notification of election gifts	Brian Roderick

<b>Finance</b>					
<b>No</b>	<b>Reference</b>	<b>Question</b>	<b>Response</b>	<b>Comments</b>	<b>Respondent</b>
1	s7.1A	Has the local government established an audit committee and appointed members by absolute majority in accordance with section 7.1A of the Act?	Yes		Brian Roderick
2	s7.1B	Where the council delegated to its audit committee any powers or duties under Part 7 of the Act, did it do so by absolute majority?	N/A		Brian Roderick
3	s7.3(1) & s7.6(3)	Was the person or persons appointed by the local government to be its auditor appointed by an absolute majority decision of council?	N/A	Auditor General	Brian Roderick
4	s7.3(3)	Was the person(s) appointed by the local government under s7.3(1) to be its auditor a registered company auditor or an approved auditor?	N/A		Brian Roderick
5	s7.9(1)	Was the auditor's report for the financial year ended 30 June 2020 received by the local government by 31 December 2020?	No	To be presented at the Feb 21 Council Meeting	Brian Roderick
6	s7.12A(3)	Where the local government determined that matters raised in the auditor's report prepared under s7.9 (1) of the Act required action to be taken, did the local government ensure that appropriate action was undertaken in respect of those matters?	Yes	18/19 Audit report	Brian Roderick



No	Reference	Question	Response	Comments	Respondent
7	s7.12A(4)(a)	Where matters identified as significant were reported in the auditor's report, did the local government prepare a report that stated what action the local government had taken or intended to take with respect to each of those matters?	Yes	18/19 Audit report	Brian Roderick
8	s7.12A(4)(b)	Where the local government was required to prepare a report under s.7.12A(4)(a), was a copy of the report given to the Minister within three months of the audit report being received by the local government?	Yes		Brian Roderick
9	s7.12A(5)	Within 14 days after the local government gave a report to the Minister under s7.12A(4)(b), did the CEO publish a copy of the report on the local government's official website?	Yes		Brian Roderick
10	Audit Reg 7	Did the agreement between the local government and its auditor include the objectives and scope of the audit, a plan for the audit, details of the remuneration and expenses paid to the auditor, and the method to be used by the local government to communicate with the auditor?	Yes		Brian Roderick
11	Audit Reg 10(1)	Was the auditor's report for the financial year ending 30 June received by the local government within 30 days of completion of the audit?	Yes		Brian Roderick

**Integrated Planning and Reporting**

No	Reference	Question	Response	Comments	Respondent
1	Admin Reg 19C	Has the local government adopted by absolute majority a strategic community plan? If Yes, please provide the adoption date or the date of the most recent review in the Comments section?	Yes	28th July 2020	Brian Roderick
2	Admin Reg 19DA (1) & (4)	Has the local government adopted by absolute majority a corporate business plan? If Yes, please provide the adoption date or the date of the most recent review in the Comments section?	Yes	28th July 2020	Brian Roderick
3	Admin Reg 19DA (2) & (3)	Does the corporate business plan comply with the requirements of Admin Reg 19DA(2) & (3)?	Yes		Brian Roderick



<b>Local Government Employees</b>					
<b>No</b>	<b>Reference</b>	<b>Question</b>	<b>Response</b>	<b>Comments</b>	<b>Respondent</b>
1	Admin Reg 18C	Did the local government approve a process to be used for the selection and appointment of the CEO before the position of CEO was advertised?	Yes		Bill Atkinson
2	s5.36(4) & s5.37 (3) Admin Reg 18A	Were all CEO and/or senior employee vacancies advertised in accordance with Admin Reg 18A?	Yes		Bill Atkinson
3	Admin Reg 18E	Was all information provided in applications for the position of CEO true and accurate?	Yes		Bill Atkinson
4	Admin Reg 18F	Was the remuneration and other benefits paid to a CEO on appointment the same remuneration and benefits advertised for the position under section 5.36(4)?	Yes		Bill Atkinson
5	s5.37(2)	Did the CEO inform council of each proposal to employ or dismiss senior employee?	N/A		Bill Atkinson
6	s5.37(2)	Where council rejected a CEO's recommendation to employ or dismiss a senior employee, did it inform the CEO of the reasons for doing so?	N/A		Bill Atkinson

<b>Official Conduct</b>					
<b>No</b>	<b>Reference</b>	<b>Question</b>	<b>Response</b>	<b>Comments</b>	<b>Respondent</b>
1	s5.120	Has the local government designated a senior employee as defined by section 5.37 to be its complaints officer?	Yes		Bill Atkinson
2	s5.121(1)	Has the complaints officer for the local government maintained a register of complaints which records all complaints that resulted in a finding under section 5.110(2)(a)?	N/A		Brian Roderick
3	s5.121(2)	Does the complaints register include all information required by section 5.121 (2)?	Yes		Brian Roderick
4	s5.121(3)	Has the CEO published an up-to-date version of the register of the complaints on the local government's official website?	Yes		Brian Roderick

**Optional Questions**



No	Reference	Question	Response	Comments	Respondent
1	Financial Management Reg 5 (2)(c)	Did the CEO review the appropriateness and effectiveness of the local government's financial management systems and procedures in accordance with Financial Management Reg 5(2)(c) within the three years prior to 31 December 2020? If yes, please provide the date of council's resolution to accept the report.	Yes		Bill Atkinson
2	Audit Reg 17	Did the CEO review the appropriateness and effectiveness of the local government's systems and procedures in relation to risk management, internal control and legislative compliance in accordance with Audit Reg 17 within the three years prior to 31 December 2020? If yes, please provide date of council's resolution to accept the report.	Yes		Bill Atkinson
3	s5.87C(2)	Where a disclosure was made under sections 5.87A or 5.87B, was the disclosure made within 10 days after receipt of the gift?	N/A		Bill Atkinson
4	s5.87C	Where a disclosure was made under sections 5.87A or 5.87B, did the disclosure include the information required by section 5.87C?	N/A		Bill Atkinson
5	s5.90A(2)	Did the local government prepare and adopt by absolute majority a policy dealing with the attendance of council members and the CEO at events?	Yes		Brian Roderick
6	s.5.90A(5)	Did the CEO publish an up-to-date version of the attendance at events policy on the local government's official website?	Yes		Brian Roderick
7	s5.96A(1), (2), (3) & (4)	Did the CEO publish information on the local government's website in accordance with sections 5.96A(1), (2), (3), and (4)?	Yes		Brian Roderick
8	s5.128(1)	Did the local government prepare and adopt (by absolute majority) a policy in relation to the continuing professional development of council members?	No	In the process of being addressed	Brian Roderick
9	s5.127	Did the local government prepare a report on the training completed by council members in the 2019/2020 financial year and publish it on the local government's official website by 31 July 2020?	Yes		Bill Atkinson
10	s6.4(3)	By 30 September 2020, did the local government submit to its auditor the balanced accounts and annual financial report for the year ending 30 June 2020?	Yes		Bill Atkinson



<b>Tenders for Providing Goods and Services</b>					
<b>No</b>	<b>Reference</b>	<b>Question</b>	<b>Response</b>	<b>Comments</b>	<b>Respondent</b>
1	F&G Reg 11A(1) & (3)	Does the local government have a current purchasing policy that complies with F&G Reg 11A(3) in relation to contracts for other persons to supply goods or services where the consideration under the contract is, or is expected to be, \$250,000 or less or worth \$250,000 or less?	Yes		Bill Atkinson
2	F&G Reg 11A(1)	Did the local government comply with its current purchasing policy in relation to the supply of goods or services where the consideration under the contract was, or was expected to be, \$250,000 or less or worth \$250,000 or less?	Yes		Bill Atkinson
3	s3.57 F&G Reg 11	Subject to F&G Reg 11(2), did the local government invite tenders for all contracts for the supply of goods or services where the consideration under the contract was, or was expected to be, worth more than the consideration stated in F&G Reg 11(1)?	Yes		Bill Atkinson
4	F&G Regs 11(1), 12(2), 13, & 14(1), (3), and (4)	When regulations 11(1), 12(2) or 13 required tenders to be publicly invited, did the local government invite tenders via Statewide public notice in accordance with F&G Reg 14(3) and (4)?	Yes		Bill Atkinson
5	F&G Reg 12	Did the local government comply with F&G Reg 12 when deciding to enter into multiple contracts rather than a single contract?	N/A		Bill Atkinson
6	F&G Reg 14(5)	If the local government sought to vary the information supplied to tenderers, was every reasonable step taken to give each person who sought copies of the tender documents or each acceptable tenderer notice of the variation?	N/A		Bill Atkinson
7	F&G Regs 15 & 16	Did the local government's procedure for receiving and opening tenders comply with the requirements of F&G Regs 15 and 16?	Yes		Bill Atkinson
8	F&G Reg 17	Did the information recorded in the local government's tender register comply with the requirements of F&G Reg 17 and did the CEO make the tenders register available for public inspection and publish it on the local government's official website?	Yes		Bill Atkinson
9	F&G Reg 18(1)	Did the local government reject any tenders that were not submitted at the place, and within the time, specified in the invitation to tender?	N/A		Bill Atkinson





No	Reference	Question	Response	Comments	Respondent
10	F&G Reg 18(4)	Were all tenders that were not rejected assessed by the local government via a written evaluation of the extent to which each tender satisfies the criteria for deciding which tender to accept?	Yes		Bill Atkinson
11	F&G Reg 19	Did the CEO give each tenderer written notice containing particulars of the successful tender or advising that no tender was accepted?	Yes		Bill Atkinson
12	F&G Regs 21 & 22	Did the local government's advertising and expression of interest processes comply with the requirements of F&G Regs 21 and 22?	N/A		Bill Atkinson
13	F&G Reg 23(1) & (2)	Did the local government reject any expressions of interest that were not submitted at the place, and within the time, specified in the notice or that failed to comply with any other requirement specified in the notice?	N/A		Bill Atkinson
14	F&G Reg 23(3)	Were all expressions of interest that were not rejected assessed by the local government?	N/A		Bill Atkinson
15	F&G Reg 23(4)	After the local government considered expressions of interest, did the CEO list each person considered capable of satisfactorily supplying goods or services as an acceptable tenderer?	N/A		Bill Atkinson
16	F&G Reg 24	Did the CEO give each person who submitted an expression of interest a notice in writing of the outcome in accordance with F&G Reg 24?	N/A		Bill Atkinson
17	F&G Regs 24AD(2) & (4) and 24AE	Did the local government invite applicants for a panel of pre-qualified suppliers via Statewide public notice in accordance with F&G Reg 24AD(4) and 24AE?	N/A		Bill Atkinson
18	F&G Reg 24AD(6)	If the local government sought to vary the information supplied to the panel, was every reasonable step taken to give each person who sought detailed information about the proposed panel or each person who submitted an application notice of the variation?	N/A		Bill Atkinson
19	F&G Reg 24AF	Did the local government's procedure for receiving and opening applications to join a panel of pre-qualified suppliers comply with the requirements of F&G Reg 16, as if the reference in that regulation to a tender were a reference to a pre-qualified supplier panel application?	N/A		Bill Atkinson
20	F&G Reg 24AG	Did the information recorded in the local government's tender register about panels of pre-qualified suppliers comply with the requirements of F&G Reg 24AG?	N/A		Bill Atkinson



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

No	Reference	Question	Response	Comments	Respondent
21	F&G Reg 24AH(1)	Did the local government reject any applications to join a panel of pre-qualified suppliers that were not submitted at the place, and within the time, specified in the invitation for applications?	N/A		Bill Atkinson
22	F&G Reg 24AH(3)	Were all applications that were not rejected assessed by the local government via a written evaluation of the extent to which each application satisfies the criteria for deciding which application to accept?	N/A		Bill Atkinson
23	F&G Reg 24AI	Did the CEO send each applicant written notice advising them of the outcome of their application?	N/A		Bill Atkinson
24	F&G Regs 24E & 24F	Where the local government gave regional price preference, did the local government comply with the requirements of F&G Regs 24E and 24F?	N/A		Bill Atkinson

I certify this Compliance Audit Return has been adopted by council at its meeting on \_\_\_\_\_

\_\_\_\_\_  
Signed Mayor/President, Wagin

\_\_\_\_\_  
Signed CEO, Wagin



## 6.2 2019/2020 DRAFT INDEPENDENT AUDITOR'S REPORT

PROPONENT:	N/A
OWNER:	N/A
LOCATION/ADDRESS:	N/A
AUTHOR OF REPORT:	Manager of Finance
SENIOR OFFICER:	Chief Executive Officer
DATE OF REPORT:	12 February 2021
PREVIOUS REPORT(S):	06 February 2020
DISCLOSURE OF INTEREST:	Nil
FILE REFERENCE:	FM.AD.2
ATTACHMENTS:	<ul style="list-style-type: none"><li>• Annual Audit Completion Report 2019/2020</li><li>• Annual Financial Report 2019/2020</li></ul>

### OFFICER RECOMMENDATION

**Moved Cr**

**Seconded Cr**

**That the Audit Committee receives and adopts the 2019/2020 Audit Report.**

**Carried 0/0**

### BRIEF SUMMARY

The Annual Audit Completion Report for the 2019/2020 financial year is attached for discussion with Council's auditors and for adoption.

### BACKGROUND/COMMENT

In accordance with the Local Government Act 1995, Council's external auditor – The Office of the Auditor General (OAG) have conducted an audit of the Shire of Wagin's finances for the 2019/2020 financial year. The OAG engaged Butler Settineri to carry out the audit on their behalf.

The Annual Financial Report 2019/2020 is enclosed under separate cover and the Annual Audit Completion Report is attached for the Committee and Council to receive and adopt.

The Auditors opinion is as below:

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

- i. In our opinion, the following material matters indicate significant adverse trends in the financial position or the financial management practices of the Shire:
  - a) The Operating Surplus Ratio has declined over the past three years and is below the Department of Local Government, Sport and Cultural Industries basic standard for the financial years 2019-20 and 2018-19. The financial ratios are reported at Note 26 to the financial report.**
- ii. The following material matters indicating non-compliance with Part 6 of the Local Government Act 1995, the Local Government (Financial Management) Regulations 1996 or applicable financial controls of any other written law identified during the course of our audit:*

- a) *The Shire issued two credit cards to volunteer staff in the State of Emergency Service (SES), which does not comply with the Local Government Act 1995 Section 5.44, as the volunteers are not employees of the Shire.*
- b) *The Shire has only implemented internal controls towards the end of the financial year relating to the review of supplier master file changes by management to confirm that all the changes were made were valid and accurate. As such the controls were not in place through out the year. There is an increased risk that unauthorised changes may be made resulting in errors or funds being inappropriately transferred, however our audit testing did not identify any such instances.*

As per previous financial year the Operating Surplus Ratio.

Also noted in the responses to the Draft Audit Management Letter, the SES credit cards will be cancelled effective immediately. The internal controls relating to the review of supplier master file changes were implemented once the results of the Financial Management Review were received. There were adequate documentation authorising changes to supplier master files. In addition to this we were required to physically print and sign off on the Audit Trail Report confirming the details were entered correctly instead of the previous process of management viewing these results in the system without printing.

#### **CONSULTATION/COMMUNICATION**

- Deputy Chief Executive Officer
- Manager of Finance

#### **STATUTORY/LEGAL IMPLICATIONS**

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

#### **POLICY IMPLICATIONS**

Nil

#### **FINANCIAL IMPLICATIONS**

Nil

#### **STRATEGIC IMPLICATIONS**

Nil

#### **VOTING REQUIREMENTS**

Simple Majority



**ANNUAL AUDIT  
COMPLETION REPORT**

**SHIRE OF WAGIN**

**Real** People.  
*Better* **Business**

# Introduction

## From our Partner

The Shire of Wagin for the year ended 30 June 2020.

We would like to take this opportunity to thank the management team for their assistance during the audit process. If you have any queries on the report, please feel free to contact Marcia Johnson or myself.



**MARIUS VAN DER MERWE**

**Partner**

B.Com (Hons) CA  
mvd@m@butlersettineri.com.au



**MARCIA JOHNSON**

**Director**

B.Com (Hons) CA  
mjohnson@butlersettineri.com.au

**ARAM MADNACK**

**OAG Director**

Aram.Madnack@audit.wa.gpv.au

## EXECUTIVE SUMMARY

- Butler Settineri (Audit) Pty Ltd were appointed as the contract auditor by the Office of the Auditor General for the year ended 30 June 2020.
- Butler Settineri (Audit) Pty Ltd have completed the external statutory audit for the year ended 30 June 2020 as contract auditor on behalf of the Office of the Auditor General.
- No unresolved issues or outstanding matters.
- We intend to recommend to the Auditor General to issue an unqualified audit opinion in relation to the financial statements. The qualification in relation to the financial year ended 30 June 2019 does not have any relevance to the current year audit.
- In relation to reporting on other legal and regulatory requirement we intend to recommend the following:
  - Significant adverse trend in relation to the operating surplus ratio
  - Material matters relating to non compliance with local government laws and regulations.
- Our findings are included in this report.



# INDEPENDENCE

We are independent of the Shire in accordance with the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants.

Threats to independence include the following:

- ① SELF INTEREST THREATS
- ① SELF REVIEW THREATS
- ① ADVOCACY THREATS
- ① FAMILIARITY THREATS
- ① INTIMIDATION THREATS

What we do to remain independent:

- All team members sign an independence declaration at the commencement of the audit;
- We monitor our individual independence throughout the audit;
- All team members sign off an independence declaration at the completion of the audit.



# COMPLIANCE WITH LAWS & REGULATIONS & FRAUD

Laws and Regulations applicable to the Shire include the following:

- ▶ Local Government Act 1995;
- ▶ Local Government (Financial Management) Regulations 1996;
- ▶ Local Government (Audit) Regulations 1996;
- ▶ Australian Tax Office (GST / FBT / PAYG) Compliance;
- ▶ Compliance with conditions of program funding arrangements.

During the audit process we have identified:

- ▶ Non-compliance issues that have been reported in the audit report where applicable and detailed on page 10 of this document.
- ▶ No findings or indications of suspected fraud.

As far as the external audit relates to the matters noted above.

# Key Audit Matters and Audit Outcomes



During the planning phase of the audit, we identified the following issues and key areas of audit risk.

Details of Risk / Issue	Audit Approach
Audit findings reported in the previous audit	We followed up on last year's audit issues during the audit. All issues were resolved.
Changes to accounting standards: AASB 15 Revenue from Contracts with Customers AASB 16 Leases AASB 1058 Income of Not-for Profit Entities	We reviewed management's assessment of the impact of these new accounting standards on the financial statements and found it to be in accordance with the new accounting standards. The adoption had the following impact on the financial statements: <ul style="list-style-type: none"> <li>• 1 July 2019 – adjustment to retained surplus of \$156,315 from adoption of AASB 15</li> <li>• 30 June 2020 – recognition of contract liabilities of \$107,308</li> </ul> <p>The Shire has adopted the new accounting standards at the effective date of 1 July 2019. The modified retrospective approach has been applied whereby comparative figures in the financial statements have not been restated.</p>
Changes to <i>Local Government (Financial Management) Regulations</i> that have been signalled by the Department of Local Government, Sport and Cultural Industries (DLGSCI): <ul style="list-style-type: none"> <li>• Regulation 16 deleted</li> <li>• Regulation 17A amended</li> </ul>	We assessed management's implementation of the changes to the Regulations and the effect on the financial report and found it to be in accordance with the Regulations. The adoption had the following impact on the financial statements: <ul style="list-style-type: none"> <li>• 1 July 2019 – removal of land under golf course of \$18,000</li> </ul> <p>The Shire has applied the change in regulations as a change in accounting policy at the effective date of 1 July 2019. -The modified retrospective approach has been applied whereby comparative figures in the financial statements have not been restated.</p>
Impact of COVID-19	Our procedures performed did not reveal any exceptions in terms of internal controls gaps in key financial reporting areas including but not limited to procurement and journals.
We have identified the following areas that we consider require additional focus during our 2019-20 local government audits: <ul style="list-style-type: none"> <li>• Related party disclosures</li> <li>• Revenue recognition</li> <li>• Revaluation of Plant &amp; Equipment</li> <li>• Unauthorised expenditure</li> <li>• Unrecorded liabilities and expenses</li> <li>• Fictitious employees</li> </ul>	We reviewed the related audit evidence as part of our audit testing and confirmed that appropriate recognition and measurement and disclosures have been made in the financial statements in relation to the risks identified.

<p>The following annual financial report items are derived from accounting estimates and hence will receive specific audit attention:</p> <ul style="list-style-type: none"> <li>• Provision for annual and long service leave</li> <li>• Fair value of assets</li> <li>• Impairment of assets</li> </ul>	<p>We reviewed the methodology and underlying data that management used when determining critical accounting estimates. We confirmed the reasonableness of the assumptions and corroborating representations.</p>
<p>Important changes in management or the control environment</p>	<p>During the financial year, Bill Atkinson was appointed as Acting CEO when the previous CEO, Peter Webster, was on annual leave and following his resignation. We did not identify any gaps in controls with the change in management.</p>

# SIGNIFICANT AUDIT FOCUS

- ▀ New AASB 15 & 1058 Revenue from Contracts with Customers and Income for Not-For-Profit Entities

*Policy updated and implemented*

- ▀ New AASB 16 Leases

*Policy updated and implemented*

- ▀ Amended Local Government (Financial Management) Regulations 1996

*Policies updated and implemented in the 2019-20 year to comply with:*

- *Amended Regulation 17A – plant & equipment measured under the cost model*
- *Regulation 16 deleted as covered by AASB 16 Leases*

# AUDIT MISSTATEMENTS

- There were no uncorrected misstatements.

## AUDIT FINDINGS

- Per the Interim Management Letter:
  - Purchase orders dated on or after invoice dates
  - Opening trial balance does not agree to audited financial statements
  - Information and Communications Technology Plan
- Per the Final Management Letter:
  - Authority for use of corporate credit cards
  - Changes to supplier master file
  - Records of assets that are attractive for personal use or resale

## PRIOR YEAR AUDIT QUALIFICATION

The qualification in the auditor's report for the year ended 30 June 2019 related to infrastructure assets balances not being comparable to the balances at 30 June 2018 as drainage assets were not valued at 30 June 2018 but only at 30 June 2019.

The qualification does not have any relevance on the current year audit as the infrastructure assets balances are comparable for the year ended 30 June 2020.

# REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS IN THE AUDITOR'S REPORT

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

- (i) In our opinion, the following material matters indicate significant adverse trends in the financial position or the financial management practices of the Shire:
  - a. The Operating Surplus Ratio has declined over the past three years and is below the Department of Local Government, Sport and Cultural Industries basic standard for the financial years 2019-20 and 2018-19. The financial ratios are reported at Note 26 to the financial report.
- (ii) The following material matters indicating non-compliance with Part 6 of the *Local Government Act 1995*, the *Local Government (Financial Management) Regulations 1996* or applicable financial controls of any other written law identified during the course of our audit:
  - a. The Shire issued two credit cards to volunteer staff in the State of Emergency Service, which does not comply with the *Local Government Act 1995* Section 5.44, as the volunteers are not employees of the Shire.
  - b. The Shire has only implemented internal controls towards the end of the financial year relating to the review of supplier master file changes by management to confirm that all the changes were made were valid and accurate. As such the controls were not in place through out the year. There is an increased risk that unauthorised changes may be made resulting in errors or funds being inappropriately transferred, however our audit testing did not identify any such instances.

# Key Changes for next year

## Changes in regulations

---

- None anticipated.

## Accounting Issues for 2021

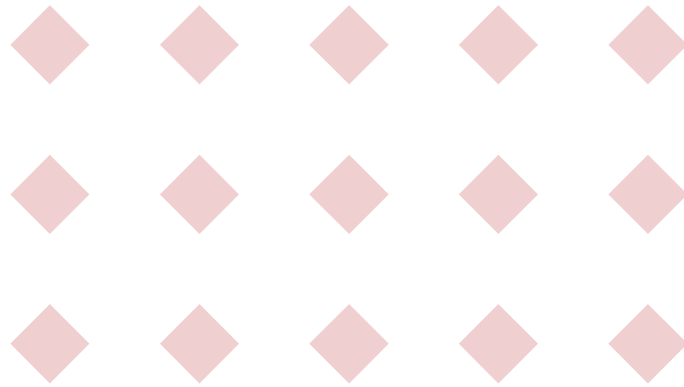
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- AASB 1059 – Service Concession Arrangements: Grantors  
*Management should assess impact of the standard on the financial statements for the year ending 30 June 2021.*



# THANK YOU

We would like to take this opportunity to once again thank the management team for their assistance during the audit process, in particular we would like to thank Tegan Hall and the finance team for their support.





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**BUTLER  SETTINERI**  
*Real People. Better Business*

**SHIRE OF WAGIN**  
**FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30 JUNE 2020**

**TABLE OF CONTENTS**

Statement by Chief Executive Officer	2
Statement of Comprehensive Income by Nature or Type	3
Statement of Comprehensive Income by Program	4
Statement of Financial Position	5
Statement of Changes in Equity	6
Statement of Cash Flows	7
Rate Setting Statement	8
Index of Notes to the Financial Report	9
Independent Auditor's Report	53

**COMMUNITY VISION**

To have a community where individuals, families and businesses can invest and prosper, preserving the safe, affordable and inclusive country lifestyle and ensuring Wagin is a place people like to live in and visit.

Principal place of business:  
2 Arthur Road  
WAGIN WA 6315

**SHIRE OF WAGIN  
FINANCIAL REPORT  
FOR THE YEAR ENDED 30 JUNE 2020**

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

**STATEMENT BY CHIEF EXECUTIVE OFFICER**

The attached financial report of the Shire of Wagin for the financial year ended 30 June 2020 is based on proper accounts and records to present fairly the financial position of the Shire of Wagin at 30 June 2020 and the results of the operations for the financial year then ended in accordance with the Local Government Act 1995 and, to the extent that they are not inconsistent with the Act, the Australian Accounting Standards.

Signed on the \_\_\_\_\_ day of \_\_\_\_\_ 2020

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

\_\_\_\_\_  
Name of Chief Executive Officer

**SHIRE OF WAGIN**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**BY NATURE OR TYPE**  
**FOR THE YEAR ENDED 30 JUNE 2020**

	NOTE	2020 Actual \$	2020 Budget \$	2019 Actual \$
<b>Revenue</b>				
Rates	19(a)	2,349,891	2,356,259	2,304,819
Operating grants, subsidies and contributions	2(a)	1,998,216	1,333,086	2,102,877
Fees and charges	2(a)	683,973	726,990	680,126
Interest earnings	2(a)	50,150	58,247	51,884
Other revenue	2(a)	242,585	212,066	470,117
		<b>5,324,815</b>	<b>4,686,648</b>	<b>5,609,823</b>
<b>Expenses</b>				
Employee costs		(2,390,267)	(2,419,203)	(2,373,751)
Materials and contracts		(1,065,049)	(1,240,790)	(1,239,509)
Utility charges		(357,007)	(326,824)	(342,469)
Depreciation on non-current assets	10(c)	(2,557,489)	(2,464,660)	(2,513,294)
Interest expenses	2(b)	(34,438)	(34,694)	(37,572)
Insurance expenses		(190,012)	(194,263)	(187,634)
Other expenditure		(152,257)	(166,790)	(209,686)
		<b>(6,746,519)</b>	<b>(6,847,224)</b>	<b>(6,903,915)</b>
		<b>(1,421,704)</b>	<b>(2,160,576)</b>	<b>(1,294,092)</b>
Non-operating grants, subsidies and contributions	2(a)	1,152,172	1,143,257	2,340,432
Profit on asset disposals	10(a)	5,744	6,000	74,205
(Loss) on asset disposals	10(a)	(13,368)	(5,800)	(7,470)
Fair value adjustments to financial assets at fair value through profit or loss		1,153	0	70,068
(Loss) on revaluation of furniture and equipment	8(a)	0	0	(75,314)
		<b>1,145,701</b>	<b>1,143,457</b>	<b>2,401,921</b>
<b>Net result for the period</b>		<b>(276,003)</b>	<b>(1,017,119)</b>	<b>1,107,829</b>
<b>Other comprehensive income</b>				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Changes in asset revaluation surplus	11	0	0	3,513,095
<b>Total other comprehensive income for the period</b>		<b>0</b>	<b>0</b>	<b>3,513,095</b>
<b>Total comprehensive income for the period</b>		<b>(276,003)</b>	<b>(1,017,119)</b>	<b>4,620,924</b>

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

**SHIRE OF WAGIN**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**BY PROGRAM**  
**FOR THE YEAR ENDED 30 JUNE 2020**

	NOTE	2020 Actual \$	2020 Budget \$	2019 Actual \$
<b>Revenue</b>				
Governance	2(a)	17,540	6,000	7,387
General purpose funding		3,846,243	3,261,891	3,923,568
Law, order, public safety		162,654	139,604	264,138
Health		66,305	56,054	63,346
Education and welfare		406,080	363,444	402,676
Community amenities		356,311	364,300	349,977
Recreation and culture		76,591	95,045	114,654
Transport		174,279	176,533	175,846
Economic services		129,943	114,700	194,383
Other property and services		88,869	109,077	113,848
		<b>5,324,815</b>	<b>4,686,648</b>	<b>5,609,823</b>
<b>Expenses</b>				
Governance	2(b)	(364,498)	(424,096)	(378,860)
General purpose funding		(281,048)	(387,650)	(389,000)
Law, order, public safety		(293,692)	(272,457)	(414,703)
Health		(274,490)	(250,661)	(243,420)
Education and welfare		(427,702)	(469,405)	(438,407)
Community amenities		(548,767)	(583,384)	(570,264)
Recreation and culture		(1,222,981)	(1,287,821)	(1,293,978)
Transport		(2,652,798)	(2,492,023)	(2,431,220)
Economic services		(311,618)	(269,054)	(334,346)
Other property and services		(334,487)	(375,980)	(372,146)
		<b>(6,712,081)</b>	<b>(6,812,531)</b>	<b>(6,866,344)</b>
<b>Finance Costs</b>				
Recreation and culture	2(b)	(19,437)	(19,599)	(32,477)
Other property and services		(15,001)	(15,094)	(5,094)
		<b>(34,438)</b>	<b>(34,693)</b>	<b>(37,571)</b>
		<b>(1,421,704)</b>	<b>(2,160,576)</b>	<b>(1,294,092)</b>
Non-operating grants, subsidies and contributions	2(a)	1,152,172	1,143,257	2,340,432
Profit on disposal of assets	10(a)	5,744	6,000	74,205
(Loss) on disposal of assets	10(a)	(13,368)	(5,800)	(7,470)
Fair value adjustments to financial assets at fair value through profit or loss		1,153	0	70,068
(Loss) on revaluation of furniture and equipment	8(a)	0	0	(75,314)
		<b>1,145,701</b>	<b>1,143,457</b>	<b>2,401,921</b>
<b>Net result for the period</b>		<b>(276,003)</b>	<b>(1,017,119)</b>	<b>1,107,829</b>
<b>Other comprehensive income</b>				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Changes in asset revaluation surplus	11	0	0	3,513,095
<b>Total other comprehensive income for the period</b>		<b>0</b>	<b>0</b>	<b>3,513,095</b>
<b>Total comprehensive income for the period</b>		<b>(276,003)</b>	<b>(1,017,119)</b>	<b>4,620,924</b>

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

**SHIRE OF WAGIN**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 JUNE 2020**

	NOTE	2020	2019
		\$	\$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	3	2,927,268	421,338
Trade and other receivables	6	200,211	1,119,721
Other financial assets	5(a)	19,333	1,398,796
Inventories	7	38,574	46,978
Contract assets	2(a)	29,241	0
<b>TOTAL CURRENT ASSETS</b>		<b>3,214,627</b>	<b>2,986,833</b>
<b>NON-CURRENT ASSETS</b>			
Trade and other receivables	6	57,223	53,941
Other financial assets	5(b)	188,637	206,817
Property, plant and equipment	8	19,740,522	20,091,865
Infrastructure	9	103,961,677	104,207,534
<b>TOTAL NON-CURRENT ASSETS</b>		<b>123,948,059</b>	<b>124,560,157</b>
<b>TOTAL ASSETS</b>		<b>127,162,686</b>	<b>127,546,990</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	12	299,176	291,873
Contract liabilities	13	107,308	0
Borrowings	14(a)	67,403	64,099
Employee related provisions	15	308,905	307,144
<b>TOTAL CURRENT LIABILITIES</b>		<b>782,792</b>	<b>663,116</b>
<b>NON-CURRENT LIABILITIES</b>			
Borrowings	14(a)	566,230	633,632
Employee related provisions	15	64,300	50,560
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>630,530</b>	<b>684,192</b>
<b>TOTAL LIABILITIES</b>		<b>1,413,322</b>	<b>1,347,308</b>
<b>NET ASSETS</b>		<b>125,749,364</b>	<b>126,199,682</b>
<b>EQUITY</b>			
Retained surplus		34,512,141	35,220,731
Reserves - cash/financial asset backed	4	1,656,310	1,380,038
Revaluation surplus	11	89,580,913	89,598,913
<b>TOTAL EQUITY</b>		<b>125,749,364</b>	<b>126,199,682</b>

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

**SHIRE OF WAGIN**  
**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 30 JUNE 2020**

		RESERVES CASH/FINANCIAL			
	NOTE	RETAINED SURPLUS	ASSET BACKED	REVALUATION SURPLUS	
		\$	\$	\$	
				TOTAL EQUITY	
				\$	
<b>Balance as at 1 July 2018</b>		<b>34,315,563</b>	<b>1,177,376</b>	<b>86,085,818</b>	<b>121,578,758</b>
Comprehensive income					
Net result for the period		1,107,829	0	0	1,107,829
Other comprehensive income	11	0	0	3,513,095	3,513,095
Total comprehensive income		1,107,829	0	3,513,095	4,620,924
Transfers from reserves	4	224,250	(224,250)	0	0
Transfers to reserves	4	(426,913)	426,913	0	0
<b>Balance as at 30 June 2019</b>		<b>35,220,731</b>	<b>1,380,038</b>	<b>89,598,913</b>	<b>126,199,682</b>
Change in accounting policies	22(e)	(156,315)	0	(18,000)	(174,315)
<b>Restated total equity at 1 July 2019</b>		<b>35,064,416</b>	<b>1,380,038</b>	<b>89,580,913</b>	<b>126,025,367</b>
Comprehensive income					
Net result for the period		(276,003)	0	0	(276,003)
Total comprehensive income		(276,003)	0	0	(276,003)
Transfers from reserves	4	69,858	(69,858)	0	0
Transfers to reserves	4	(346,130)	346,130	0	0
<b>Balance as at 30 June 2020</b>		<b>34,512,141</b>	<b>1,656,310</b>	<b>89,580,913</b>	<b>125,749,364</b>

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



**SHIRE OF WAGIN**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 30 JUNE 2020**

	NOTE	2020 Actual \$	2020 Budget \$	2019 Actual \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
<b>Receipts</b>				
Rates		2,331,616	2,356,259	2,298,541
Operating grants, subsidies and contributions		2,856,745	2,133,086	2,204,305
Fees and charges		683,973	788,220	680,126
Interest received		50,150	58,247	51,884
Other revenue		242,585	212,066	470,117
		<b>6,165,069</b>	<b>5,547,878</b>	<b>5,704,973</b>
<b>Payments</b>				
Employee costs		(2,370,529)	(2,419,203)	(2,388,106)
Materials and contracts		(1,082,817)	(1,095,453)	(1,367,824)
Utility charges		(357,007)	(316,824)	(342,469)
Interest expenses		(34,438)	(34,694)	(37,824)
Insurance paid		(190,012)	(194,263)	(187,634)
Goods and services tax paid		26,967	0	0
Other expenditure		(152,257)	(166,790)	(176,325)
		<b>(4,160,093)</b>	<b>(4,227,227)</b>	<b>(4,500,182)</b>
<b>Net cash provided by (used in) operating activities</b>	16	<b>2,004,976</b>	<b>1,320,651</b>	<b>1,204,790</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Payments for financial assets at amortised cost		0	0	(1,380,038)
Payments for purchase of property, plant & equipment	8(a)	(410,383)	(535,700)	(677,272)
Payments for construction of infrastructure	9(a)	(1,667,318)	(2,207,917)	(2,961,714)
Non-operating grants, subsidies and contributions	2(a)	1,152,172	1,143,257	2,340,432
Proceeds from financial assets at amortised cost - term deposits		1,380,038	0	0
Proceeds from financial assets at amortised cost - self supporting loans		18,755	18,758	18,202
Proceeds from sale of property, plant & equipment	10(a)	91,788	77,000	265,405
<b>Net cash provided by (used in) investment activities</b>		<b>565,052</b>	<b>(1,504,602)</b>	<b>(2,394,986)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Repayment of borrowings	14(b)	(64,098)	(64,099)	(60,969)
<b>Net cash provided by (used in) financing activities</b>		<b>(64,098)</b>	<b>(64,099)</b>	<b>(60,969)</b>
<b>Net increase (decrease) in cash held</b>		<b>2,505,930</b>	<b>(248,050)</b>	<b>(1,251,165)</b>
Cash at beginning of year		421,338	1,762,635	1,672,502
<b>Cash and cash equivalents at the end of the year</b>	16	<b>2,927,268</b>	<b>1,514,585</b>	<b>421,338</b>

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

**SHIRE OF WAGIN**  
**RATE SETTING STATEMENT**  
**FOR THE YEAR ENDED 30 JUNE 2020**

	NOTE	2020 Actual \$	2020 Budget \$	2019 Actual \$
<b>OPERATING ACTIVITIES</b>				
<b>Net current assets at start of financial year - surplus/(deficit)</b>	20 (b)	1,145,795	1,279,164	1,364,143
		1,145,795	1,279,164	1,364,143
<b>Revenue from operating activities (excluding rates)</b>				
Governance		20,337	9,000	88,078
General purpose funding		1,508,746	905,632	1,618,749
Law, order, public safety		162,654	139,604	264,138
Health		66,305	56,054	63,346
Education and welfare		406,080	363,444	402,676
Community amenities		356,311	364,300	349,977
Recreation and culture		76,591	95,045	114,654
Transport		178,379	179,533	239,428
Economic services		129,943	114,700	194,383
Other property and services		88,869	109,077	113,848
		2,994,215	2,336,389	3,449,277
<b>Expenditure from operating activities</b>				
Governance		(364,498)	(424,096)	(378,860)
General purpose funding		(281,048)	(387,650)	(389,000)
Law, order, public safety		(293,692)	(272,457)	(414,703)
Health		(274,490)	(255,461)	(250,890)
Education and welfare		(429,045)	(469,405)	(438,407)
Community amenities		(548,767)	(583,384)	(570,264)
Recreation and culture		(1,242,418)	(1,307,420)	(1,326,455)
Transport		(2,664,823)	(2,493,023)	(2,431,220)
Economic services		(311,618)	(269,054)	(334,346)
Other property and services		(349,488)	(391,074)	(452,554)
		(6,759,887)	(6,853,024)	(6,986,699)
Non-cash amounts excluded from operating activities	20(a)	2,574,418	2,464,460	2,449,150
<b>Amount attributable to operating activities</b>		(45,459)	(773,011)	275,871
<b>INVESTING ACTIVITIES</b>				
Non-operating grants, subsidies and contributions	2(a)	1,152,172	1,143,257	2,340,432
Proceeds from disposal of assets	10(a)	91,788	77,000	265,405
Proceeds from financial assets at amortised cost - self supporting loans		18,755	18,758	18,202
Purchase of property, plant and equipment	8(a)	(410,383)	(535,700)	(677,272)
Purchase and construction of infrastructure	9(a)	(1,667,318)	(2,207,917)	(2,961,714)
<b>Amount attributable to investing activities</b>		(814,986)	(1,504,602)	(1,014,947)
<b>FINANCING ACTIVITIES</b>				
Repayment of borrowings	14(b)	(64,098)	(64,099)	(60,969)
Transfers to reserves (restricted assets)	4	(346,130)	(244,547)	(426,913)
Transfers from reserves (restricted assets)	4	69,858	230,000	224,250
<b>Amount attributable to financing activities</b>		(340,370)	(78,646)	(263,632)
<b>Surplus/(deficit) before imposition of general rates</b>		(1,200,815)	(2,356,259)	(1,002,708)
<b>Total amount raised from general rates</b>	19(a)	2,349,891	2,356,259	2,304,819
<b>Surplus/(deficit) after imposition of general rates</b>	20(b)	<b>1,149,077</b>	<b>0</b>	<b>1,302,111</b>

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

**SHIRE OF WAGIN**  
**INDEX OF NOTES TO THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30 JUNE 2020**

Note 1	Basis of Preparation	10
Note 2	Revenue and Expenses	11
Note 3	Cash and Cash Equivalents	15
Note 4	Reserves - Cash backed	16
Note 5	Other Financial Assets	17
Note 6	Trade and Other Receivables	18
Note 7	Inventories	19
Note 8	Property, Plant and Equipment	20
Note 9	Infrastructure	22
Note 10	Fixed Assets	24
Note 11	Revaluation Surplus	27
Note 12	Trade and Other Payables	28
Note 13	Contract Liabilities	29
Note 14	Information on Borrowings	30
Note 15	Employee Provisions	32
Note 16	Notes to the Statement of Cash Flows	33
Note 17	Total Assets Classified by Function and Activity	34
Note 18	Related Party Transactions	35
Note 19	Rating Information	37
Note 20	Rate Setting Statement Information	40
Note 21	Financial Risk Management	41
Note 22	Initial Application of Australian Accounting Standards	45
Note 23	Trust Funds	48
Note 24	Other Significant Accounting Policies	49
Note 25	Activities/Programs	51
Note 26	Financial Ratios	52

## 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.

### AMENDMENTS TO LOCAL GOVERNMENT (FINANCIAL MANAGEMENT) REGULATIONS 1996

The *Local Government (Financial Management) Regulations 1996* take precedence over Australian Accounting Standards. Prior to 1 July 2019, *Financial Management Regulation 16* arbitrarily prohibited a local government from recognising as assets Crown land that is a public thoroughfare, i.e. land under roads, and land not owned by but under the control or management of the local government, unless it is a golf course, showground, racecourse or recreational facility of State or regional significance. Consequently, some assets pertaining to vested land, including land under roads acquired on or after 1 July 2008, were not recognised in previous financial reports of the Shire. This was not in accordance with the requirements of AASB 1051 *Land Under Roads* paragraph 15 and AASB 116 *Property, Plant and Equipment* paragraph 7.

From 1 July 2019, the Shire has applied AASB 16 Leases which requires leases to be included by lessees in the statement of financial position. Also, the *Local Government (Financial Management) Regulations 1996* have been amended to 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 (i.e. not included in the statement of financial position) 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.

The Shire has accounted for the removal of the vested land values associated with vested land previously recognised by removing the land value and associated revaluation reserve as at 1 July 2019. The comparative year amounts have been retained as AASB 16 does not require comparatives to be restated in the year of transition.

Therefore the departure from AASB 1051 and AASB 16 in respect of the comparatives for the year ended 30 June 2019 remains.

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

### NEW ACCOUNTING STANDARDS FOR APPLICATION IN FUTURE YEARS

On 1 July 2020 the following new accounting standards are to be adopted:

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

AASB 1059 *Service Concession Arrangements: Grantors* is not expected to impact the financial report.

Specific impacts of AASB 2018-7 *Amendments to Australian Accounting Standards - Materiality*, have not been identified.

### CRITICAL ACCOUNTING ESTIMATES

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

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

### THE LOCAL GOVERNMENT REPORTING ENTITY

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

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 23 to these financial statements.

**SHIRE OF WAGIN**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30 JUNE 2020**

**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
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 funding body	Based on the progress of works to match performance obligations	Returns limited to repayment of transaction price of terms breached	Output method based on project milestones and/or completion date matched to performance obligations 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
Licenses/ 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 annual 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
Commissions	Commissions on licensing 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 WAGIN**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30 JUNE 2020**

**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:

	2020 Actual \$	2020 Budget \$	2019 Actual \$
<b>Operating grants, subsidies and contributions</b>			
Governance	0	6,000	689
General purpose funding	1,422,294	681,318	1,403,013
Law, order, public safety	122,501	108,910	219,771
Health	0	47,898	0
Education and welfare	318,614	300,885	343,377
Community amenities	0	19,500	0
Recreation and culture	12,801	22,355	11,517
Transport	122,006	123,223	124,509
Economic services	0	1,700	0
Other property and services	0	21,297	0
	1,998,216	1,333,086	2,102,877
<b>Non-operating grants, subsidies and contributions</b>			
Community amenities	0	8,000	0
Recreation and culture	63,100	83,200	1,000
Transport	1,089,072	1,052,057	2,339,432
	1,152,172	1,143,257	2,340,432
	3,150,388	2,476,343	4,443,309
<b>Total grants, subsidies and contributions</b>			
<b>Fees and charges</b>			
General purpose funding	25,767	57,000	51,710
Law, order, public safety	15,104	20,300	17,971
Health	7,410	8,156	7,486
Education and welfare	73,602	62,559	50,086
Community amenities	339,633	344,800	335,367
Recreation and culture	56,660	72,585	65,547
Transport	8,684	8,310	8,204
Economic services	125,341	113,000	107,548
Other property and services	31,772	40,280	36,208
	683,973	726,990	680,126

**SIGNIFICANT ACCOUNTING POLICIES**

**Grants, subsidies and contributions**

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

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

**Fees and Charges**

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

**SHIRE OF WAGIN**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30 JUNE 2020**

**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:

	2020 Actual \$	2020 Budget \$	2019 Actual \$
Non-operating grants, subsidies and contributions	1,152,172	1,143,257	2,340,432
	<u>1,152,172</u>	<u>1,143,257</u>	<u>2,340,432</u>

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

Non-operating grants, subsidies and contributions included as a contract liability at the start of the period	136,068	0	0
Other revenue from performance obligations satisfied during the year	1,016,104	1,143,257	2,340,432
	<u>1,152,172</u>	<u>1,143,257</u>	<u>2,340,432</u>

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

Trade and other receivables from contracts with customers	138,901	0	0
Contract assets	29,241	0	0
Contract liabilities from operating grants, subsidies and contributions	(33,057)	0	0
Contract liabilities from non-operating grants, subsidies and contributions	(74,251)	0	0

Contract assets primarily relate to the Shire's right to consideration for work completed but not billed at 30 June 2020.

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

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 WAGIN**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30 JUNE 2020**

**2. REVENUE AND EXPENSES (Continued)**

**(a) Revenue (Continued)**

**Revenue from statutory requirements**

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

**General rates**

**Other revenue**

Reimbursements and recoveries  
Other

**Interest earnings**

Interest on reserve funds  
Rates instalment and penalty interest (refer Note 19(c))  
Other interest earnings

	2020 Actual \$	2020 Budget \$	2019 Actual \$
General rates	2,349,891	2,356,259	2,304,819
	<u>2,349,891</u>	<u>2,356,259</u>	<u>2,304,819</u>
Other revenue			
Reimbursements and recoveries	141,007	0	232,471
Other	101,578	212,066	237,646
	<u>242,585</u>	<u>212,066</u>	<u>470,117</u>
Interest earnings			
Interest on reserve funds	25,019	34,247	27,026
Rates instalment and penalty interest (refer Note 19(c))	15,154	12,000	11,503
Other interest earnings	9,977	12,000	13,355
	<u>50,150</u>	<u>58,247</u>	<u>51,884</u>

**SIGNIFICANT ACCOUNTING POLICIES**

**Interest earnings**

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

**Interest earnings (continued)**

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

**(b) Expenses**

**Auditors remuneration**

- Audit of the Annual Financial Report

**Interest expenses (finance costs)**

Borrowings

Note	2020 Actual \$	2020 Budget \$	2019 Actual \$
	20,000	22,000	20,000
	<u>20,000</u>	<u>22,000</u>	<u>20,000</u>
14(b)	34,438	34,693	37,572
	<u>34,438</u>	<u>34,693</u>	<u>37,572</u>



**SHIRE OF WAGIN**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30 JUNE 2020**

**3. CASH AND CASH EQUIVALENTS**

NOTE	2020	2019
	\$	\$
Cash at bank and on hand	1,270,958	421,338
Term deposits	1,656,310	0
<b>Total cash and cash equivalents</b>	<b>2,927,268</b>	<b>421,338</b>

**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	1,787,750	234,450
- Financial assets at amortised cost	0	1,380,038
	<b>1,787,750</b>	<b>1,614,488</b>

The restricted assets are a result of the following specific purposes to which the assets may be used:

Reserves - cash/financial asset backed	4	1,656,310	1,380,038
Contract liabilities	13	107,308	
Bonds and Deposits Held		24,132	38,741
Unspent grants, subsidies and contributions		0	195,709
<b>Total restricted assets</b>		<b>1,787,750</b>	<b>1,614,488</b>

**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 WAGIN**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30 JUNE 2020**

**4. RESERVES - CASH/FINANCIAL ASSET**

	2020 Actual Opening Balance	2020 Actual Transfer to	2020 Actual Transfer (from)	2020 Actual Closing Balance	2020 Budget Opening Balance	2020 Transfer to	2020 Budget Transfer (from)	2020 Budget Closing Balance	2019 Actual Opening Balance	2019 Actual Transfer to	2019 Actual Transfer (from)	2019 Actual Closing Balance
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
(a) Leave Reserve	297,855	7,040		304,895	297,855	7,446	(30,000)	275,301	152,499	145,357		297,856
(b) Plant Replacement Reserve	233,074	69,596		302,669	233,074	45,827		278,901	273,537	49,537	(90,000)	233,074
(c) Recreation Centre Equipment Reserve	14,078	2,055	(4,654)	11,479	14,078	2,152	(4,500)	11,730	13,389	4,688	(4,000)	14,077
(d) Aerodrome Maintenance & Development Reserve	3,387	7,243		10,630	3,387	5,285		8,672	7,988	5,399	(10,000)	3,387
(e) Municipal Buildings Reserve	119,105	2,159		121,264	119,105	2,978	(70,000)	52,083	116,210	2,895		119,105
(f) Admin Centre Furniture, Equipment & IT Reserve	506	5,009		5,516	506	5,013		5,519	494	12		506
(g) Land Development Reserve	50,296	912	(40,499)	10,709	50,296	1,257	(40,000)	11,553	49,515	40,782	(40,000)	50,297
(h) Community Bus Reserve	15,592	1,382		16,974	15,592	2,390		17,982	14,075	1,518		15,593
(i) Homecare Reserve	88,031	34,758		122,789	88,031	2,201	(10,000)	80,232	81,013	7,018		88,031
(j) Recreation Development Reserve	226,283	64,102	(19,705)	270,680	226,283	65,657	(50,000)	241,940	187,019	74,264	(35,000)	226,283
(k) Refuse Site / Waste Management Reserve	96,144	40,803		136,947	96,144	42,204		138,348	112,034	14,110	(30,000)	96,144
(l) Refuse Site Rehabilitation Reserve	76,750	21,391		98,142	81,772	2,044	(5,000)	78,816	79,696	2,054	(5,000)	76,750
(m) Water Management Reserve	81,772	1,482	(5,000)	78,255	76,750	1,919		78,669	79,907	1,865		81,772
(n) Electronic Sign Reserve	20,249	45,367		65,616	20,249	251	(20,500)	0	10,000	20,499	(10,250)	20,249
(o) Community Gym Reserve	6,914	5,423		12,337	6,914	5,673		12,587	0	6,914		6,914
(p) Sportsground Precinct Redevelopment Reserve	50,000	30,908		80,908	50,000	31,250		81,250	0	50,000		50,000
(q) Emergency/Bushfire Control Reserve	0	6,500		6,500		21,000		21,000	0			0
	1,380,038	346,130	(69,858)	1,656,310	1,380,038	244,547	(230,000)	1,394,585	1,177,376	426,913	(224,250)	1,380,038

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.

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

Name of Reserve	Anticipated date of use	Purpose of the reserve
(a) Leave Reserve	Ongoing	Provide provisions to meet Councils' Long Service and Accrued Annual Leave liabilities to minimise effect on Councils' budget annually.
(b) Plant Replacement Reserve	Ongoing	Provide funds for the ongoing replacement and upgrading of Plant necessary in the performance of Councils' core functions.
(c) Recreation Centre Equipment Reserve	Ongoing	Provide funds for the purchase of equipment, fixtures and fittings at the Wagin Community Recreation Centre.
(d) Aerodrome Maintenance & Development Reserve	Ongoing	Provide funds for major maintenance (eg resealing runway area) and development works (eg runway reconstruction) at the Wagin Airstrip.
(e) Municipal Buildings Reserve	Ongoing	Provide for the upgrading, renovating and restoration of existing Council owned buildings as well as construction of new Council owned buildings.
(f) Admin Centre Furniture, Equipment & IT Reserve	Ongoing	Provide for the purchase of furniture, fittings, equipment and IT requirements in relation to the Council Administration Building.
(g) Land Development Reserve	Ongoing	Provide funds for the purchase and development of land within the Wagin Shire as the need arises and Council see fit.
(h) Community Bus Reserve	Ongoing	Provide funds for the maintenance, upgrade and change-over of the Wagin Community Bus.
(i) Homecare Reserve	Ongoing	Provide funds to meet Homecare staff leave provisions, replacement of plant and equipment and on-going operations of the Homecare program.
(j) Recreation Development Reserve	Ongoing	Provide funds for the expansion, upgrading and development of Council's recreation and sporting facilities.
(k) Refuse Site / Waste Management Reserve	Ongoing	Provide funds for a new waste site, on-going operation with the Shire's waste management and recycling program and working towards zero waste.
(l) Refuse Site Rehabilitation Reserve	Ongoing	Provide funds to rehabilitate the existing refuse site once the site has been decommissioned.
(m) Water Management Reserve	Ongoing	To ensure Council spends the surplus Rural Towns Funds on measures and projects in line with Council's Water Management Plan.
(n) Electronic Sign Reserve	Ongoing	Provide funds for the purchase and installation of an electronic sign in the Wagin townsite in the future.
(o) Community Gym Reserve	Ongoing	Provide funds for the maintenance, upgrade and change-over of the Wagin Community Gym equipment as required.
(p) Sportsground Precinct Redevelopment Reserve	Ongoing	Provide funds for the future Sportsground Precinct Redevelopment.
(q) Emergency/Bushfire Control Reserve	Ongoing	Provide funds for unexpected times of extreme emergency recovery and provide adequate assistance for bushfire requirements.

**SHIRE OF WAGIN**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30 JUNE 2020**

**5. OTHER FINANCIAL ASSETS**

	2020	2019
	\$	\$
<b>(a) Current assets</b>		
Financial assets at amortised cost	19,333	1,398,796
	<u>19,333</u>	<u>1,398,796</u>
<b>Other financial assets at amortised cost</b>		
Term deposits	0	1,380,038
Self supporting loans	19,333	18,758
	<u>19,333</u>	<u>1,398,796</u>
<b>(b) Non-current assets</b>		
Financial assets at amortised cost	117,416	136,749
Financial assets at fair value through profit and loss	71,221	70,068
	<u>188,637</u>	<u>206,817</u>
<b>Financial assets at amortised cost</b>		
Self supporting loans	117,416	136,749
	<u>117,416</u>	<u>136,749</u>
<b>Financial assets at fair value through profit and loss</b>		
Units in Local Government House Trust	71,221	70,068
	<u>71,221</u>	<u>70,068</u>

Loans receivable from clubs/institutions have the same terms and conditions as the related borrowing disclosed in Note 14(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 is to collect the contractual cashflows, and
- 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 21.

## 6. TRADE AND OTHER RECEIVABLES

### Current

Rates receivable	84,535	69,542
Trade and other receivables	138,901	1,038,103
GST receivable	0	26,967
Allowance for impairment of trade receivables	(2,500)	(2,240)
Allowance for impairment of rates receivables	(20,725)	(12,651)

### Non-current

Pensioner's rates and ESL deferred	57,223	53,941
------------------------------------	--------	--------

2020	2019
\$	\$
84,535	69,542
138,901	1,038,103
0	26,967
(2,500)	(2,240)
(20,725)	(12,651)
200,211	1,119,721
57,223	53,941
57,223	53,941

### 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 21.

### 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

Fuel and materials

	2020	2019
	\$	\$
	38,574	46,978
	<u>38,574</u>	<u>46,978</u>
	46,978	40,543
	(135,684)	(128,506)
	127,280	134,941
	<u>38,574</u>	<u>46,978</u>

The following movements in inventories occurred during the year:

### Carrying amount at beginning of period

Inventories expensed during the year

Additions to inventory

### Carrying amount at end of period

### SIGNIFICANT ACCOUNTING POLICIES

#### General

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

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

SHIRE OF WAGIN  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30 JUNE 2020

8. PROPERTY, PLANT AND EQUIPMENT

(a) Movements in Carrying Amounts

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

	Land	Total land	Buildings	Total buildings	Total land and buildings	Furniture and equipment	Plant and equipment	Total property, plant and equipment
	\$	\$	\$	\$	\$	\$	\$	\$
<b>Balance at 1 July 2018</b>	3,262,000	3,262,000	14,958,174	14,958,174	18,220,174	372,619	1,706,419	20,299,212
Additions	0	0	52,790	52,790	52,790	13,817	610,665	677,272
(Disposals)	0	0	0	0	0	0	(198,671)	(198,671)
Revaluation increments / (decrements) transferred to revaluation surplus	0	0	(2,680)	(2,680)	(2,680)	0	106,181	103,501
Revaluation (loss) / reversals transferred to profit or loss	0	0	0	0	0	(75,314)	0	(75,314)
Impairment (losses) / reversals	0	0	(12,492)	(12,492)	(12,492)	(19,375)	(1,659)	(33,526)
Depreciation (expense)	0	0	(373,637)	(373,637)	(373,637)	(56,660)	(250,312)	(680,609)
<b>Carrying amount at 30 June 2019</b>	<b>3,262,000</b>	<b>3,262,000</b>	<b>14,622,155</b>	<b>14,622,155</b>	<b>17,884,155</b>	<b>235,087</b>	<b>1,972,623</b>	<b>20,091,865</b>
<b>Comprises:</b>								
Gross carrying amount at 30 June 2019	3,262,000	3,262,000	15,351,929	15,351,929	18,613,929	235,087	1,972,623	20,821,639
Accumulated depreciation at 30 June 2019	0	0	(729,774)	(729,774)	(729,774)	0	0	(729,774)
<b>Carrying amount at 30 June 2019</b>	<b>3,262,000</b>	<b>3,262,000</b>	<b>14,622,155</b>	<b>14,622,155</b>	<b>17,884,155</b>	<b>235,087</b>	<b>1,972,623</b>	<b>20,091,865</b>
Change in accounting policy	(18,000)	(18,000)	0	0	0	0	0	(18,000)
<b>Carrying amount at 1 July 2019</b>	<b>3,244,000</b>	<b>3,244,000</b>	<b>14,622,155</b>	<b>14,622,155</b>	<b>17,884,155</b>	<b>235,087</b>	<b>1,972,623</b>	<b>20,073,865</b>
Additions	40,499	40,499	18,145	18,145	58,644	26,164	325,575	410,383
(Disposals)	0	0	0	0	0	0	(99,412)	(99,412)
Depreciation (expense)	0	0	(374,826)	(374,826)	(374,826)	(26,796)	(242,692)	(644,314)
<b>Carrying amount at 30 June 2020</b>	<b>3,284,499</b>	<b>3,284,499</b>	<b>14,265,474</b>	<b>14,265,474</b>	<b>17,567,973</b>	<b>234,455</b>	<b>1,956,094</b>	<b>19,740,522</b>
<b>Comprises:</b>								
Gross carrying amount at 30 June 2020	3,284,499	3,284,499	15,370,074	15,370,074	18,654,573	261,251	2,190,198	21,106,022
Accumulated depreciation at 30 June 2020	0	0	(1,104,599)	(1,104,599)	(1,104,599)	(26,796)	(234,105)	(1,365,500)
<b>Carrying amount at 30 June 2020</b>	<b>3,284,499</b>	<b>3,284,499</b>	<b>14,265,474</b>	<b>14,265,474</b>	<b>17,549,973</b>	<b>234,455</b>	<b>1,956,094</b>	<b>19,740,522</b>

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

### (b) Fair Value Measurements

Asset Class	Fair Value Hierarchy	Valuation Technique	Basis of Valuation	Date of Last Valuation	Inputs Used
<b>Land and buildings</b>					
Land	2	Market Approach using recent observable market data for similar properties	Independent Registered Valuers	June 2017	Price per hectare / market borrowing rate
Buildings	2	Market Approach using recent observable market data for similar properties	Independent Registered Valuers	June 2017	Price per hectare / market borrowing rate
<b>Furniture and equipment</b>	3	Market Approach	Independent Registered Valuers	June 2019	Purchase costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs
<b>Plant and equipment</b>					
- Independent valuation 2019	3	Market Approach	Independent Registered Valuers	June 2019	Purchase costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs

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

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

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 is effective from 1 July 2019 and represents a change in accounting policy. Revaluations carried out previously were not reversed as it was deemed fair value approximates cost at the date of change.

## 9. INFRASTRUCTURE

### (a) Movements in Carrying Amounts

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

	Infrastructure - roads	Infrastructure - Other	Infrastructure - Drainage	Total Infrastructure
	\$	\$	\$	\$
<b>Balance at 1 July 2018</b>	88,111,085	11,557,661	0	99,668,746
Additions	2,720,926	240,788	0	2,961,714
Revaluation increments / (decrements) transferred to revaluation surplus	0	(7,000)	3,416,594	3,409,594
Impairment (losses) / reversals	0	376	0	376
Depreciation (expense)	(1,468,226)	(364,670)	0	(1,832,896)
<b>Carrying amount at 30 June 2019</b>	<b>89,363,785</b>	<b>11,427,155</b>	<b>3,416,594</b>	<b>104,207,534</b>
<b>Comprises:</b>				
Gross carrying amount at 30 June 2019	90,832,011	11,791,449	3,416,594	106,040,054
Accumulated depreciation at 30 June 2019	(1,468,226)	(364,294)	0	(1,832,520)
<b>Carrying amount at 30 June 2019</b>	<b>89,363,785</b>	<b>11,427,155</b>	<b>3,416,594</b>	<b>104,207,534</b>
Additions	1,411,055	256,263	0	1,667,318
Depreciation (expense)	(1,470,545)	(374,298)	(68,332)	(1,913,175)
<b>Carrying amount at 30 June 2020</b>	<b>89,304,296</b>	<b>11,309,119</b>	<b>3,348,262</b>	<b>103,961,677</b>
<b>Comprises:</b>				
Gross carrying amount at 30 June 2020	92,243,067	12,047,711	3,416,594	107,707,372
Accumulated depreciation at 30 June 2020	(2,938,771)	(738,591)	(68,332)	(3,745,694)
<b>Carrying amount at 30 June 2020</b>	<b>89,304,296</b>	<b>11,309,119</b>	<b>3,348,262</b>	<b>103,961,677</b>



**SHIRE OF WAGIN**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30 JUNE 2020**

**9. INFRASTRUCTURE (Continued)**

**(b) Fair Value Measurements**

<b>Asset Class</b>	<b>Fair Value Hierarchy</b>	<b>Valuation Technique</b>	<b>Basis of Valuation</b>	<b>Date of Last Valuation</b>	<b>Inputs Used</b>
<b>Infrastructure - roads</b>	3	Cost Approach using depreciated replacement cost	Independent Registered Valuers	June 2018	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs
<b>Infrastructure - Other</b>	3	Cost Approach using depreciated replacement cost	Independent Registered Valuers	June 2018	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs
<b>Infrastructure - Drainage</b>	3	Cost Approach using depreciated replacement cost	Independent Registered Valuers	June 2019	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.

## 10. FIXED ASSETS

### SIGNIFICANT ACCOUNTING POLICIES

#### Fixed assets

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

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

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

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

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

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

#### Revaluation

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

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.

### AUSTRALIAN ACCOUNTING STANDARDS - INCONSISTENCY

#### Land under control prior to 1 July 2019

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

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

#### Land under roads prior to 1 July 2019

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

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

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

Whilst such treatment is inconsistent with the requirements of AASB 1051, *Local Government (Financial Management) Regulation 4(2)* provides, in the event of such an inconsistency, the *Local Government (Financial Management) Regulations* prevail. Consequently, any land under roads acquired on or after 1 July 2008 was not included as an asset of the Shire.

#### 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, are 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.

The Shire has accounted for the removal of the vested land values associated with vested land previously recognised by removing the land value and associated revaluation reserve as at 1 July 2019. The comparatives have not been restated.

#### 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. The Shire does not have any vested improvements.

Refer to Note 24 that details the significant accounting policies applying to leases (including right of use assets).

**SHIRE OF WAGIN**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30 JUNE 2020**

**10. FIXED ASSETS**

**(a) Disposals of Assets**

	2020 Actual Net Book Value	2020 Actual Sale Proceeds	2020 Actual Profit	2020 Actual Loss	2020 Budget Net Book Value	2020 Budget Sale Proceeds	2020 Budget Profit	2020 Budget Loss	2019 Actual Net Book Value	2019 Actual Sale Proceeds	2019 Actual Profit	2019 Actual Loss
Plant and equipment	\$ 99,412	\$ 91,788	\$ 5,744	\$ (13,368)	\$ 76,800	\$ 77,000	\$ 6,000	\$ (5,800)	\$ 198,671	\$ 265,405	\$ 74,205	\$ (7,471)
	99,412	91,788	5,744	(13,368)	76,800	77,000	6,000	(5,800)	198,671	265,405	74,205	(7,471)

The following assets were disposed of during the year.

	2020 Actual Net Book Value	2020 Actual Sale Proceeds	2020 Actual Profit	2020 Actual Loss
<b>Plant and Equipment</b>				
<b>Governance</b>				
CEO Vehicle	30,589	32,233	1,644	0
<b>Education and welfare</b>				
HACC Co-ordinator Vehicle	21,343	20,000	0	(1,343)
<b>Transport</b>				
Isuzu 13t Truck P14	47,479	35,455	0	(12,024)
Toro Ride on Mower	0	2,273	2,273	0
ATV Cattleman Motorbike	0	1,373	1,373	0
Post Hole Digger	0	455	455	0
	99,411	91,789	5,745	(13,367)
	99,411	91,789	5,745	(13,367)

**(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.

	2020	2019
	\$	\$
Furniture and equipment	524,806	634,343
Plant and equipment	14,500	5,866
	539,306	640,209

## 10. FIXED ASSETS

### (c) Depreciation

	2020 Actual	2020 Budget	2019 Actual
	\$	\$	\$
Buildings	374,826	371,190	373,637
Furniture and equipment	26,796	55,650	56,660
Plant and equipment	242,692	165,520	250,312
Infrastructure - roads	1,470,545	1,511,500	1,469,586
Infrastructure - Other	374,298	360,800	363,100
Infrastructure - Drainage	68,332	0	0
	<b>2,557,489</b>	<b>2,464,660</b>	<b>2,513,294</b>

### 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	30 to 50 years
Furniture and equipment	4 to 10 years
Plant and equipment	5 to 15 years
Sealed roads and streets formation pavement seal	not depreciated
- bituminous seals	50 years
- asphalt surfaces	20 years
Gravel roads formation pavement	25 years
Footpaths - slab	not depreciated
Sewerage piping	50 years
Water supply piping and drainage systems	20 years
Right of use (buildings)	100 years
Right of use (plant and equipment)	75 years
Intangible assets - computer software licence	Based on the remaining lease
	Based on the remaining lease
	5 years

#### Depreciation on revaluation

When an item of land, building and infrastructure is revalued, any accumulated depreciation at the date of the revaluation is treated in one of the following ways:

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

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

#### 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 WAGIN**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30 JUNE 2020**

**11. REVALUATION SURPLUS**

	2020 Opening Balance	2020 Change in Accounting Policy	2020 Closing Balance	2019 Opening Balance	2019 Revaluation Increment	2019 Revaluation (Decrement)	Total Movement on Revaluation	2019 Closing Balance
	\$		\$	\$	\$	\$	\$	\$
Revaluation surplus - Land	2,938,241	(18,000)	2,920,241	2,938,241	0	0	0	2,938,241
Revaluation surplus - Buildings	8,319,066	0	8,319,066	8,321,746	0	(2,680)	(2,680)	8,319,066
Revaluation surplus - Plant and equipment	106,181	0	106,181	0	106,181	0	106,181	106,181
Revaluation surplus - Infrastructure - roads	65,074,533	0	65,074,533	65,074,533	0	0	0	65,074,533
Revaluation surplus - Infrastructure - Other	9,744,298	0	9,744,298	9,751,298	0	(7,000)	(7,000)	9,744,298
Revaluation surplus - Infrastructure - Drainage	3,416,594	0	3,416,594	0	3,416,594	0	3,416,594	3,416,594
	89,598,913	(18,000)	89,580,913	86,085,818	3,522,775	(9,680)	3,513,095	89,598,913

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

12. TRADE AND OTHER PAYABLES

**Current**

Sundry payables	
Accrued salaries and wages	
Bonds and deposits held	
Regional Refuse Group Accrued Funds	
Accrued interest on loans	

2020	2019
\$	\$
221,477	203,672
13,578	9,344
24,132	38,612
37,071	37,071
2,918	3,174
299,176	291,873

**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.

### 13. CONTRACT LIABILITIES

#### Current

Operating grants, subsidies and contributions  
 Non-operating grants, subsidies and contributions

	2020	2019
	\$	\$
	33,057	0
	74,251	0
	107,308	0

#### 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.

**SHIRE OF WAGIN**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30 JUNE 2020**

**14. INFORMATION ON BORROWINGS**

(a) Borrowings	2020	2019
	\$	\$
Current	67,403	64,099
Non-current	566,230	633,632
	633,633	697,731

**(b) Repayments - Borrowings**

Particulars	Loan Number	Institution	Interest Rate	Actual	30 June 2020	30 June 2020	30 June 2020	Budget	30 June 2020	30 June 2020	30 June 2020	Actual	30 June 2019	30 June 2019	30 June 2019	
				Principal 1 July 2019	Actual Principal repayments	Actual Interest repayments	Actual Principal outstanding	Principal 1 July 2019	Budget Principal repayments	Budget Interest repayments	Budget Principal outstanding	Principal 1 July 2018	Actual Principal repayments	Actual Interest repayments	Actual Principal outstanding	
				\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	
<b>Recreation and culture</b>																
Recreation Centre	131	NAB	6.39%	59,244	9,305	3,639	49,939	59,244	9,305	3,639	49,939	67,983	8,739	4,207	59,244	
Swimming Pool Redevelopment	139	WATC	5.11%	227,284	12,662	11,333	214,622	227,284	12,662	11,374	214,622	239,319	12,035	11,905	227,284	
<b>Other property and services</b>																
5 Arnott Street	137	WATC	6.02%	168,538	13,106	9,775	155,432	168,538	13,106	9,788	155,432	180,880	12,342	10,565	168,538	
Doctors Residence	138	WATC	6.27%	87,159	10,268	5,157	76,891	87,159	10,268	5,306	76,891	96,812	9,653	5,800	87,159	
				542,225	45,341	29,904	496,884	542,225	45,341	30,107	496,884	584,994	42,769	32,477	542,225	
<b>Self Supporting Loans</b>																
<b>Recreation and culture</b>																
Wagin Ag Society	141	WATC	3.04%	155,507	18,758	4,534	136,749	155,507	18,758	4,586	136,749	173,708	18,201	5,094	155,507	
				155,507	18,758	4,534	136,749	155,507	18,758	4,586	136,749	173,708	18,201	5,094	155,507	
				697,731	64,098	34,438	633,633	697,732	64,099	34,693	633,633	758,702	60,969	37,571	697,731	

\* WA Treasury Corporation

Self supporting loans are financed by payments from third parties. These are shown in Note 5 as other financial assets at amortised cost. All other loan repayments were financed by general purpose revenue.



**SHIRE OF WAGIN**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30 JUNE 2020**

**14. INFORMATION ON BORROWINGS (Continued)**

	2020	2019
<b>(c) Undrawn Borrowing Facilities</b>	<b>\$</b>	<b>\$</b>
<b>Credit Standby Arrangements</b>		
Credit card limit	22,000	22,000
<b>Total amount of credit unused</b>	<b>22,000</b>	<b>22,000</b>
<b>Loan facilities</b>		
Loan facilities - current	67,403	64,099
Loan facilities - non-current	566,230	633,632
<b>Total facilities in use at balance date</b>	<b>633,633</b>	<b>697,731</b>
<b>Unused loan facilities at balance date</b>		

**SIGNIFICANT ACCOUNTING POLICIES**

**Financial liabilities**

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

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

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

**Borrowing costs**

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

**Risk**

Information regarding exposure to risk can be found at Note 21.

## 15. EMPLOYEE RELATED PROVISIONS

### (a) Employee Related Provisions

#### Opening balance at 1 July 2019

Current provisions  
 Non-current provisions

Additional provision  
 Amounts used

#### Balance at 30 June 2020

#### Comprises

Current  
 Non-current

	Provision for Annual Leave	Provision for Long Service Leave	Total
	\$	\$	\$
Opening balance at 1 July 2019			
Current provisions	103,574	203,570	307,144
Non-current provisions	0	50,560	50,560
	103,574	254,130	357,704
Additional provision	182,635	47,529	230,164
Amounts used	(161,678)	(52,982)	(214,660)
Balance at 30 June 2020	124,531	248,677	373,208
Comprises			
Current	124,531	184,374	308,905
Non-current	0	64,303	64,303
	124,531	248,677	373,208

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

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

	2020	2019
	\$	\$
Less than 12 months after the reporting date	310,483	307,144
More than 12 months from reporting date	61,936	35,334
Expected reimbursements from other WA local governments	789	15,226
	373,208	357,704

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

### SIGNIFICANT ACCOUNTING POLICIES

#### Employee benefits

##### Short-term employee benefits

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

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

##### Other long-term employee benefits

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

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

##### Other long-term employee benefits (Continued)

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.

## 16. 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:

	2020 Actual	2020 Budget	2019 Actual
	\$	\$	\$
Cash and cash equivalents	2,927,268	1,514,585	421,338
<b>Reconciliation of Net Cash Provided By Operating Activities to Net Result</b>			
Net result	(276,003)	(1,017,119)	1,107,829
Non-cash flows in Net result:			
Adjustments to fair value of financial assets at fair value through profit and loss	(1,153)	0	33,360
Adjustments to fair value of investment property	0	0	(70,068)
Depreciation on non-current assets	2,557,489	2,464,660	2,513,294
(Profit)/loss on sale of asset	7,624	(200)	(66,735)
Reversal of loss on revaluation of fixed assets	0	0	75,314
Changes in assets and liabilities:			
(Increase)/decrease in receivables	916,228	861,230	95,150
(Increase)/decrease in inventories	8,404	7,378	(6,435)
(Increase)/decrease in contract assets	(29,241)	0	0
Increase/(decrease) in payables	7,303	147,959	(122,823)
Increase/(decrease) in provisions	15,504	0	(13,664)
Increase/(decrease) in contract liabilities	(49,007)	0	0
Non-operating grants, subsidies and contributions	(1,152,172)	(1,143,257)	(2,340,432)
Net cash from operating activities	2,004,976	1,320,651	1,204,790

## 17. TOTAL ASSETS CLASSIFIED BY FUNCTION AND ACTIVITY

	2020	2019
	\$	\$
Governance	4,371,676	4,495,582
General purpose funding	1,214,832	358,577
Law, order, public safety	535,682	503,716
Health	849,438	856,270
Education and welfare	485,410	495,224
Community amenities	1,048,765	887,535
Recreation and culture	14,579,195	14,899,906
Transport	102,098,566	103,218,656
Economic services	442,630	403,879
Other property and services	1,536,492	1,420,757
Unallocated	0	6,889
	<b>127,162,686</b>	<b>127,546,990</b>

## 18. RELATED PARTY TRANSACTIONS

### Elected Members Remuneration

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

	2020 Actual	2020 Budget	2019 Actual
	\$	\$	\$
Meeting fees	24,188	18,000	17,500
President's allowance	12,000	12,000	12,000
Deputy President's allowance	3,000	3,000	3,000
Travelling expenses	650	1,000	479
Telecommunications allowance	5,000	5,000	4,595
	<u>44,838</u>	<u>39,000</u>	<u>37,574</u>

### Key Management Personnel (KMP) Compensation Disclosure

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

	2020 Actual	2019 Actual
	\$	\$
Short-term employee benefits	594,156	697,079
Post-employment benefits	50,680	65,588
Other long-term benefits	8,687	13,441
	<u>653,523</u>	<u>776,108</u>

#### *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.

## 18. RELATED PARTY TRANSACTIONS (Continued)

### Transactions with related parties

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

The following transactions occurred with related parties:	2020 Actual	2019 Actual
	\$	\$
Sale of goods and services	4,931	1,380
Purchase of goods and services	70,137	26,676
<b>Amounts payable to related parties:</b>		
Trade and other payables	19,304	17,400

### Related Parties

#### The Shire's main related parties are as follows:

*i. Key management personnel*

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

*ii. Other Related Parties*

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

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

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

SHIRE OF WAGIN  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30 JUNE 2020

19. RATING INFORMATION

(a) Rates

RATE TYPE	Rate in \$	Number of Properties	2019/20 Actual Rateable Value \$	2019/20 Actual Rate Revenue \$	2019/20 Actual Interim Rates \$	2019/20 Actual Back Rates \$	2019/20 Actual Total Revenue \$	2019/20 Budget Rate Revenue \$	2019/20 Budget Interim Rate \$	2019/20 Budget Back Rate \$	2019/20 Budget Total Revenue \$	2018/19 Actual Total Revenue \$
<b>Differential general rate / general rate</b>												
<b>Gross rental valuations</b>	0.11016	744	7,953,721	876,206	(442)	142	875,906	876,206	2,000	1,000	879,206	860,290
<b>Unimproved valuations</b>	0.00724	321	197,041,500	1,426,384	(324)	0	1,426,060	1,426,383	2,000	0	1,428,383	1,404,497
<b>Sub-Total</b>		1,065	204,995,221	2,302,590	(766)	142	2,301,966	2,302,589	4,000	1,000	2,307,589	2,264,787
<b>Minimum payment</b>	Minimum \$											
<b>Gross rental valuations</b>	580	148	280,029	85,840	0	0	85,840	85,840	0	0	85,840	82,880
<b>Unimproved valuations</b>	580	63	3,270,037	36,540	0	0	36,540	36,540	0	0	36,540	29,680
<b>Sub-Total</b>		211	3,550,066	122,380	0	0	122,380	122,380	0	0	122,380	112,560
		1,276	208,545,287	2,424,970	(766)	142	2,424,346	2,424,969	4,000	1,000	2,429,969	2,377,347
Discounts (Note 19(b))							(86,849)				(86,105)	(84,678)
<b>Total amount raised from general rate</b>							2,337,497				2,343,864	2,292,669
Ex-gratia rates							12,394				12,394	12,150
<b>Totals</b>							2,349,891				2,356,258	2,304,819

**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 WAGIN**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30 JUNE 2020**

**19. RATING INFORMATION (Continued)**

**(b) Discounts, Incentives, Concessions, & Write-offs**

**Rates Discounts**

Rate or Fee Discount Granted	Discount	Discount	2020 Actual	2020 Budget	2019 Actual	Circumstances in which Discount is Granted
	%	\$	\$	\$	\$	
Early Payment	5.00%		86,849	86,105	84,678	Rates paid in full by 25 September 2019
Total discounts/concessions (Note 19(a))			86,849	86,105	84,678	

**Waivers or Concessions**

Rate or Fee and Charge to which the Waiver or Concession is Granted	Type	Discount	Discount	2020 Actual	2020 Budget	2019 Actual
		%	\$	\$	\$	\$
Betty Terry Theatre	Rates	50.00%		379	440	372
Betty Terry Theatre	Rubbish	50.00%		163	163	160
St John Ambulance	Rubbish	100.00%		325	325	320
Wagin Care & Share	Rubbish	100.00%		325	325	320
Wagin CWA	Rates	100.00%		968	1,020	950
Wagin CWA	Rubbish	100.00%		325	325	320
Waratah Lodge	Rubbish	100.00%		325	325	320
				2,810	2,923	2,762

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
Betty Terry Theatre		Rates Payable	
Betty Terry Theatre	1st Bin Waived, Remaining Payable	Rubbish Charges for 1 Bin	
St John Ambulance	1st Bin Waived, Remaining Payable	Rubbish Charges for 1 Bin	
Wagin Care & Share	1st Bin Waived, Remaining Payable	Rubbish Charges for 1 Bin	
Wagin CWA		Rates Payable	
Wagin CWA	1st Bin Waived, Remaining Payable	Rubbish Charges for 1 Bin	
Waratah Lodge	1st Bin Waived, Remaining Payable	Rubbish Charges for 1 Bin	



## 19. RATING INFORMATION (Continued)

### (c) Interest Charges & Instalments

Instalment Options	Date Due	Instalment Plan Admin Charge \$	Instalment Plan Interest Rate %	Unpaid Rates Interest Rate %
<b>Option One</b>				
Single full payment	25/09/2019			11.00%
<b>Option Two</b>				
First instalment	25/09/2019	5.00	5.50%	11.00%
Second instalment	24/01/2020	5.00	5.50%	11.00%
<b>Option Three</b>				
First instalment	25/09/2019	5.00	5.50%	11.00%
Second instalment	25/11/2019	5.00	5.50%	11.00%
Third instalment	24/01/2020	5.00	5.50%	11.00%
Fourth instalment	24/03/2020	5.00	5.50%	11.00%

	2020 Actual \$	2020 Budget \$	2019 Actual \$
Interest on unpaid rates	11,709	12,000	11,503
Interest on instalment plan	3,445	0	0
Charges on instalment plan	3,173	8,000	5,435
	18,327	20,000	16,938

SHIRE OF WAGIN  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30 JUNE 2020

20. RATE SETTING STATEMENT INFORMATION

Note	2019/20 (30 June 2020 Carried Forward) \$	2019/20 Budget (30 June 2020 Carried Forward) \$	2019/20 (1 July 2019 Brought Forward) \$	2018/19 (30 June 2019 Carried Forward) \$		
<b>(a) Non-cash amounts excluded from operating activities</b>						
The following non-cash revenue or expenditure has been excluded from amounts attributable to operating activities within the Rate Setting Statement in accordance with <i>Financial Management Regulation 32</i> .						
<b>Adjustments to operating activities</b>						
	Less: Profit on asset disposals	10(a)	(5,744)	(6,000)	(74,205)	(74,205)
	Less: Fair value adjustments to financial assets at fair value through profit and loss		(1,153)	0	(70,068)	(70,068)
	Movement in pensioner deferred rates (non-current)		(3,282)	0	(10,961)	(10,961)
	Movement in employee benefit provisions (non-current)		13,740	0	8,306	8,306
	Add: Loss on disposal of assets	10(a)	13,368	5,800	7,470	7,470
	Add: Loss on revaluation of fixed assets	9(a)	0	0	75,314	75,314
	Add: Depreciation on non-current assets	10(c)	2,557,489	2,464,660	2,513,294	2,513,294
	<b>Non cash amounts excluded from operating activities</b>		2,574,418	2,464,460	2,449,150	2,449,150
<b>(b) Surplus/(deficit) after imposition of general rates</b>						
The following current assets and liabilities have been excluded from the net current assets used in the Rate Setting Statement in accordance with <i>Financial Management Regulation 32</i> to agree to the surplus/(deficit) after imposition of general rates.						
<b>Adjustments to net current assets</b>						
	Less: Reserves - cash/financial asset backed	4	(1,656,310)	(1,394,585)	(1,380,036)	(1,380,036)
	Less: Financial assets at amortised cost - self supporting loans	5(a)	(19,333)	0	(18,758)	(18,758)
	Add: Current liabilities not expected to be cleared at end of year					
	- Current portion of borrowings	14(a)	67,403	67,406	64,099	64,099
	- Employee benefit provisions		325,485	307,296	313,087	313,087
	<b>Total adjustments to net current assets</b>		(1,282,755)	(1,019,883)	(1,021,608)	(1,021,608)
<b>Net current assets used in the Rate Setting Statement</b>						
	Total current assets		3,214,627	1,783,185	2,986,833	2,986,833
	Less: Total current liabilities		(782,792)	(763,302)	(819,431)	(663,116)
	Less: Total adjustments to net current assets		(1,282,755)	(1,019,883)	(1,021,608)	(1,021,608)
	<b>Net current assets used in the Rate Setting Statement</b>		1,149,080	0	1,145,795	1,302,110
<b>(c) Adjustments to current assets and liabilities at 1 July 2019 on application of new accounting standards</b>						
<b>Total current assets at 30 June 2019</b>						
	- Contract assets	22(a)				2,986,833
	<b>Total current assets at 1 July 2019</b>					0
	<b>Total current assets at 1 July 2019</b>					2,986,833
<b>Total current liabilities at 30 June 2019</b>						
	- Contract liabilities from operating grants, subsidies and contributions	22(a)				(663,116)
	- Contract liabilities from non-operating grants, subsidies and contributions	22(a)				(20,247)
	<b>Total current liabilities at 1 July 2019</b>					(136,068)
	<b>Total current liabilities at 1 July 2019</b>					(819,431)

## 21. FINANCIAL RISK MANAGEMENT

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

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

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

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

### (a) Interest rate risk

#### Cash and cash equivalents

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

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

	Weighted Average Interest Rate	Carrying Amounts	Fixed Interest Rate	Variable Interest Rate	Non Interest Bearing
	%	\$	\$	\$	\$
<b>2020</b>					
Cash and cash equivalents	0.32%	2,927,268	1,656,310	1,156,887	114,071
<b>2019</b>					
Cash and cash equivalents	0.44%	421,338	0	153,327	268,011
Financial assets at amortised cost	2.40%	1,380,038	1,380,038		

#### Sensitivity

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

	2020	2019
	\$	\$
Impact of a 1% movement in interest rates on profit and loss and equity*	11,569	1,533

\* Holding all other variables constant

#### Borrowings

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

## 21. 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. The Shire is also able to charge interest on overdue rates and annual charges on higher than market rates, which further encourages payment.

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

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

The expected loss rates are based on the payment profiles of rates and fees and charges over a period of 36 months before 1 July 2019 or 1 July 2020 respectively and the corresponding historical losses experienced within this period. Historical credit loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors such as the ability of ratepayers and residents to settle the receivables. Housing prices and unemployment rates have been identified as the most relevant factor in repayment rates, and accordingly adjustments are made to the expected credit loss rate based on these factors. There are no material receivables that have been subject to a re-negotiation of repayment terms.

The loss allowance was determined as follows for rates receivable.

	Current	More than 1 year past due	More than 2 years past due	More than 3 years past due	Total
<b>30 June 2020</b>					
Rates receivable					
Expected credit loss					
Gross carrying amount	1,020	36,709	30,308	16,498	84,535
Loss allowance	8,072	5,470	2,473	4,709	20,724

#### **30 June 2019**

Rates receivable					
Expected credit loss					
Gross carrying amount	420	38,231	22,158	8,733	69,542
Loss allowance	5,470	2,473	974	3,735	12,651

The loss allowance as at 30 June 2020 and 30 June 2019 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
<b>30 June 2020</b>					
Trade and other receivables					
Expected credit loss	0.00%	0.00%	0.00%	12.04%	
Gross carrying amount	112,583	5,550	0	20,769	138,901
Loss allowance	0	0	0	2,500	2,500

#### **30 June 2019**

Trade and other receivables					
Expected credit loss	0.00%	0.00%	0.00%	8.30%	
Gross carrying amount	1,004,829	5,391	891	26,992	1,038,103
Loss allowance	0	0	0	2,240	2,240

## 21. FINANCIAL RISK MANAGEMENT (Continued)

### (b) Credit risk (Continued)

#### **Contract Assets**

The Shire's contract assets represent work completed, which have not been invoiced at year end. This is due to the Shire not having met all the performance obligations in the contract which give an unconditional right to receive consideration. The Shire applies the simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all contract assets. To measure the expected credit losses, contract assets have been grouped based on shared credit risk characteristics and the days past due. Contract assets have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Shire has therefore concluded that the expected credit loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

## 21. 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.

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
	\$	\$	\$	\$	\$
<b>2020</b>					
Payables	299,176	0	0	299,176	299,176
Borrowings	98,794	388,702	304,699	792,195	633,633
Contract liabilities	107,308	0	0	107,308	107,308
	505,278	388,702	304,699	1,198,679	1,040,117
<b>2019</b>					
Payables	291,873	0	0	291,873	291,873
Borrowings	64,099	290,546	343,087	697,731	697,731
	355,972	290,546	343,087	989,604	989,604

**SHIRE OF WAGIN**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30 JUNE 2020**

**22. INITIAL APPLICATION OF AUSTRALIAN ACCOUNTING STANDARDS**

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

**(a) AASB 15: Revenue from Contracts with Customers**

The Shire adopted AASB 15 Revenue from Contracts with Customers (issued December 2014) on 1 July 2019 resulting in changes in accounting policies. In accordance with the transition provisions AASB 15, the Shire adopted the new rules retrospectively with the cumulative effect of initially applying these rules recognised on 1 July 2019. In summary the following adjustments were made to the amounts recognised in the statement of financial position at the date of initial application (1 July 2019):

Note	AASB 118 carrying amount 30 June 2019 \$	Reclassification \$	AASB 15 carrying amount 01 July 2019 \$
<b>Contract liabilities - current</b>			
Operating grants, subsidies and contributions	13	0	(20,247)
Non-operating grants, subsidies and contributions	13	0	(136,068)
Adjustment to retained surplus from adoption of AASB 15	22(e)	0	(156,315)

**(b) AASB 1058: Income For Not-For-Profit Entities**

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

In applying AASB 1058 retrospectively with the cumulative effect of initially applying the Standard on 1 July 2019 changes occurred to the following financial statement line items by application of AASB 1058 as compared to AASB 118: Revenue and AASB 1004: Contributions before the change:

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

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

The table below provides details of the amount by which each financial statement line item is affected in the current reporting period by the application of this Standard as compared to AASB 118 and 1004 and related Interpretations that were in effect before the change.

Note	2020 \$	Adjustment due to application of AASB 15 and AASB 1058	2020 \$
Statement of Comprehensive Income	As reported under AASB 15 and AASB 1058	AASB 15 and AASB 1058	Compared to AASB 118 and AASB 1004
<b>Revenue</b>			
Rates	19(a)	2,349,891	0
Operating grants, subsidies and contributions	2(a)	1,998,216	3,816
Fees and charges	2(a)	683,973	0
Non-operating grants, subsidies and contributions	2(a)	1,152,172	74,251
Net result		(276,003)	78,067

**SHIRE OF WAGIN**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30 JUNE 2020**

**22. INITIAL APPLICATION OF AUSTRALIAN ACCOUNTING STANDARDS (Continued)**

**Statement of Financial Position**

Contract assets	2(a)	29,241	(29,241)	0
Trade and other payables	12	299,176	0	299,176
Contract liabilities	13	107,308	(107,308)	0
Net assets		125,749,364	78,067	125,827,431

**Statement of Changes in Equity**

Net result		(276,003)	78,067	(197,936)
Retained surplus		34,512,141	78,067	34,590,208

Refer to Note 2(a) for new revenue recognition accounting policies as a result of the application of AASB 15 and AASB 1058.

**(c) AASB 16: Leases**

The Shire adopted AASB 16 retrospectively from 1 July 2019 which resulted in changes in accounting policies. In accordance with the transition provisions of AASB 16, the Shire has applied this Standard to its leases retrospectively, with the cumulative effect of initially applying AASB16 recognised on 1 July 2019. In applying AASB 16, under the specific transition provisions chosen, the Shire will not restate comparatives for prior reporting periods.

No adjustments were made as a result of the adoption of the standard.



**SHIRE OF WAGIN**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30 JUNE 2020**

**22. CHANGE IN ACCOUNTING POLICIES**

**(d) Change in Accounting Policies due to regulation changes**

Effective 6 November 2020, Local Government (Financial Management) Regulation 16 was deleted and Local Government (Financial Management) Regulation 17A was amended with retrospective application. The changes were effective for financial years ending on or after 30 June 2020 so are required to be applied retrospectively with cumulative effect applied initially on 1 July 2019.

In accordance with the changes, the Shire was required to remove the values attributable to certain crown land assets previously required to be recognised, as well as the associated revaluation surplus at 1 July 2019. These assets have been measured as concessionary lease right-of-use assets at zero cost in accordance with AASB 16.

	Note	Carrying amount 30 June 2019 \$	Reclassification \$	Carrying amount 01 July 2019 \$
Property, plant and equipment	8	20,091,865	(18,000)	20,073,865
Revaluation surplus	11	89,598,913	(18,000)	89,580,913

Also, following changes 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 is effective from 1 July 2019 and represents a change in accounting policy. Revaluations carried out previously or during the year were not reversed as it was deemed fair value approximates cost at the date of the change.

**(e) Changes in equity due to change in accounting policies**

The impact on the Shire's retained surplus due to the adoption of AASB 15 and AASB 1058 as at 1 July 2019 was as follows:

	Note	Adjustments	2019 \$
Retained surplus - 30 June 2019			35,220,731
Adjustment to retained surplus from first time adoption of AASB 15	22(a)	(156,315)	
Retained surplus - 1 July 2019			35,064,416

The impact on the Shire's opening revaluation surplus resulting from *Local Government (Financial Management) Regulation 16* being deleted and the amendments to *Local Government (Financial Management) Regulation 17A* as at 1 July 2019 was as follows:

	Note	Adjustments	2019 \$
Revaluation surplus - 30 June 2019			89,598,913
Adjustment to revaluation surplus from deletion of Local Government (Financial Management) Regulation 16	22(d)	(18,000)	
Revaluation surplus - 1 July 2019			89,580,913

### 23. 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 2019	Amounts Received	Amounts Paid	30 June 2020
	\$	\$	\$	\$
In Lieu of Public Open Space	8,200	0	0	8,200
	8,200	0	0	8,200

## 24. OTHER SIGNIFICANT ACCOUNTING POLICIES

### a) Goods and services tax (GST)

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

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

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

### b) Current and non-current classification

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

### c) Rounding off figures

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

### d) Comparative figures

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

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

### e) Budget comparative figures

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

### f) Superannuation

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

### g) Fair value of assets and liabilities

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

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

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

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

### h) Fair value hierarchy

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

#### Level 1

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

#### Level 2

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

#### Level 3

Measurements based on unobservable inputs for the asset or liability.

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

#### Valuation techniques

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

#### Market approach

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

#### Income approach

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

#### Cost approach

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

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

#### i) Impairment of assets

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

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

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

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

**SHIRE OF WAGIN**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30 JUNE 2020**

**24. OTHER SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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.

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 (ie. 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 1 that details the significant accounting policies applying to vested improvements.

**Leases (continued)**

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.

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.

**SHIRE OF WAGIN**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30 JUNE 2020**

**25. ACTIVITIES/PROGRAMS**

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

<b>PROGRAM NAME AND OBJECTIVES</b>	<b>ACTIVITIES</b>
<p><b>GOVERNANCE</b></p> <p>To provide a decision making process for the efficient allocation of resources.</p>	<p>Includes costs associated with elected members, the running costs of the Administration building and associated clerical staff, records management and computer operation costs.</p>
<p><b>GENERAL PURPOSE FUNDING</b></p> <p>To collect revenue to allow for the provision of services and facilities for the community.</p>	<p>Includes rate revenue and associated costs, general purpose government grants, costs associated with the repayment of Council loans, including reimbursement from government bodies and community organisations, as well as interest earned on Council investments.</p>
<p><b>LAW, ORDER, PUBLIC SAFETY</b></p> <p>To provide services to help ensure a safer and environmentally conscious community.</p>	<p>Includes costs associated with fire prevention and control, control of dogs, cats and other animals, abandoned vehicles, enforcement of associated local laws and other aspects of public safety including emergency services.</p>
<p><b>HEALTH</b></p> <p>To provide an operational framework for environmental and community health.</p>	<p>Includes costs associated with providing doctor, maternal and infant health services, analytical expenses ie water sampling, and the running of the Regional Health Scheme together with the Shire of Williams and Shire of Dumbleyung.</p>
<p><b>EDUCATION AND WELFARE</b></p> <p>To provide services and facilities to the elderly, disadvantaged, children and youth of the community.</p>	<p>Includes costs associated with providing a building for daycare, administering and running of the Wagin Homecare Program, including Community Aged Care Packages and some assistance to Wagin Frail Aged Lodge.</p>
<p><b>COMMUNITY AMENITIES</b></p> <p>To provide required essential services for the community.</p>	<p>Includes provision for the collection and disposal of residential, commercial and industrial refuse, provide an effective waste recycling service, ongoing maintenance of the Wagin Cemetery and running costs associated with providing public conveniences.</p>
<p><b>RECREATION AND CULTURE</b></p> <p>To establish and effectively manage infrastructure, resources and provide opportunities which will help the social well-being of the community.</p>	<p>Includes costs associated with public halls, the Wagin Memorial Swimming Centre, Wagin Recreation Centre, sportsground maintenance and sportsground buildings / facilities maintenance, the provision of recreational services and programs, library services together with a contribution towards the costs associated with the running of the Wagin Woolorama.</p>
<p><b>TRANSPORT</b></p> <p>To provide safe, effective and efficient transport services to the community.</p>	<p>Includes construction and maintenance of Council's infrastructure assets including roads, bridges, footpaths, parking facilities, townscape, street trees and street lighting. Also, improvements to Council's plant and the provision of aircraft landing facilities and their associated costs.</p>
<p><b>ECONOMIC SERVICES</b></p> <p>To help promote the Shire and its economic wellbeing.</p>	<p>Includes area promotion, tourism, economic and community development, control of declared flora and fauna, the Rural Town's programme, Landcare, LCDC projects, ongoing maintenance of the Wagin Caravan Park, building control and the provision of standpipes.</p>
<p><b>OTHER PROPERTY AND SERVICES</b></p> <p>To monitor and control Council's overhead operating accounts and other miscellaneous items.</p>	<p>Includes private works, town planning schemes and the provision for new residential developments, materials in store, costs associated with employment of the outside works crew, costs associated with the running of all Council plant and other unclassified revenue and expenses.</p>

## 26. FINANCIAL RATIOS

	2020 Actual	2019 Actual	2018 Actual
Current ratio	3.85	3.76	2.73
Asset consumption ratio	0.96	0.98	0.99
Asset renewal funding ratio	1.51	3.63	1.16
Asset sustainability ratio	0.77	1.32	4.94
Debt service cover ratio	11.81	13.38	11.30
Operating surplus ratio	(0.44)	(0.32)	0.03
Own source revenue coverage ratio	0.48	0.53	0.66

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



### 6.3 2019/2020 DRAFT AUDIT MANAGEMENT LETTER

PROPONENT:	N/A
OWNER:	N/A
LOCATION/ADDRESS:	N/A
AUTHOR OF REPORT:	Manager of Finance
SENIOR OFFICER:	Chief Executive Officer
DATE OF REPORT:	12 February 2021
PREVIOUS REPORT(S):	06 February 2020
DISCLOSURE OF INTEREST:	Nil
FILE REFERENCE:	FM.AD.2
ATTACHMENTS:	<ul style="list-style-type: none"><li>2019/2020 Draft Audit Management Letter with Management Responses</li></ul>

#### OFFICER RECOMMENDATION

**Moved Cr**

**Seconded Cr**

**That the 2019/2020 Draft Audit Management Letter and management responses to the findings be received.**

**Carried 0/0**

#### BRIEF SUMMARY

The 2019/2020 Draft Audit Management Letter with Management's response is attached for discussion and to be received by the Audit Committee.

#### BACKGROUND/COMMENT

Accounting firm Butler Settineri, on behalf of Council's Auditors – the Office of The Auditor General, completed the audit of the 2019/2020 financial year in late 2020.

As part of the audit process the auditors have issued a Draft Audit Management Letter on their findings from the audit, the auditor's have also requested management to respond on each finding. The responses are attached for the Committee's information, these responses have already been sent back to Butler Settineri.

The Draft Audit Management Letter and management responses are attached for the Committee and Council to receive.

#### CONSULTATION/COMMUNICATION

- Deputy Chief Executive Officer
- Manager of Finance

#### STATUTORY/LEGAL IMPLICATIONS

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

#### POLICY IMPLICATIONS

Nil



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## **FINANCIAL IMPLICATIONS**

Nil

## **STRATEGIC IMPLICATIONS**

Nil

## **VOTING REQUIREMENTS**

Simple Majority



## SHIRE OF WAGIN

PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2020

## FINDINGS IDENTIFIED DURING THE FINAL AUDIT

INDEX OF FINDINGS	RATING		
	Significant	Moderate	Minor
1. Authority for use of corporate credit cards	✓		
2. Changes to supplier master file	✓		
3. Records of assets that are attractive for personal use or resale		✓	

**KEY TO RATINGS**

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

- Significant** - Those findings where there is potentially a significant risk to the entity should the finding not be addressed by the entity promptly.
- Moderate** - Those findings which are of sufficient concern to warrant action being taken by the entity as soon as practicable.
- Minor** - Those findings that are not of primary concern but still warrant action being taken.

**SHIRE OF WAGIN****PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2020****FINDINGS IDENTIFIED DURING THE FINAL AUDIT****1. Authority for use of corporate credit cards****Finding**

The Shire has issued two credit cards with a monthly transaction limit of \$1,000 each to volunteer staff in the State of Emergency Service, which gives the volunteers authority to procure and pay for goods and services on behalf of the Shire.

Local Government Act 1995 Section 5.44 allows the Chief Executive Officer to delegate to any employee of the local government the exercise of any of the CEO's powers or the discharge of duties of the CEO and this delegation must be in writing.

The Shire's Delegation Register does not include the delegation of authority to the volunteers and this delegation would not be allowed in accordance with the Local Government Act 1995 Section 5.44 as the volunteers are not employees of the Shire.

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

Non-compliance with Section 5.44 of the Local Government Act 1995.

**Recommendation**

Management should remove the volunteers' access to the credit cards and implement a different system to reimburse the State of Emergency Service volunteers for costs incidental to the services they provide on behalf of the Shire.

**SHIRE OF WAGIN MANAGEMENT COMMENTS**

These credit cards have been issued for a number of years now. This issue was raised as part of the Financial Management Review that was carried out in May 2020. As such we will be cancelling these credit cards.

**Responsible Person:** Manager of Finance

**Completion Date:** February 2021

**SHIRE OF WAGIN****PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2020****FINDINGS IDENTIFIED DURING THE FINAL AUDIT****2. Changes to supplier master file****Finding**

We noted that the Shire has only implemented internal controls towards the end of the financial year relating to the review of supplier master file changes by management to confirm that all changes made were valid and accurate. As such the controls were not in place throughout the financial year.

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

There is an increased risk that unauthorised changes may be made resulting in errors or funds being inappropriately transferred.

**Recommendation**

Management should review changes to the supplier master file throughout the year to confirm that they were valid. If not, appropriate action should be taken.

**SHIRE OF WAGIN MANAGEMENT COMMENTS**

Audit trails are performed by a Manager every payment run which are checked to the corresponding forms then authorised. This procedure has been in place since it was brought to our attention from the Financial Management Review that was carried out in May 2020. The controls will be in place for the full 2020/21 financial year.

**Responsible Person:** Manager of Finance  
**Completion Date:** July 2020

**SHIRE OF WAGIN****PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2020****FINDINGS IDENTIFIED DURING THE FINAL AUDIT****3. Records of assets that are attractive for personal use or resale****Finding**

In accordance with Local Government (Financial Management) Regulations 1996 17B, a Chief Executive Officer must take all reasonable steps to prevent the theft and loss of:

- a. a non-consumable asset that is susceptible to theft or loss due to its portable nature and attractiveness for personal use or resale; and
- b. an asset referred to in regulation 17A(5).

We noted that the Shire has not updated the portable and attractive asset list after assets under \$5,000 were removed from the fixed asset register. The Shire has not implemented other processes to ensure that these assets are identified and secured against theft and loss.

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

Incomplete and inaccurate records do not support effective monitoring and management of portable and attractive items, and there is a risk of theft and loss passing undetected.

**Recommendation**

We recommend that the portable and attractive asset register be maintained and updated regularly.

**SHIRE OF WAGIN MANAGEMENT COMMENTS**

A more suitable portable and attractive assets register has since been created and will be maintained accordingly. All Managers will be provided with a copy of the register to ensure these assets are secured against theft and loss.

**Responsible Person:** Manager of Finance  
**Completion Date:** February 2021



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**7. GENERAL BUSINESS**

**8. CLOSURE**