



# Audit Committee Agenda

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## Shire of Pingelly Audit Committee Meeting 11 February 2021

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### **MISSION STATEMENT**

*To enhance the quality of life for the people of Pingelly through the provision of leadership, services and infrastructure.*



## **Shire of Pingelly**

### **Notice of Meeting**

Notice is given that a meeting of the Audit Committee will be held in the Council Chambers, 17 Queen Street, Pingelly on 11 February 2021, commencing at 1pm.

Your attendance is respectfully requested.

### **Disclaimer**

The recommendations contained in this agenda are officers' recommendations only and should not be acted upon until Council has resolved to adopt those recommendations. The resolutions of Council should be confirmed by perusing the minutes of the Council meeting at which these recommendations were considered. Members of the public should also note that they act at their own risk if they enact any resolution prior to receiving official written notification of Councils decision.

A handwritten signature in black ink, appearing to read "JB", is located below the disclaimer text.

**Julie Burton**  
**Chief Executive Officer**

## PUBLIC QUESTION TIME INFORMATION

The Shire of Pingelly welcomes community participation during public question time. This document is to be read in conjunction with the *Shire of Pingelly Standing Orders Local Law 2017* and the *Local Government Act 1995* and the *Local Government (Administration) Regulations 1996*.

1. A member of the public who raises a question during question time must:
  - a. be in attendance at the meeting;
  - b. first state their name and address;
  - c. direct the question to the Presiding Member;
  - d. ask the question briefly and concisely;
  - e. limit any preamble to matters directly relevant to the question; and
  - f. ensure that the question is not accompanied by any expression of opinion, statement of fact or other comment, except where necessary to explain the question.
2. Each member of the public with a question is entitled to ask up to 3 questions before other members of the public will be invited to ask their questions.
3. Where a member of the public seeks a written response to their questions to be tabled at a meeting, the member of the public must submit their questions to Council by no later than 12 noon on the day prior to the meeting date of which the response is to be tabled.
4. Where a member of the public submits their questions after 12 noon on the day prior to the meeting date of which the response is to be tabled, a written response may be provided at the discretion of the presiding member.
5. Where a member of the public submits a written question after 12 noon the day prior to the meeting at which they are to be tabled, a verbal response may be provided at the meeting.
6. A member of the public may ask questions without notice at a meeting, provided they present a written copy of their questions to Council prior to the commencement of the meeting.

Questions may be submitted by e-mail to [admin@pingelly.wa.gov.au](mailto:admin@pingelly.wa.gov.au).

## SHIRE OF PINGELLY

*Agenda for the Shire of Pingelly Audit Committee meeting to be held in the Council Chamber, 17 Queen Street, Pingelly on Thursday 11 February 2021 – commencing at 1pm.*

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**1. DECLARATION OF OPENING / ANNOUNCEMENT OF VISITORS**

The Chairman to declare the meeting open.

**1.1. ACKNOWLEDGEMENT OF COUNTRY**

We acknowledge the Noongar people of this area and recognise their continuing connection to land, waters and community. We pay respect to both the Aboriginal and non-Aboriginal people past, present and emerging.

**2. RECORD OF ATTENDANCE / APOLOGIES / APPROVED LEAVE OF ABSENCE**

**3. RESPONSE TO PREVIOUS PUBLIC QUESTIONS TAKEN ON NOTICE**

Nil

**4. PUBLIC QUESTION TIME**

**5. APPLICATIONS FOR LEAVE OF ABSENCE**

**6. DISCLOSURES OF INTEREST**

The *Local Government Act* (Section 5.60 – 5.62) provides that it is the Councillor's obligation to declare an interest if they believe that they have a financial interest, proximity interest, closely associated persons interest or an interest affecting impartiality in a matter being discussed by Council.

The Act provides that the interest may be declared in writing to the Chief Executive Officer prior to the meeting or declared prior to discussion of the agenda item at the meeting. Forms for this purpose are available to Councillors.

The Act further provides that the extent of the interest needs to be declared if the Councillor seeks to remain in the Chamber during the discussion, debate or voting on the item.

A Councillor declaring a financial or proximity interest must leave the meeting prior to the matter being discussed or voted on (including the question as to whether they are permitted to remain in the Chamber). Councillors remaining in the Chamber may resolve to allow the member to return to the meeting to participate in the proceedings.

**7. CONFIRMATION OF MINUTES AND REPORTS**

Nil

**8. ANNOUNCEMENTS BY THE PRESIDING PERSON WITHOUT DISCUSSION**

**9. PETITIONS / DEPUTATIONS / PRESENTATIONS / SUBMISSIONS**

Nil

## **10. BUSINESS**

### **10.1 Report on Audit Regulation 17**

<b>File Reference:</b>	<b>ADM0074</b>
<b>Location:</b>	<b>Not Applicable</b>
<b>Applicant:</b>	<b>Not Applicable</b>
<b>Author:</b>	<b>Chief Executive Officer</b>
<b>Disclosure of Interest:</b>	<b>Nil</b>
<b>Attachments:</b>	<b>Internal Audit Report Scoring Assessment</b>

#### **Summary**

The Shire of Pingelly Audit Committee is requested to accept the Report outlining the review pursuant to Regulation 17 of the Local Government (Audit) Regulations.

#### **Background**

Regulation 17 of the Local Government (Audit) Regulations requires the Chief Executive Officer to review the appropriateness and effectiveness of a local government's systems and procedures in relation to risk management, internal control and legislative compliance. The results of the review are to be reported to the Audit Committee for review and deliberation, prior to endorsement by Council.

In June 2018, Regulation 17 was amended with the period of review changed to be at least once every 3 financial years. This report is provided in accordance with that amended requirement and covers all aspects of the review (risk management, internal control and legislative compliance).

The last report in relation to this matter was presented to Council in April 2018.

#### **Comment**

The review was conducted during November 2020, with the resulting report attached. The findings noted systems and processes supporting internal control and legislative compliance to be largely in place, with the gaps in Risk Management being slightly higher. The report outlines a number of improvement opportunities, including:

1. Increase communication and training about the Risk Framework.
2. Establish a risk register for the Shire, to ensure continual monitoring of risks.
3. Formalise a risk management induction for new staff and councillors.
4. Establish a strategic risk register to ensure these are considered, evaluated, and reviewed in the annual planning process.
5. Review the Shire's Business Continuity Plan.
6. Review the Shire's Disaster Recovery Plan.
7. Establish a Misconduct Framework.
8. Review the need for additional resources to meet Workplace Health and Safety changing legislation.
9. Consider electronic purchase orders linked to budget allocations.
10. Review the training requirements and associated budget to ensure all staff have sufficient training to allow for the multiskilling requirements of a small local government.
11. Consider the need for additional resources to be allocated to internal audits.
12. Consider regular meetings of the Audit and Risk Committee to review risks, internal audits and compliance matters.

The above findings are expected due to the size and limited resources of a small local government. In order to implement the improvements, an initial injection of resources is required to establish several registers and Plans, which can then be maintained at a lower resource level. Items 1 – 8 above require a workforce allocation, and Items 9-10 require additional financial resources.

Resources will continually be assessed in order to progress the recommendations in the Report.

## Consultation

Audit and Risk Committee

## Statutory Environment

*Regulation 17 Local Government (Audit) Regulations 1996*

## Policy Implications

There are no policy implications arising from this report.

## Financial Implications

No financial implications arise from the recommendation.

## Strategic Implications

Goal 5	Innovation, Leadership and Governance
Outcome 5.5	Financial resources are appropriately managed
Strategy 5.5.1	Financial management and reporting systems are able to deliver on all administrative and management functions (including reporting) and long term financial planning requirements.
Action 5.5.1.2	Undertake a review of Risk Management Systems

## Risk Implications

Risk	Failure to undertake required audits would result in non compliance, and also an inability to assess the various controls and process in place.
Risk Rating (Prior to Treatment or Control)	Reputational
Principal Risk Theme	Moderate (9)
Risk Action Plan (Controls or Treatment Proposed)	Resources will be continually assessed in order to achieve progression in the areas identified for improvement.

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

## Voting Requirements

Simple Majority

## Recommendation

**That the Audit Committee accept and endorse the review of the appropriateness and effectiveness of the systems and procedures in relation to risk management, internal control and legislative compliance, pursuant to Regulation 17 of the Local Government (Audit) Regulations.**

Moved: \_\_\_\_\_ Seconded: \_\_\_\_\_



# Internal Audit Report November 2020

**Auditor: Margaret Hemsley**

**Principal Consultant LG People and Culture**

**[www.lgpeople.com.au](http://www.lgpeople.com.au)**

***Risk Based Organisational and Professional Development Services***

## **INTERNAL AUDIT 2020**

### **1. Background**

The Local Government Act 1995 (the Act) requires that all local governments establish an audit committee. An audit committee plays a key role in assisting a local government to fulfil its governance and oversight responsibilities in relation to financial reporting, internal control structure, risk management systems, legislative compliance, ethical accountability and the internal and external audit functions.

The CEO is required to provide biennial reviews of the appropriateness and effectiveness of the Shire's systems and procedures relating to risk management, internal control and legislative compliance to the audit committee, who will review this along with the results of the annual CEO's report and Compliance Audit return. The biennial review will require an internal audit carried out by a person who is not involved in the operational management of the Shire or the functions being audited.

Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

The audit tool has been developed in good faith by LG People and Culture, addressing Appendix 3 of the Local Government Operational Guidelines - Number 9 - Audit in Local Government. This will assist the Shire to assess and report on their internal environment, functions and procedures for inclusion in the CEO biennial review, and to support organisational development and continuous improvement. The audit is to be viewed in conjunction with Section 7 (Internal Control Framework) of the Western Australian Local Government Accounting Manual which provides guidelines on specific sections of controls to review.

#### ***The four sections of the Internal Audit are as follows:***

- Risk Management Systems and Processes
- Determining and Managing Material Operating Risks
- Internal Control
- Legislative Compliance

*Ref: Local Government Operational Guidelines No. 9 Audit in Local Government Appendix 3.*

### **2. Internal Audit Process 2020**

On 18th November 2020 Margaret Hemsley, Principal Consultant of LG People and Culture met with the Council and Executive Managers to carry out an internal audit in relation to the sections outlined in the background section above. Additional and relevant information was obtained from the CEO subsequently.

Participants of the internal audit process were CEO Julie Burton, Executive Manager Corporate Services Deanne Sweeney, President Cr William Mulroney, Councillors: David Freebairn; Kacey Hastings; Bryan Hotham; Anthony Oliveri; Peter Wood; Peter Narducci. The Council also are the Audit and Risk Committee, and it was in that context that they were part of this audit based forum to explain the requirements of the audit and subsequently determine where the Shire currently at in addressing requirements as per *No. 9 Audit in Local Government* – The outcomes of the audit demonstrate the current situation and discuss opportunities for continuous improvement and due diligence in monitoring and reporting on the relevant sections of the Audit.

The attached completed audit tool has been colour coded to demonstrate the level of implementation of those strategies outlined in the Audit Guidelines. It also includes some suggestions for improvements. This report should be read in conjunction with the Internal Audit 2020 Results Spreadsheet.

### 3. Internal Audit Outcomes

The current CEO and Executive are relatively new to the Shire and there is not a discoverable history of previous internal audits. Despite having been involved in a varying degree in risk management workshops the Council in general were unsure of how it is implemented effectively.

#### 3.1 Risk Management Systems and Processes

**Background:** *Internal control and risk management systems and programs are a key expression of a local government's attitude to effective controls. A good audit committee practices in monitoring internal control and risk management programs*

##### General findings

The Shire can demonstrate a commitment to risk management and monitoring, but they acknowledge there is still some work to do in integrating and embedding it through the organisation. There are indicators described as sections.

Risk management systems and process – 15 sections	Progress 2020
Unsure or not in place	3 – 20%
Developing	2 – 13%
Implemented	7 – 47 %
Monitored and Reviewed	3 – 20%

Council and Executive well demonstrated they are committed to implementing and communicating risk management across the organisation and will build on work done in the past to create a well-managed and risk aware organisation. The Business Community and disaster recovery plans are in place and both due for review and update.

#### Identified Items for ongoing improvement in risk management systems and processes:

##### **Section 1.1.2: Does the Shire have an organisational wide risk management framework in place?**

##### Findings

There is a risk management framework in place and has been communicated to Council and there is a Risk Management Framework brochure in the organisation. Improvement is recommended in the communication of the framework and its relevance to general and senior staff in relation to their own working environment. This can be achieved through the development and implementation of a Risk Management Employee Induction Manual that is given to current and future staff and Elected Members.

##### **Section 1.1.3: Does the Shire have a risk register that is regularly reviewed to ensure that risks are addressed and closed out?**

##### Findings

Risk management responsibility has been assigned but there is not yet a formal risk register in place to ensure risks are addressed and closed out, or to be communicated to the Executive and Council to monitor the risk status of the Shire.

***Section 1.1.4: Is the risk management policy communicated to all current staff, and included in induction processes?***

**Findings**

While it has been communicated to the Council and Senior Management, it has not been fully communicated across the organisation as is required in a risk management policy. The Shire must ensure all new and existing staff are trained in risk management to the level of their involvement. In transcribing and delivering this information to staff, it would need to be in a simplified form that is relevant to the sections of risk identification in strategy and operations. This can be achieved by the strategy outlined for *Section 1.1.3*

***Section 1.1.6: Are strategic risks considered, evaluated, and reviewed in annual planning processes?***

This is a developing area of risk management for the Shire. There is a strategic risk management table in place that is included in the strategic plan. The risk controls outlined in it rely heavily on the robustness of underpinning components of the integrated planning and reporting framework, council policy and components of this internal audit to be in place.

Strategic risks may well be addressed somewhat through the agenda process of Council that includes a risk assessment, but there needs to be a formal strategic risk register to ensure appropriate recording of assessment, appropriate controls and appropriate reviews and reporting to Council in a timely manner.

***Section 1.1.7 Are material operating risks appropriately considered in the Shire.***

There is development in progress, but risk management, excluding occupational safety and health risk management, is not yet fully implemented across the organisation through induction of new staff and more formal introduction to general staff and line managers across the organisation.

***Section 1.1.9 Is risk management an agenda item at staff or stakeholder meetings?***

Not in place at the moment but can be addressed by mandating it as an agenda item at all meetings – discussions perhaps phrased as - *Are there any things in our workplace, environment, tasks or duties that concern us, or are going to prevent us achieving our goals or objectives?* This is however a different discussion to the legislated OHS requirements as each are addressed in a different manner.

***Section 1.1.10: Is risk management a key performance indicator on all senior management position descriptions?***

**Findings**

Risk Policies/Procedures/Guidelines are communicated to senior staff however is not a measurable key performance indicator (KPI). An improvement would be to add a risk statement to all senior staff position descriptions.

***1.1.11: Does the Shire have a regular risk identification, review and reporting process overseen by senior management?***

This is not formally in place, but risk awareness is demonstrated by Council and senior staff. The introduction of a formal risk register to be regularly reviewed and discussed will underpin this process development.

**1.1.12 Does the Shire have a business continuity plan? 1.1.13 Is the Business Continuity Plan tested from time to time?**

A business continuity plan is in place but considered not to be of high quality, nor has it been robustly tested. It is planned that it will be reviewed and retested soon.

**1.1.14 Does the Shire have a Disaster Recovery Plan? 1.1.15 Is the Disaster Recovery Plan tested from time to time?**

There is a Disaster Recovery plan in place that is due for review. It has been monitored with desktop reviews since inception. It is due to be reviewed by LEMAC to identify any gaps.

**3.2 Determining and Managing Material Operating Risks**

**Findings**

In this section of risk management relating to issues such as policy, procedure, financial management, legislative compliance and management controls, the Shire is demonstrating exceptional results in managing these risks. Of the 13 indicators in this section the result has improved since the last audit as outlined in the table below.

Determining and Managing Material Risks – 13 sections	Progress 2020
Developing	1 - 7%
Implemented	8 – 62%
Monitored and Reviewed	4 – 31%

The Shire has appropriate systems and processes in place in the main. There is only one section that is still in development relating to misconduct and two sections addressing management controls for unusual or high- risk transactions and purchase order systems and processes that may need a higher degree of oversight to address possible misconduct or budget overspends.

There is one section that will be an emerging area of update due to legislative changes in occupational health and safety that will need additional resources most likely in 2021\_22 to address compliance and changes to organisational policy.

*NB. The Work Health and Safety Bill 2019 was passed as the Work Health and Safety Act 2020 (WHS Act) and assented to by the Governor on 10 November 2020. The WHS Act will not commence until proclamation. The WHS regulations have to be finalised before proclamation occurs. Work on the WHS regulations will progress through 2021.*

Ref: <https://www.commerce.wa.gov.au/worksafe/november-2020-work-health-and-safety-act-2020-receives-assent>

**Identified Items for ongoing improvement arising from this section:**

**Section 1.2.4: Is there a process in place to identify misconduct, fraud or theft risks that includes monitoring, review and a treatment plan should they eventuate?**

There is a policy in place but no established misconduct framework in place yet.

**Section 1.2.6 Does the Shire have systems in place to address Occupational Safety and Health risks?**

Currently yes but conscious that there may be more to do with the WHS legislation emerging that will be more onerous to manage and to comply with. This area should be monitored for when the Act comes into effect ensuring that the inevitable changes are resourced in transition.



### **1.2.11 Does management have controls in place for unusual types of transactions or transactions that may carry more than acceptable degrees of risk?**

Operational checks and balances, including purchasing authorities are in place. Could be improved by having electronic purchase order linked to budget allocations

Also a process in place for reporting of unusual transaction identified by finance officers; and purchase orders linked to significant or high risk budget allocations, that are overseen by the Audit and Risk Committee.

### **1.2.13 Does the Shire have a process / checklist approach to ensure the tenders and procurements policies and processes are always being applied?**

Policies and regular reporting are in place. For continuous improvement, review whether this includes a stringent process for procurement including a corporate management procedure in place that prescribes and mandates the tender / quote / purchasing process and that checks and balances are in place to ensure it is always followed; electronic purchase orders are linked to budget limits for users and line items; CEO having final sign off; and accounts payable officer matching invoices to purchase orders and reconciling statements.

## **3.3 Internal Control**

### **Background**

Internal control is a key component of a sound governance framework, in addition to leadership, long-term planning, compliance, resource allocation, accountability and transparency. Strategies to maintain sound internal controls are based on risk analysis of the internal operations of a local government. An effective and transparent internal control environment is built on the following key sections:

- integrity and ethics.
- policies and delegated authority.
- levels of responsibilities and authorities.
- audit practices.
- information system access and security.
- management operating style.
- human resource management and practices.

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

### **Findings**

In this area the Shire have in general addressed internal control sections of the Audit, but there are opportunities for improvement in improved policy and procedure review guidelines, training and development to ensure appropriate skills in place, Risk identification and assessment documentation; and ensuring regular internal audits henceforth.

Internal Control – 21 sections	Progress 2020
Unsure or not in place	1 - 5%
Developing	2 – 10%
Implemented	15 –71%
Monitored and Reviewed	3 – 14%

**Identified Items for ongoing improvement arising from this section:*****Section 2.3: Is there an effective process in place for policy and procedure reviews?***

Current Policy Manual contains a policy that requires all policies (except town planning to be reviewed at a minimum of two years. Guidelines for policies and procedures could be improved with the CEO and Executives involved in reviewing policies and procedures relevant to the areas of their control ensuring all policies are reviewed annually for changes to legislation, regulations, or circumstances.

***Section 2.4 Are all staff qualified and trained in the area of their principal responsibility?***

Currently this is the case if the training budget is adequate to address gaps. An improvement opportunity is to ensure there is a training matrix in place and reviewed at budget time to ensure there is adequate budget in place to address skill gaps and multiskilling requirements. The recruitment process should include a review of the position in general and the position description should outline the skills required for replacement when a vacancy occurs.

***Section 2.6: Are regular internal audits carried out?***

The Financial Management Systems review is carried out regularly (every 3 years as per recently amended regulations). This is the predominant internal audit for smaller local governments with no resources for an internal auditor as a member of staff. Continuous improvement would be to ensure the Audit and Risk committee instruct the CEO to arrange the next one in 2022 and biennial thereafter, resourcing this independent activity as a budget allocation linked to the internal audit timeline.

***Section 2.7: Are risk identification and assessments activities documented?***

Risk identification and assessment activities are in place but not yet fully following the processes as outlined in the Shire's risk management policy section 4.4 : a) Communicating the Risk Management Policy throughout the Shire; b) Establishing risk management processes across the Shire's operations;

The CEO is committed to developing strategies to communicate the policy to all staff and to develop the underpinning procedures and documentation processes.

**3.4 Legislative Compliance****Background**

The compliance programs of a local government are a strong indication of attitude towards meeting legislative requirements. The audit committee practices with a regard to monitoring compliance programs.

**Findings**

The Shire is demonstrating good governance intent, processes, and oversight in this area in the main. There are a few areas that can demonstrate continuous improvement

<b>Legislative Compliance - 10 Sections</b>	<b>Progress 2020</b>
Unsure or not in place	1 – 10%
Developing	1 – 10%
Implemented	5 – 50%
Monitored and Reviewed	3 – 30%

**Identified Items for ongoing improvement arising from this section:**

***Section 3.5: Is there a process that gives the Audit Committee assurance that adverse trends are identified and reviews management's plans to deal with these?***

Consider Bi-annual item to the Finance, Audit and Risk Committee with ad hoc periodical reviews as necessary through the year, and direct discussion between the Auditors and Council/Committee at least annually.

***3.6 Is there a process to for the Audit committee to review management disclosures in financial reports of the effect of significant compliance issues?***

Conflict of interest declarations in place. Improvement opportunities - Regular meetings of the ARC with appropriate terms of reference; review of external audits and monthly management reports

***3.7 Is there a process to review whether the internal and / or external auditors have regard to compliance and ethics risks in the development of their audit plan and in the conduct of audit projects, and report compliance and ethics issues to the audit committee?***

This was previously part of the tender specifications which the contract is developed & finalised with the auditors. Amendment to the Local Government Act that enables the Office of Auditor General to audit Councils require rigorous process in this area

***3.8 Is there a process to determine the internal auditor's role in assessing compliance and ethics risks in their plan?***

This should form part of the specifications upon which the contract is developed and finalised with the Internal Auditor

***3.9 Is there a process to monitor the Shire's compliance frameworks dealing with relevant external legislation and regulatory requirements?***

Local Government Department reports and updates, monitor of State and Commonwealth Laws and Regulations. - additional checks include CAR monitored by Council and Executive and is reported in the Annual Report. All Staff Reports presented to Council & Committees should refer to the "Statutory Implications"

***3.10 Is there a process in place to ensure Audit Committee members are complying with legislative and regulatory requirements imposed on them, including not misusing their position to gain an advantage for themselves or another or to cause detriment to the Shire and disclosing conflicts of interest?***

The process is focused on terms of reference, review and compliance with conflict of interest requirements can be improved by ensuring Elected Members are informed of responsibilities, have a copy of the Code of Conduct, and have training offered with a reasonable level of uptake.

**4. Summary**

In carrying out this audit I find there is a seamless level of transparency between the Council and the Executive Officers in governance and operations with a commitment to support and further develop emerging risk management systems and processes that will support and inform decision making into the future. There are

improvements to be made in communication and tailoring of risk management processes to departmental levels and to individual employees, and the development and implementation of risk management tools and systems.

Council and Senior staff and Council show commitment to legislative compliance and continuous improvement. The Shire continues to improve in a manner that is remarkable given its workforce size that is a testament to the good leadership group and the diligent staff. Commitment and teamwork are evident between the Council, executive and general staff.

I find the systems and processes supporting internal control and legislative compliance to be in place in the main and seem well communicated. The audit committee should review progress of improvement at a minimum of twice a year, and the Council and Executive will deal with relevant issues as they arise.

Margaret Hemsley CAHRI.

Principal Consultant: LG People and Culture: ABN: 25614586627

Internal Audit Tool- Addressing WA Local Government (Audit) Regulations 1996			Auditor - Margaret Hemsley		Audit Date: 18/11/2020		
The Local Government Act 1995 (the Act) requires that all local governments establish an audit committee. An audit committee plays a key role in assisting a local government to fulfil its governance and oversight responsibilities in relation to financial reporting, internal control structure, risk management systems, legislative compliance, ethical accountability and the internal and external audit functions. The audit tool has been developed in good faith by LG People and Culture, addressing Appendix 3 of the Local Government Operational Guidelines - Number 9 - Audit in Local Government. This will assist the Shire to assess and report on their internal environment, functions and procedures for inclusion in the CEO review, and to support organisational development and continuous improvement. The audit is to be viewed in conjunction with Section 7 (Internal Control Framework) of the Western Australian Local Government Accounting Manual which provides guidelines on specific sections of controls to review.							
1	Risk Management						
1.1	Risk Management Systems and Processes						
Internal control and risk management systems and programs are a key expression of a local government’s attitude to effective controls. Good audit committee practices in monitoring internal control and risk management programs			Unsure or not in place (U)	Planned (P)	Developing (D)	Implemented (I)	Monitored / Reviewed (MR)
1.1.1	Does the Shire have a Risk Management Policy, with formal risk appetite and tolerance levels included?						MR
1.1.2	Does the Shire have an organisational wide risk management framework in place?					I	
1.1.3	Does the Shire have a risk register that is regularly reviewed to ensure that risks are addressed and closed out?					I	
1.1.4	Is ther risk management policy communicated to all current staff, and included in induction processes?					I	
1.1.5	Has responsibility for risk management been included in the organisational structure with responsibility assigned?					I	
1.1.6	Are strategic risks considered, evaluated and reviewed in annual planning processes?				D		
1.1.7	Are material operating risks appropriately considered in the Shire?				D		
1.1.8	Does risk management form part of the Council agenda item requirements?						MR
1.1.9	Is risk management an agenda item at staff or stakeholder meetings?		U				
1.1.10	Is risk management a key performance indicator on all senior management position descriptions?		U				
1.1.11	Does the Shire have a regular risk identification, review and reporting process overseen by senior management?		U				
1.1.12	Does the Shire have a business continuity plan?					I	
1.1.13	Is the Business Continuity Plan tested from time to time?					I	
1.1.14	Does the Shire have a Disaster Recovery Plan?					I	
1.1.15	Is the Disaster Recovery Plan tested from time to time?						MR

	Determining and Managing Material Operating Risks				6	
1.2.1	Does the Shire have a system or processes to ensure compliance with Legislation, Regulations. Standards and Shire Policies?					MR
1.2.2	Does the Shire have a process to address accounting judgements or estimates that prove to be wrong?				I	
1.2.3	Does the Shire have a formal process to deal with claims and litigations?				I	
1.2.4	Is there a process in place to identify misconduct, fraud or theft risks that includes monitoring, review and a treatment plan should they eventuate?			D		
1.2.5	Does the Shire have systems and processes to prevent or uncover misconduct, fraud and theft?				I	
1.2.6	Does the Shire have systems in place to address Occupational Safety and Health risks?					MR
1.2.7	Does the Shire have systems in place to address environmental risks?				I	
1.2.8	Does the Shire have systems and processes in place to address business risks?				I	
1.2.9	Does the Shire have a process to manage insurable risks and ensure the adequacy of insurance?					MR
1.2.10	Does the Shire have formal processes to review the effectiveness of the internal control systems with management, internal and external auditors?					MR
1.2.11	Does management have controls in place for unusual types of transactions or transactions that may carry more than acceptable degrees of risk?				I	
1.2.12	Does the Shire have a formal tenders and procurement system and process in place with a focus on probity and transparency of policies and procedures?				I	
1.2.13	Does the Shire have a process / checklist approach to ensure the tenders and procurements policies and processes are being applied at all times?				I	

2 Internal Control					8	
<p>Internal control is a key component of a sound governance framework, in addition to leadership, long-term planning, compliance, resource allocation, accountability and transparency. Strategies to maintain sound internal controls are based on risk analysis of the internal operations of a local government. An effective and transparent internal control environment is built on the following key areas:</p> <ul style="list-style-type: none"> <li>■ integrity and ethics.</li> <li>■ policies and delegated authority.</li> <li>■ levels of responsibilities and authorities.</li> <li>■ audit practices.</li> <li>■ information system access and security.</li> <li>■ management operating style.</li> <li>■ human resource management and practices.</li> </ul> <p>Internal control systems involve policies and procedures that safeguard assets, ensure accurate and reliable financial reporting, promote compliance with legislation and achieve effective and efficient operations and may vary depending on the size and nature of the local government.</p>		Unsure or not in place (U)	Planned (U)	Developing (D)	Implemented (I)	Monitored / Reviewed (MR)
2.1	Does the Shire have a formal delegation of authority system and process?					MR
2.2	Does the Shire have documented policies and procedures?					MR
2.3	Is there an effective process in place for policy and procedure reviews?				I	
2.4	Are all Shire staff qualified and trained in the areas of their principal responsibility?				I	
2.5	Are there controls on all formal systems and processes?				I	
2.6	Are regular internal audits carried out?			D		
2.7	Are risk identification and assessments activities documented?			D		
2.8	Does the Shire have regular liaison with the Shire Auditors?	U				
2.9	Does the Shire have regular liaison with legal advisors?				I	
2.10	Is there a process to review the effectiveness of internal controls?				I	
2.11	Is there a process for ensuring separation of roles and functions in processing and authorisation?				I	
2.12	Is there a process in place for control of approval of documents, letters and financial records?				I	
2.13	Is there a process for comparison of internal data with other external sources of information?				I	
2.14	Is direct physical access to assets and records limited?				I	
2.15	Are controls in place relating to computer applications and information system standards?				I	
2.16	Is access limited to make changes in data files and systems?				I	
2.17	Is there regular maintenance and review of financial control accounts and trial balances?				I	
2.18	Is there a process to regularly comparison and analysis of financial results with budgeted amounts?					MR

<b>2.19</b>	Is there a process to review the arithmetical accuracy and content of records?				I	
<b>2.20</b>	Is there a process to review and report on approval of financial payments and reconciliations?				I	
<b>2.21</b>	Is there a process to compare the result of physical cash and inventory counts with accounting records?				I	



3 Legislative Compliance					15	
The compliance programs of a local government are a strong indication of attitude towards meeting legislative requirements. Audit committee practices in regard to monitoring compliance programs typically include the following that should be audited.		Unsure or not in place (U)	Planned (U)	Developing (D)	Implemented (I)	Monitored / Reviewed (MR)
3.1	Is there a process in place for monitoring compliance with legislation and regulations?					MR
3.2	Is there a process in place to review the annual Compliance Audit Return and report to Council the results of that review?					MR
3.3	Is there a process for the audit committee to stay informed on how management is monitoring the effectiveness of its compliance and making recommendations for change as necessary?					MR
3.4	Does the Shire have procedures for it to receive, retain and treat complaints, including confidential and anonymous employee complaints?				I	
3.5	Is there a process that gives the Audit Committee assurance that adverse trends are identified and reviews management's plans to deal with these?			D		
3.6	Is there a process to for the Audit committee to review management disclosures in financial reports of the effect of significant compliance issues?				I	
3.7	Is there a process to review whether the internal and / or external auditors have regard to compliance and ethics risks in the development of their audit plan and in the conduct of audit projects, and report compliance and ethics issues to the audit committee?				I	
3.8	Is there a process to determine the internal auditor's role in assessing compliance and ethics risks in their plan?	U				
3.9	Is there a process to monitor the Shire's compliance frameworks dealing with relevant external legislation and regulatory requirements?				I	
3.10	Is there a process in place to ensure Audit Committee members are complying with legislative and regulatory requirements imposed on them, including not misusing their position to gain an advantage for themselves or another or to cause detriment to the Shire, and disclosing conflicts of interest?				I	

## **10.2 Compliance Audit Return 2020**

**File Reference:** ADM0074  
**Location:** Not Applicable  
**Applicant:** Not Applicable  
**Author:** Executive Manager Corporate Services  
**Disclosure of Interest:** Nil  
**Attachments:** Compliance Audit Return 31 December 2020  
**Previous Reference:** Nil

### **Summary**

The Compliance Audit Return 2020 (CAR) is submitted to the Audit Committee consideration and endorsement.

### **Background**

The *Local Government (Audit) Regulations 1996* requires every local government to carry out a Compliance Audit for the period 1 January to 31 December each year, and to complete a Compliance Audit Return (CAR) as produced by the Department of Local Government, Sport and Cultural Industries.

The CAR is to be:

- Reviewed by the Audit and Risk Committee;
- Presented to Council at a meeting of the Council;
- Adopted by the Council; and
- Recorded in the minutes of the council meeting at which it is adopted.

After the CAR has been presented to and adopted by Council, a certified copy is to be signed by the Shire President and Chief Executive Officer (CEO) for lodgement with the Department by 31 March, together with the relevant section of the council minutes and any additional information explaining or qualifying the compliance audit.

### **Comment**

The CAR is one of the tools available to Council in its governance monitoring role. The CAR also forms part of the Department of Local Government's monitoring program. The 2020 CAR once again places emphasis on the need for Council to be aware and acknowledge instances of non-compliance, or where full compliance was not achieved. In addition, the CAR also requires (if applicable) Council to endorse details of remedial action either taken or proposed, to prevent future like occurrences.

The 2020 CAR has been completed by Management and is presented as an attachment to this Report for consideration/review by the Audit and Risk Committee, prior to it being submitted to Council. The 2020 CAR has identified no instances of non-compliance.

The 2020 CAR, once adopted by Council, will be signed by the Shire President and CEO and then forwarded to the Director General of the Department of Local Government by 31 March 2021.

### **Consultation:**

Chief Executive Officer

### **Statutory Environment:**

*Local Government (Audit) Regulations 1996*

Regulation 13 – Prescribed statutory requirements for which compliance audit is needed (Act s. 7.13910(i))

Regulation 14 – Compliance audits by local Governments

Regulation 15 – Compliance audit return, certified copy of etc. to be given to Executive Director

### Policy Implications:

There are no policy implications arising from this report.

### Financial Implications:

There are no known financial implications upon either the Council's current budget or long-term financial plan.

### Strategic Implications:

Goal 5	Innovation, Leadership and Governance
Outcome	Nil applicable
Strategy	Nil applicable

### Risk Implications

Risk	Completion of the return assists local governments to enhance or develop their internal control processes to assist in minimising corporate and statutory risk. There is also a risk of non-compliance should the certified compliance audit return not be submitted to the Department of Local Government, Sport and Cultural Industries by 31 March 2021
Risk Rating (Prior to Treatment or Control)	Medium (6)
Principal Risk Theme	Reputational and Legislative Compliance
Risk Action Plan (Controls or Treatment Proposed)	No further actions proposed.

Risk Matrix

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

### Voting Requirements:

Simple Majority

### Recommendation:

**That the Audit Committee endorse the Compliance Audit Return (CAR) for the 2020 calendar year as attached.**

Moved: \_\_\_\_\_ Seconded: \_\_\_\_\_



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## Pingelly - 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.

Commercial Enterprises by Local Governments					
No	Reference	Question	Response	Comments	Respondent
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		Deanne Sweeney
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		Deanne Sweeney
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		Deanne Sweeney
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		Deanne Sweeney
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		Deanne Sweeney



<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?	Yes		Deanne Sweeney
2	s5.16	Were all delegations to committees in writing?	Yes		Deanne Sweeney
3	s5.17	Were all delegations to committees within the limits specified in section 5.17?	Yes		Deanne Sweeney
4	s5.18	Were all delegations to committees recorded in a register of delegations?	Yes		Deanne Sweeney
5	s5.18	Has council reviewed delegations to its committees in the 2019/2020 financial year?	Yes	Ordinary Council Meeting June 2020	Deanne Sweeney
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?	Yes		Deanne Sweeney
7	s5.42(1)	Were all delegations to the CEO resolved by an absolute majority?	Yes		Deanne Sweeney
8	s5.42(2)	Were all delegations to the CEO in writing?	Yes		Deanne Sweeney
9	s5.44(2)	Were all delegations by the CEO to any employee in writing?	Yes		Deanne Sweeney
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?	Yes		Deanne Sweeney
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		Deanne Sweeney
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?	Yes		Deanne Sweeney
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?	Yes		Deanne Sweeney

<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		Deanne Sweeney



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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?	Yes		Deanne Sweeney
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		Deanne Sweeney
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		Deanne Sweeney
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		Deanne Sweeney
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		Deanne Sweeney
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		Deanne Sweeney
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		Deanne Sweeney
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		Deanne Sweeney
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		Deanne Sweeney
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		Deanne Sweeney
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		Deanne Sweeney
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		Deanne Sweeney



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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		Deanne Sweeney
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)?	Yes		Deanne Sweeney
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?	Yes		Deanne Sweeney
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		Deanne Sweeney
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		Deanne Sweeney
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		Deanne Sweeney
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		Deanne Sweeney
21	Admin Reg 34B(5)	Has the CEO kept a register of notifiable gifts in accordance with Admin Reg 34B(5)?	Yes		Deanne Sweeney

### 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		Deanne Sweeney
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		Deanne Sweeney



<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		Deanne Sweeney
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?	Yes		Deanne Sweeney
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)?	Yes		Deanne Sweeney

<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		Deanne Sweeney
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?	Yes		Deanne Sweeney
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	Office of the Auditor General	Deanne Sweeney
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	Office of the Auditor General	Deanne Sweeney
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?	Yes		Deanne Sweeney
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		Deanne Sweeney





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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	Auditor report received 16/12/20. Report presented to Audit Committee held 11/02/21	Deanne Sweeney
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	To be submitted to Minister after 11/02/21 Audit Committee Meeting	Deanne Sweeney
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	Requirement will be met after Audit Committee Meeting being held 11/02/21	Deanne Sweeney
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?	N/A	Office of the Auditor General	Deanne Sweeney
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		Deanne Sweeney

### 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	Ordinary Council Meeting September 2019	Deanne Sweeney
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	Ordinary Council Meeting September 2019	Deanne Sweeney
3	Admin Reg 19DA (2) & (3)	Does the corporate business plan comply with the requirements of Admin Reg 19DA(2) & (3)?	Yes		Deanne Sweeney



<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		Deanne Sweeney
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		Deanne Sweeney
3	Admin Reg 18E	Was all information provided in applications for the position of CEO true and accurate?	Yes		Deanne Sweeney
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		Deanne Sweeney
5	s5.37(2)	Did the CEO inform council of each proposal to employ or dismiss senior employee?	Yes		Deanne Sweeney
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		Deanne Sweeney

<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		Deanne Sweeney
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)?	Yes		Deanne Sweeney
3	s5.121(2)	Does the complaints register include all information required by section 5.121 (2)?	Yes		Deanne Sweeney
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		Deanne Sweeney

<b>Optional Questions</b>					
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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	Being presented at February 2021 Ordinary Council Meeting	Deanne Sweeney
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	Being presented at February 2021 Ordinary Council Meeting	Deanne Sweeney
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?	Yes		Deanne Sweeney
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?	Yes		Deanne Sweeney
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		Deanne Sweeney
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		Deanne Sweeney
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		Deanne Sweeney
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?	Yes		Deanne Sweeney
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		Deanne Sweeney
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		Deanne Sweeney



## Tenders for Providing Goods and Services

No	Reference	Question	Response	Comments	Respondent
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		Deanne Sweeney
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		Deanne Sweeney
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		Deanne Sweeney
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		Deanne Sweeney
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?	Yes		Deanne Sweeney
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?	Yes		Deanne Sweeney
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		Deanne Sweeney
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		Deanne Sweeney
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?	Yes		Deanne Sweeney



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

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		Deanne Sweeney
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		Deanne Sweeney
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?	Yes		Deanne Sweeney
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?	Yes		Deanne Sweeney
14	F&G Reg 23(3)	Were all expressions of interest that were not rejected assessed by the local government?	Yes		Deanne Sweeney
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?	Yes		Deanne Sweeney
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?	Yes		Deanne Sweeney
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		Deanne Sweeney
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		Deanne Sweeney
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		Deanne Sweeney
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		Deanne Sweeney



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		Deanne Sweeney
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		Deanne Sweeney
23	F&G Reg 24AI	Did the CEO send each applicant written notice advising them of the outcome of their application?	N/A		Deanne Sweeney
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?	Yes		Deanne Sweeney

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

\_\_\_\_\_  
Signed Mayor/President, Pingelly

\_\_\_\_\_  
Signed CEO, Pingelly

### **10.3 Annual Financial Report and Audit Report 2019/20**

**File Reference:** ADM0074  
**Location:** Not Applicable  
**Applicant:** Not Applicable  
**Author:** Executive Manager Corporate Services  
**Disclosure of Interest:** Nil  
**Attachments:** Annual Financial Report 2019/20  
Audit Report for Year Ending 30 June 2020  
**Previous Reference:** Nil

#### **Summary**

The Audit and Risk Committee is requested to consider and adopt the Annual Financial Report and associated Audit Report from the Office of the Auditor General.

#### **Background**

AMD Accountants on behalf of the Office of the Auditor General visited the Shire of Pingelly on the 12-14 October 2020 to conduct the Final Audit for the year ending 30 June 2020.

The Final Management Letter Report raised a single point. The instance relates to the Shire not reporting the Asset renewal funding ratio for 2019 and 2018 as required by section 50(1) of the *Local Government (Financial Management) Regulations 1996*, as planned capital renewals and required capital expenditure for the 2017/18 and 2018/19 were not estimated in the long-term financial plan and asset management plan.

The Shire currently reviews and updates the long-term financial plan and asset management plan annually to ensure 10-year projections are available to calculate the Asset Renewal Funding Ratio.

The Shire Management Comment below address the above recommendation:

- Shire of Pingelly Long Term Financial Plan (LTFP) was reviewed and adopted by Council in July 2020. The LTFP provides a robust and reliable 10 year + plan and will continue to be updated on an annual basis.
- The Shire has also reviewed and adopted the Asset Management Plan - Roads in May 2020 to coincide with the LTFP.

#### **Comment**

As mentioned above the Shire has completed the Long-Term Financial Plan and Asset Management Plan - Roads. While these plans have been completed, it does not solve the compliance issue regarding the ratios meeting the standard to allow the calculation of a three year trend (2017/18 and 2018/19).

The Asset Management Plans still require a significant investment of time and resources to update and complete. The Asset Management Plan - Roads was completed in May 2020 with the goal being to complete the building component of the Asset Management Plan by June 2021, subject to adequate time, expertise and resources being available.

Once these plans have been adopted by Council, the Annual Report will contain the Asset Renewal Funding Ratio figures, ensuring compliance with the Local Government Act and its associated regulations.

It should be noted that while there has been full compliance in the 2019/20 year, and full compliance is also assumed in the 2020/21 year, the matter of non compliance will again be raised in the next audit. This is due to the 2018/19 renewal of assets not being calculated, and therefore a three year trend will still be unable to be achieved.

## Consultation

Office of the Auditor General  
AMD Chartered Accountants

## Statutory Environment

*Local Government Act 1995* and associated regulations

## Policy Implications

There are no policy implications arising from this report.

## Financial Implications

There are no known financial implications upon either the Council's current budget or long term financial plan.

## Strategic Implications

Goal 5	Innovation, Leadership and Governance
Outcome	Nil applicable
Strategy	Nil applicable

## Risk Implications

Risk	Key risk of noncompliance with Local Government Act reporting ratios and Integrated Planning and Reporting framework requirements
Risk Rating (Prior to Treatment or Control)	Medium (6)
Principal Risk Theme	Reputational and Legislative Compliance
Risk Action Plan (Controls or Treatment Proposed)	Completion of Asset Management Plan - Buildings

Risk Matrix

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

## Voting Requirements

Simple Majority

## Recommendation

**That the Audit Committee accepts the 2019/20 Annual Financial Report and associated Audit Report, and notes the actions required by the Chief Executive Officer to address matters raised.**

Moved: \_\_\_\_\_ Seconded: \_\_\_\_\_



**2019/2020**  
**ANNUAL FINANCIAL REPORT**

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

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**COMMUNITY VISION**

Pingelly, a sustainable community, where natural beauty and economic diversity provide opportunities for all.

Principal place of business:  
17 Queen Street  
PINGELLY WA 6308

**SHIRE OF PINGELLY  
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 Pingelly 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 Pingelly 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

16th day of

December 2020



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Chief Executive Officer

Julie Burton

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Name of Chief Executive Officer



**SHIRE OF PINGELLY**  
**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	25(a)	2,094,891	2,084,538	1,983,147
Operating grants, subsidies and contributions	2(a)	1,688,212	1,038,067	1,725,761
Fees and charges	2(a)	279,738	333,001	337,708
Interest earnings	2(a)	50,739	45,285	41,194
Other revenue	2(a)	133,752	81,951	88,918
		<b>4,247,332</b>	<b>3,582,842</b>	<b>4,176,728</b>
<b>Expenses</b>				
Employee costs		(1,588,626)	(1,528,119)	(1,801,018)
Materials and contracts		(1,223,303)	(1,312,197)	(1,389,533)
Utility charges		(172,344)	(149,304)	(163,334)
Depreciation on non-current assets	11(c)	(2,564,785)	(2,472,000)	(2,360,310)
Interest expenses	2(b)	(121,107)	(199,234)	(133,155)
Insurance expenses		(178,574)	(180,846)	(166,385)
Other expenditure		(83,802)	(98,081)	(73,400)
		<b>(5,932,541)</b>	<b>(5,939,781)</b>	<b>(6,087,135)</b>
		<b>(1,685,209)</b>	<b>(2,356,939)</b>	<b>(1,910,407)</b>
Non-operating grants, subsidies and contributions	2(a)	1,033,027	2,001,730	1,199,226
Profit on asset disposals	11(a)	4,067	0	78,024
(Loss) on asset disposals	11(a)	(380,679)	(385,719)	(3,666)
Fair value adjustments to financial assets at fair value through profit or loss		864	0	0
		<b>657,279</b>	<b>1,616,011</b>	<b>1,273,584</b>
<b>Net result for the period</b>		<b>(1,027,930)</b>	<b>(740,928)</b>	<b>(636,823)</b>
<b>Total comprehensive income for the period</b>		<b>(1,027,930)</b>	<b>(740,928)</b>	<b>(636,823)</b>

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



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

	NOTE	2020 Actual \$	2020 Budget \$	2019 Actual \$
<b>Revenue</b>				
Governance		86,692	38,385	73,161
General purpose funding		3,461,809	2,742,245	3,307,593
Law, order, public safety		42,604	70,802	94,360
Health		1,776	1,636	1,526
Education and welfare		22,338	28,425	12,737
Community amenities		197,523	211,850	210,008
Recreation and culture		25,700	36,618	30,182
Transport		318,257	355,834	373,494
Economic services		52,250	45,820	25,394
Other property and services		38,383	51,227	48,273
		<b>4,247,332</b>	<b>3,582,842</b>	<b>4,176,728</b>
<b>Expenses</b>				
Governance		(266,384)	(293,458)	(539,043)
General purpose funding		(196,491)	(198,531)	(174,789)
Law, order, public safety		(236,514)	(236,557)	(232,566)
Health		(141,730)	(140,955)	(112,673)
Education and welfare		(122,876)	(103,234)	(56,110)
Community amenities		(392,607)	(417,533)	(380,608)
Recreation and culture		(1,372,804)	(1,200,831)	(1,190,078)
Transport		(2,764,104)	(2,817,866)	(2,916,697)
Economic services		(291,073)	(305,418)	(237,135)
Other property and services		(26,851)	(26,164)	(114,281)
		<b>(5,811,434)</b>	<b>(5,740,547)</b>	<b>(5,953,980)</b>
<b>Finance Costs</b>				
	2(b)			
Governance		(3,020)	0	(1,409)
Education and welfare		(10,490)	(16,129)	(11,506)
Recreation and culture		(107,597)	(183,105)	(120,240)
		<b>(121,107)</b>	<b>(199,234)</b>	<b>(133,155)</b>
		<b>(1,685,209)</b>	<b>(2,356,939)</b>	<b>(1,910,407)</b>
Non-operating grants, subsidies and contributions	2(a)	1,033,027	2,001,730	1,199,226
Profit on disposal of assets	11(a)	4,067	0	78,024
(Loss) on disposal of assets	11(a)	(380,679)	(385,719)	(3,666)
Fair value adjustments to financial assets at fair value through profit or loss		864	0	0
		<b>657,279</b>	<b>1,616,011</b>	<b>1,273,584</b>
<b>Net result for the period</b>		<b>(1,027,930)</b>	<b>(740,928)</b>	<b>(636,823)</b>
<b>Other comprehensive income</b>				
<b>Total comprehensive income for the period</b>		<b>(1,027,930)</b>	<b>(740,928)</b>	<b>(636,823)</b>

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



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

	NOTE	2020 \$	2019 \$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	3	705,117	540,094
Trade and other receivables	6	286,922	226,736
Other financial assets	5(a)	185,356	29,300
Inventories	7	3,704	8,744
Contract assets	2(a)	180,445	0
Other assets	8	11,489	0
<b>TOTAL CURRENT ASSETS</b>		1,373,033	804,874
<b>NON-CURRENT ASSETS</b>			
Trade and other receivables	6	66,232	69,459
Other financial assets	5(b)	185,696	202,371
Property, plant and equipment	9	19,312,264	20,141,784
Infrastructure	10	66,692,599	67,451,712
Right of use assets	12(a)	63,128	0
<b>TOTAL NON-CURRENT ASSETS</b>		86,319,919	87,865,326
<b>TOTAL ASSETS</b>		87,692,952	88,670,200
<b>CURRENT LIABILITIES</b>			
Trade and other payables	14	137,113	217,265
Short term borrowings	15	0	1,200,000
Contract liabilities	16	331,831	0
Lease liabilities	17(a)	20,366	0
Borrowings	18(a)	169,321	167,697
Employee related provisions	19	374,554	329,150
<b>TOTAL CURRENT LIABILITIES</b>		1,033,185	1,914,112
<b>NON-CURRENT LIABILITIES</b>			
Lease liabilities	17(a)	37,137	0
Borrowings	18(a)	3,235,388	2,204,709
Employee related provisions	19	82,901	96,091
<b>TOTAL NON-CURRENT LIABILITIES</b>		3,355,426	2,300,800
<b>TOTAL LIABILITIES</b>		4,388,611	4,214,912
<b>NET ASSETS</b>		83,304,341	84,455,288
<b>EQUITY</b>			
Retained surplus		31,523,716	32,590,720
Reserves - cash backed	4	162,817	240,760
Revaluation surplus	13	51,617,808	51,623,808
<b>TOTAL EQUITY</b>		83,304,341	84,455,288

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



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

	NOTE	RETAINED SURPLUS \$	RESERVES CASH BACKED \$	REVALUATION SURPLUS \$	TOTAL EQUITY \$
<b>Balance as at 1 July 2018</b>		<b>32,940,727</b>	<b>527,576</b>	<b>51,623,808</b>	<b>85,092,111</b>
Comprehensive income					
Net result for the period		(636,823)	0	0	(636,823)
Total comprehensive income		(636,823)	0	0	(636,823)
Transfers from reserves	4	296,040	(296,040)	0	0
Transfers to reserves	4	(9,224)	9,224	0	0
<b>Balance as at 30 June 2019</b>		<b>32,590,720</b>	<b>240,760</b>	<b>51,623,808</b>	<b>84,455,288</b>
Change in accounting policy	29(c)	(117,017)	0	(6,000)	(123,017)
<b>Restated total equity at 1 July 2019</b>		<b>32,473,703</b>	<b>240,760</b>	<b>51,617,808</b>	<b>84,332,271</b>
Comprehensive income					
Net result for the period		(1,027,930)	0	0	(1,027,930)
Total comprehensive income		(1,027,930)	0	0	(1,027,930)
Transfers from reserves	4	101,463	(101,463)	0	0
Transfers to reserves	4	(23,520)	23,520	0	0
<b>Balance as at 30 June 2020</b>		<b>31,523,716</b>	<b>162,817</b>	<b>51,617,808</b>	<b>83,304,341</b>

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

**SHIRE OF PINGELLY**  
**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		2,075,135	2,034,538	2,011,211
Operating grants, subsidies and contributions		1,979,237	1,038,067	1,798,575
Fees and charges		279,738	333,001	337,708
Interest received		50,739	45,285	41,194
Goods and services tax received		236,401	0	0
Other revenue		133,752	81,951	82,767
		4,755,002	3,532,842	4,271,455
<b>Payments</b>				
Employee costs		(1,564,674)	(1,528,119)	(1,770,749)
Materials and contracts		(1,524,907)	(1,393,178)	(1,367,267)
Utility charges		(172,344)	(149,304)	(163,334)
Interest expenses		(195,304)	(199,234)	(133,155)
Insurance paid		(178,574)	(180,846)	(166,385)
Goods and services tax paid		(232,798)	0	78,086
Other expenditure		(83,802)	(98,081)	(73,400)
		(3,952,403)	(3,548,762)	(3,596,204)
<b>Net cash provided by (used in) operating activities</b>	20	802,599	(15,920)	675,251
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Payments for purchase of property, plant & equipment	9(a)	(298,960)	(285,364)	(2,189,082)
Payments for construction of infrastructure	10(a)	(1,167,745)	(2,109,327)	(973,936)
Non-operating grants, subsidies and contributions	2(a)	1,033,027	2,001,730	1,199,226
Proceeds from financial assets at amortised cost - self supporting loans		24,300	24,300	7,598
Proceeds from sale of property, plant & equipment	11(a)	122,082	120,430	145,417
<b>Net cash provided by (used in) investment activities</b>		(450,113)	(248,231)	(1,810,777)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Repayment of borrowings	18(b)	(1,367,697)	(1,389,880)	(98,336)
Payments for principal portion of lease liabilities	17(b)	(19,766)	0	0
Proceeds from new borrowings	18(b)	1,200,000	1,200,000	700,000
<b>Net cash provided by (used in) financing activities</b>		(187,463)	(189,880)	601,664
<b>Net increase (decrease) in cash held</b>		165,023	(454,031)	(533,862)
Cash at beginning of year		540,094	531,852	1,073,956
<b>Cash and cash equivalents at the end of the year</b>	20	705,117	77,821	540,094

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



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

	NOTE	2020 Actual \$	2020 Budget \$	2019 Actual \$
<b>OPERATING ACTIVITIES</b>				
Net current assets at start of financial year - surplus/(deficit)	26 (b)	200,532	282,356	740,012
		200,532	282,356	740,012
<b>Revenue from operating activities (excluding rates)</b>				
Governance		90,759	38,385	73,947
General purpose funding		1,367,996	657,947	1,305,890
Law, order, public safety		42,604	70,802	94,360
Health		1,776	1,636	1,526
Education and welfare		22,338	28,425	12,737
Community amenities		197,523	211,850	210,008
Recreation and culture		25,700	36,618	30,182
Transport		318,257	355,834	450,732
Economic services		52,250	45,820	25,394
Other property and services		38,383	51,227	48,273
		2,157,586	1,498,544	2,253,049
<b>Expenditure from operating activities</b>				
Governance		(639,695)	(669,607)	(544,118)
General purpose funding		(196,491)	(198,531)	(174,789)
Law, order, public safety		(236,514)	(236,557)	(232,566)
Health		(141,730)	(140,955)	(112,673)
Education and welfare		(133,366)	(119,363)	(67,616)
Community amenities		(392,607)	(417,533)	(380,608)
Recreation and culture		(1,480,401)	(1,383,936)	(1,310,318)
Transport		(2,764,104)	(2,817,866)	(2,916,697)
Economic services		(301,461)	(314,988)	(237,135)
Other property and services		(26,851)	(26,164)	(114,281)
		(6,313,220)	(6,325,500)	(6,090,801)
Non-cash amounts excluded from operating activities	26(a)	2,975,974	2,857,719	2,335,883
<b>Amount attributable to operating activities</b>		(979,128)	(1,686,881)	(761,857)
<b>INVESTING ACTIVITIES</b>				
Non-operating grants, subsidies and contributions	2(a)	1,033,027	2,001,730	1,199,226
Proceeds from disposal of assets	11(a)	122,082	120,430	145,417
Proceeds from financial assets at amortised cost - self supporting loans		24,300	24,300	7,598
Purchase of property, plant and equipment	9(a)	(298,960)	(285,364)	(2,189,082)
Purchase and construction of infrastructure	10(a)	(1,167,745)	(2,109,327)	(973,936)
<b>Amount attributable to investing activities</b>		(287,296)	(248,231)	(1,810,777)
<b>FINANCING ACTIVITIES</b>				
Repayment of borrowings	18(b)	(1,367,697)	(1,389,880)	(98,336)
Proceeds from borrowings	18(c)	1,200,000	1,200,000	700,000
Payments for principal portion of lease liabilities	17(b)	(19,766)	0	0
Transfers to reserves (restricted assets)	4	(23,520)	(23,956)	(9,224)
Transfers from reserves (restricted assets)	4	101,463	64,650	296,040
<b>Amount attributable to financing activities</b>		(109,520)	(149,186)	888,480
<b>Surplus/(deficit) before imposition of general rates</b>		(1,375,944)	(2,084,298)	(1,684,154)
<b>Total amount raised from general rates</b>	25(a)	2,094,677	2,084,298	2,001,703
<b>Surplus/(deficit) after imposition of general rates</b>	26(b)	<b>718,733</b>	<b>0</b>	<b>317,549</b>

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

**SHIRE OF PINGELLY**  
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**FOR THE YEAR ENDED 30 JUNE 2020**

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

## 1. BASIS OF PREPARATION

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

The *Local Government (Financial Management) Regulations 1996* take precedence over Australian Accounting Standards.

Prior to 1 July 2019, Regulation (Reg) 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 2018, 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 balance sheet. Also, the FM regs have been amended to specify that vested land is a right of use (ROU) asset to be measured at cost. All ROU assets (other than vested improvements) under zero cost concessionary leases are measured at zero cost (i.e. not included in the balance sheet) rather than 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 vested land values by removing the land value and associated revaluation reserve as at 1 July 2019. 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.

**SHIRE OF PINGELLY**  
**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	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
Grant contracts with customers	Community events, minor facilities, research, design, planning evaluation and services	Over time	Fixed terms transfer of funds based on agreed milestones and reporting	Contract obligation if project not complete	Set by mutual agreement with the funding body	Based on the progress of works to match performance obligations	Returns limited to repayment of transaction price of terms	Output method based on project milestones and/or completion date matched to performance obligations
Grants, subsidies or contributions for the construction of non-financial assets	Construction or acquisition of recognisable nonfinancial assets to be controlled by the local government	Over time	Fixed terms transfer of funds based on agreed milestones and reporting	Contract obligation if project not complete	Set by mutual agreement with the funding body	Based on the progress of works to match performance obligations	Returns limited to repayment of transaction price of terms	Output method based on project milestones and/or completion date matched to performance obligations
Grants, subsidies or contributions with no contractual 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
Fees and charges - licences, registrations, approvals	Building, planning, development and animal management, having the same nature as a licence regardless of naming.	Single point in time	Full payment prior to issue	None	Set by State legislation or limited by legislation to the cost of provision	Based on timing of issue of the associated rights	No refunds	No refunds
Fees and charges - pool inspections	Compliance safety check	Single point in time	Equal proportion based on an equal annually fee	None	Set by State legislation	Apportioned equally across the inspection cycle	No refunds	After inspection complete based on a 4 year cycle
Fees and charges - 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
Fees and charges - 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
Fees and charges - 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
Fees and charges - 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	On entry or at conclusion of hire
Fees and charges - memberships	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	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
Fees and charges - fines	Fines issued for breaches of local laws	Single point in time	Payment in full within defined time	None	Adopted by council through local law	When taxable event occurs	Not applicable	When fine notice is issued
Other revenue - 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
Other revenue - 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 PINGELLY**  
**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	9,182	0	6,155
General purpose funding	1,478,762	609,951	1,266,315
Law, order, public safety	52,607	66,282	69,120
Education and welfare	1,595	1,000	0
Recreation and culture	8,000	5,000	8,095
Transport	137,811	355,834	373,494
Economic services	0	0	1,500
Other property and services	255	0	1,082
	1,688,212	1,038,067	1,725,761
<b>Non-operating grants, subsidies and contributions</b>			
Governance	0	0	6,151
Recreation and culture	24,863	20,667	705,156
Transport	1,008,164	1,981,063	487,919
	1,033,027	2,001,730	1,199,226
<b>Total grants, subsidies and contributions</b>	2,721,239	3,039,797	2,924,987
<b>Fees and charges</b>			
Governance	20,547	18,000	38,248
General purpose funding	8,860	8,400	7,980
Law, order, public safety	4,322	4,520	5,694
Health	1,776	1,636	1,527
Education and welfare	2,000	3,000	3,500
Community amenities	200,217	211,850	210,008
Recreation and culture	11,395	31,518	18,692
Economic services	22,570	23,850	23,894
Other property and services	8,051	30,227	28,165
	279,738	333,001	337,708

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

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

(a) Revenue (Continued)	2020 Actual \$	2020 Budget \$	2019 Actual \$
<b>Contracts with customers and transfers for recognisable non-financial assets</b>			
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:			
Non-operating grants, subsidies and contributions	1,033,027	2,001,730	1,199,226
	1,033,027	2,001,730	1,199,226
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:			
Other revenue from performance obligations satisfied during the year	1,033,027	2,001,730	1,199,226
	1,033,027	2,001,730	1,199,226
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	65,192		0
Contract assets	180,445		0
Contract liabilities from transfers for recognisable non-financial assets	(331,831)		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 PINGELLY**  
**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**

2020 Actual	2020 Budget	2019 Actual
\$	\$	\$
2,094,677	2,084,298	2,001,703
2,094,677	2,084,298	2,001,703

**Other revenue**

**Other**

2020 Actual	2020 Budget	2019 Actual
\$	\$	\$
133,752	81,951	88,918
133,752	81,951	88,918

**Interest earnings**

Financial assets at amortised cost - self supporting loans

Interest on reserve funds

Rates instalment and penalty interest (refer Note 25(c))

Other interest earnings

2020 Actual	2020 Budget	2019 Actual
\$	\$	\$
16,128	16,129	5,879
3,520	3,956	9,225
26,727	24,600	25,543
4,364	600	547
50,739	45,285	41,194

**SIGNIFICANT ACCOUNTING POLICIES**

**Interest earnings**

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

**Interest earnings (continued)**

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

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

**(b) Expenses**

**Auditors remuneration**

- Audit of the Annual Financial Report

- Other services

Note	2020 Actual	2020 Budget	2019 Actual
	\$	\$	\$
	23,000	24,000	11,185
	22,861	23,915	16,965
	45,861	47,915	28,150
18(b)	118,088	199,234	131,746
	978	0	1,409
17(b)	2,041	0	0
	121,107	199,234	133,155
	83,802	98,081	73,400
	83,802	98,081	73,400

**Interest expenses (finance costs)**

Borrowings

Interest expense Overdraft

Lease liabilities

**Other expenditure**

Sundry expenses

SHIRE OF PINGELLY  
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		705,117	299,334
Term deposits		0	240,760
<b>Total cash and cash equivalents</b>		<b>705,117</b>	<b>540,094</b>
<b>Restrictions</b>			
requirements which limit or direct the purpose for which the resources may be used:			
- Cash and cash equivalents		494,648	339,983
		<b>494,648</b>	<b>339,983</b>

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

Reserves - cash backed	4	162,817	240,760
Contract liabilities from contracts with customers	16	331,831	0
Bonds and deposits held		0	8,242
Unspent grants, subsidies and contributions		0	90,981
<b>Total restricted assets</b>		<b>494,648</b>	<b>339,983</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 PINGELLY**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30 JUNE 2020**

**4. RESERVES - CASH BACKED**

	2020 Actual Opening Balance	2020 Actual Transfer to	2020 Actual Transfer (from)	2020 Actual Closing Balance	2020 Budget Opening Balance	2020 Budget 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) Reserves - Leave Reserve	35,203	859	0	36,062	35,203	515	(10,000)	25,718	113,223	1,980	(80,000)	35,203
(b) Reserves - Plant Reserve	65,722	1,255	(18,000)	48,977	65,722	961	0	66,683	246,256	4,306	(184,840)	65,722
(c) Reserves - Building Reserve	3,747	20,061	0	23,808	3,747	20,006	0	23,753	31,202	545	(28,000)	3,747
(d) Reserves - Electronic Equipment Reserve	3,190	52	0	3,242	3,190	56	0	3,246	6,280	110	(3,200)	3,190
(e) Reserves - Community Bus Reserve	11,618	189	0	11,807	11,618	4	0	11,622	11,418	200	0	11,618
(f) Reserves - Swimming Pool Reserve	51,988	847	(30,000)	22,835	51,988	1,123	0	53,111	51,095	893	0	51,988
(g) Reserves - Joint Venture Housing Reserve	53,463	0	(53,463)	0	53,463	1,187	(54,650)	0	52,545	918	0	53,463
(h) Reserves - Refuse Site Rehab/Closure Reserve	15,829	257	0	16,086	15,829	104	0	15,933	15,557	272	0	15,829
	240,760	23,520	(101,463)	162,817	240,760	23,956	(64,650)	200,066	527,576	9,224	(296,040)	240,760

All reserves are supported by cash and cash equivalents and are restricted within equity as Reserves - cash 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 follow

Name of Reserve	Anticipated date of use	Purpose of the reserve
(a) Reserves - Leave Reserve	Ongoing	- to be used to fund annual and long service leave requirements.
(b) Reserves - Plant Reserve	Ongoing	- to be used for the purchase of major plant.
(c) Reserves - Building Reserve	Ongoing	- to be used to fund the renovation/purchase of Shire of Pingelly buildings and Recreation Infrastructure.
(d) Reserves - Electronic Equipment Reserve	Ongoing	- to be used to fund the purchase of administration computer system equipment.
(e) Reserves - Community Bus Reserve	Bus Replacement	- to be used to fund the change-over of the community bus.
(f) Reserves - Swimming Pool Reserve	Pool Upgrade	- to be used to fund the upgrading of the swimming pool complex
(g) Reserves - Joint Venture Housing Reserve	30/06/2020	- to be used for the future maintenance of the Joint Venture units
(h) Reserves - Refuse Site Rehab/Closure Reserve	Site closure	- to be used to facilitate the rehabilitation/closure of the town refuse site.

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

**5. OTHER FINANCIAL ASSETS**

**(a) Current assets**

Financial assets at amortised cost  
 Financial assets at fair value through profit and loss

2020	2019
\$	\$
180,356	24,300
5,000	5,000
185,356	29,300

**Other financial assets at amortised cost**

Term deposits  
 Self supporting loans

162,817	0
17,539	24,300
180,356	24,300

**Financial assets at fair value through profit and loss**

Financial assets at fair value through profit and loss Bendigo Bank Shares

5,000	5,000
5,000	5,000

**(b) Non-current assets**

Financial assets at amortised cost  
 Financial assets at fair value through profit and loss

132,281	149,820
53,415	52,551
185,696	202,371

**Financial assets at amortised cost**

Self supporting loans

132,281	149,820
132,281	149,820

**Financial assets at fair value through profit and loss**

Units in Local Government House Trust

53,415	52,551
53,415	52,551

Loans receivable from clubs/institutions have the same terms and conditions as the related borrowing disclosed in Note 18(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 27.

## 6. TRADE AND OTHER RECEIVABLES

### Current

Rates receivable  
Trade and other receivables  
GST receivable

### Non-current

Pensioner's rates and ESL deferred

2020	2019
\$	\$
203,378	180,395
65,192	24,386
18,352	21,955
286,922	226,736
66,232	69,459
66,232	69,459

### 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 27.

### 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.

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

## 7. INVENTORIES

### Current

Fuel and materials

	2020	2019
	\$	\$
	3,704	8,744
	3,704	8,744
	8,744	8,380
Inventories expensed during the year	(105,513)	(105,775)
Additions to inventory	100,473	106,139
	3,704	8,744

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

8. OTHER ASSETS

Other assets - current

Prepayments

Accrued income

	2020	2019
	\$	\$
Prepayments	9,417	0
Accrued income	2,072	0
	11,489	0

SIGNIFICANT ACCOUNTING POLICIES

Other current assets

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

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

**9. PROPERTY, PLANT AND EQUIPMENT**

**(a) Movements in Carrying Amounts**

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

	Land - freehold land	Land - vested in and under the control of Council	Total land	Buildings - non-specialised	Buildings - specialised	Total buildings	Total land and buildings	Furniture and equipment	Plant and equipment	Works In Progress	Total property, plant and equipment
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Balance at 1 July 2018</b>	681,506	6,000	687,506	1,840,432	3,716,985	5,557,417	6,244,923	44,875	1,629,722	10,516,851	18,436,371
Additions	0	0	0	0	0	0	0	0	300,539	1,888,543	2,189,082
(Disposals)	0	0	0	0	0	0	0	0	(71,059)	0	(71,059)
Depreciation (expense)	0	0	0	(37,546)	(184,024)	(221,570)	(221,570)	(16,439)	(174,601)	0	(412,610)
Transfers	0	0	0	1,838,316	10,567,078	12,405,394	12,405,394	0	0	(12,405,394)	0
<b>Carrying amount at 30 June 2019</b>	681,506	6,000	687,506	3,641,202	14,100,039	17,741,241	18,428,747	28,436	1,684,601	0	20,141,784
<b>Comprises:</b>											
Gross carrying amount at 30 June 2019	681,506	6,000	687,506	3,716,308	14,360,978	18,077,286	18,764,792	99,757	2,192,504	0	21,057,053
Accumulated depreciation at 30 June 2019	0	0	0	(75,106)	(260,939)	(336,045)	(336,045)	(71,321)	(507,903)	0	(915,269)
<b>Carrying amount at 30 June 2019</b>	681,506	6,000	687,506	3,641,202	14,100,039	17,741,241	18,428,747	28,436	1,684,601	0	20,141,784
Additions	0	0	0	0	27,264	27,264	27,264	0	156,868	114,828	298,960
(Disposals)	(48,506)	0	(48,506)	(111,452)	(221,029)	(332,481)	(380,987)	0	(117,707)	0	(498,694)
Change in accounting policy (a)	0	(6,000)	(6,000)	0	0	0	(6,000)	0	0	0	(6,000)
Depreciation (expense)	0	0	0	(60,467)	(330,530)	(390,997)	(390,997)	(12,430)	(177,199)	0	(580,626)
Transfers	0	0	0	0	71,668	71,668	71,668	0	0	(114,828)	(43,160)
<b>Carrying amount at 30 June 2020</b>	633,000	0	633,000	3,469,283	13,647,412	17,116,695	17,749,695	16,006	1,546,563	0	19,312,264
<b>Comprises:</b>											
Gross carrying amount at 30 June 2020	633,000	0	633,000	3,599,315	14,224,911	17,824,226	18,457,226	99,757	2,212,793	0	20,769,776
Accumulated depreciation at 30 June 2020	0	0	0	(130,032)	(577,499)	(707,531)	(707,531)	(83,751)	(666,230)	0	(1,457,512)
<b>Carrying amount at 30 June 2020</b>	633,000	0	633,000	3,469,283	13,647,412	17,116,695	17,749,695	16,006	1,546,563	0	19,312,264

(a) As a result of changes to the Local Government (Financial Management) Regulations effective 1 July 2019, vested lands are treated as right of use assets measured at zero cost. The Shire has accounted for the removal of vested land values previously recognised by removing the land value and associated revaluation reserve at 1 July 2019. The comparatives have not been restated.

**SHIRE OF PINGELLY**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
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**9. PROPERTY, PLANT AND EQUIPMENT (Continued)**

**(b) Fair Value Measurements**

Asset Class	Fair Value Hierarchy	Valuation Technique	Basis of Valuation	Date of Last Valuation	Inputs Used
<b>Land and buildings</b>					
Land - freehold land	2	Market approach using recent observable market data for similar properties	Independent registered valuers	June 2017	price per hectare
Buildings - non-specialised	2	Market approach using recent observable market data for similar properties	Independent registered valuers	June 2017	price per square metre
Buildings - specialised	3	Improvements to land valued using cost approach using depreciated replacement cost	Independent registered valuers	June 2017	Improvements to land using construction costs and current condition (Level 3) , residual values and remaining life assessments (Level 3) inputs
<b>Furniture and equipment</b>	3	Cost approach using depreciated replacement cost	Management valuation	June 2016	Purchase costs and current condition (Level 3), residual values and remaining useful life assessments (Level 3) inputs
<b>Plant and equipment</b>					
- Management valuation 2016	2	Market approach using recent observable market data for similar items	Management valuation	June 2016	Price per item
- Management valuation 2016	3	Cost approach using depreciated replacement cost	Management valuation	June 2016	Purchase costs and current condition (Level 3), 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.

**SHIRE OF PINGELLY**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
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**10. 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	Other infrastructure Footpaths	Other infrastructure Kerbs & Drainage	Other infrastructure Other	Other infrastructure Bridges	Total Infrastructure
	\$	\$	\$	\$	\$	\$
<b>Balance at 1 July 2018</b>	52,669,811	960,719	5,352,996	4,928,050	4,513,900	68,425,476
Additions	682,809	0	0	120,406	170,721	973,936
Depreciation (expense)	(1,116,999)	(37,499)	(214,907)	(308,521)	(269,774)	(1,947,700)
<b>Carrying amount at 30 June 2019</b>	52,235,621	923,220	5,138,089	4,739,935	4,414,847	67,451,712
<b>Comprises:</b>						
Gross carrying amount at 30 June 2019	67,645,382	1,499,948	9,037,311	8,882,606	16,503,221	103,568,468
Accumulated depreciation at 30 June 2019	(15,409,761)	(576,728)	(3,899,222)	(4,142,671)	(12,088,374)	(36,116,756)
<b>Carrying amount at 30 June 2019</b>	52,235,621	923,220	5,138,089	4,739,935	4,414,847	67,451,712
Additions	970,078	11,761	85,538	0	100,368	1,167,745
Depreciation (expense)	(1,134,161)	(37,523)	(215,069)	(310,554)	(272,711)	(1,970,018)
Transfers	0	0	0	43,160	0	43,160
<b>Carrying amount at 30 June 2020</b>	52,071,538	897,458	5,008,558	4,472,541	4,242,504	66,692,599
<b>Comprises:</b>						
Gross carrying amount at 30 June 2020	68,615,459	1,511,709	9,122,849	8,925,766	16,603,589	104,779,372
Accumulated depreciation at 30 June 2020	(16,543,921)	(614,251)	(4,114,291)	(4,453,225)	(12,361,085)	(38,086,773)
<b>Carrying amount at 30 June 2020</b>	52,071,538	897,458	5,008,558	4,472,541	4,242,504	66,692,599



**SHIRE OF PINGELLY**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
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**10. INFRASTRUCTURE (Continued)**

**(b) Fair Value Measurements**

Asset Class	Fair Value Hierarchy	Valuation Technique	Basis of Valuation	Date of Last Valuation	Inputs Used
Infrastructure - Roads	3	Cost approach using depreciated replacement cost	Independent Valuation	June 2018	Construction costs and current condition (Level 3), residual values and remaining useful life assessments (Level 3) inputs
Other infrastructure Footpaths	3	Cost approach using depreciated replacement cost	Independent Valuation	June 2018	Construction costs and current condition (Level 3), residual values and remaining useful life assessments (Level 3) inputs
Other infrastructure Kerbs & Drainage	3	Cost approach using depreciated replacement cost	Independent Valuation	June 2018	Construction costs and current condition (Level 3), residual values and remaining useful life assessments (Level 3) inputs
Other infrastructure Other	3	Cost approach using depreciated replacement cost	Independent registered valuers	June 2018	Construction costs and current condition (Level 3), residual values and remaining useful life assessments (Level 3) inputs
Other infrastructure Bridges	3	Cost approach using depreciated replacement cost	Independent registered valuers	June 2018	Construction costs and current condition (Level 3), 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.

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

**11. FIXED ASSETS**

**SIGNIFICANT ACCOUNTING POLICIES**

**Fixed assets**

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

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

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

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

In relation to this initial measurement, cost is determined as the fair value of the assets given as consideration plus costs incidental to the acquisition. For assets acquired at no 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, infrastructure and investment properties acquired between initial recognition and the 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, infrastructure and investment properties is determined on a five year cycle in accordance with the regulatory framework, or when Council is of the opinion that the fair value of an asset is materially different from its carrying amount. 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 and 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 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 in accordance with the other policies detailed in this Note.

**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.

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

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

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

**Land under roads from 1 July 2019**

As a result of amendments of the *Local Government (Financial Management) Regulations 1996*, effective from 1 July 2019, vested land, including land under roads, are treated as ROU assets measured at zero cost. Therefore, the previous inconsistency with AASB 1051 in respect on 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 balance sheet.

The Shire has accounted for the removal of vested land values by removing land value and associated revaluation reserve 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 the *Local Government (Financial Management) Regulation 17A (2)(iv)* is a departure from AASB 16 which would have required the Shire to measure the vested improvement as part of the related ROU assets at zero cost.

Refer to Note 12 that details the significant accounting policies applying to leases (including ROU assets).

**SHIRE OF PINGELLY**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
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**11. 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
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Land - freehold land	48,506	20,000	0	(28,506)	48,506	20,000	0	(28,506)	0	0	0	0
Buildings - non-specialised	111,452	0	0	(111,452)	115,043	0	0	(115,043)	0	0	0	0
Buildings - specialised	221,029	0	0	(221,029)	230,600	0	0	(230,600)	0	0	0	0
Plant and equipment	117,707	102,082	4,067	(19,692)	112,000	100,430	0	(11,570)	71,059	145,417	78,024	(3,666)
	498,694	122,082	4,067	(380,679)	506,149	120,430	0	(385,719)	71,059	145,417	78,024	(3,666)

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>				
PCEO18 - CEO Vehicle	34,895	35,959	1,063	0
PCEO19 - CEO Vehicle	32,585	35,589	3,004	0
DCCS01 - DCCS Vehicle	17,487	8,182	0	(9,305)
<b>Economic services</b>				
Community Car	32,741	22,353	0	(10,388)
	117,708	102,083	4,067	(19,693)
<b>Land</b>				
<b>Governance</b>				
CRC Lot 2 (18) Parade Street-Land	16,000	0	0	(16,000)
Lot 602 (38) Sharow St Land	4,753	0	0	(4,753)
Lot 603(36) Sharow St Land	4,753	0	0	(4,753)
5 Webb St (Land)	23,000	20,000	0	(3,000)
	48,506	20,000	0	(28,506)
<b>Other Asset class</b>				
<b>Governance</b>				
CRC Lot 2 (18) Parade Street-Spec Bu	221,029	0	0	(221,029)
Lot 602 (38) and Lot 603 (4 Units only)	111,452	0	0	(111,452)
	332,481	0	0	(332,481)
	498,695	122,083	4,067	(380,680)

**(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
	\$	\$
Plant and equipment	12,085	0
	12,085	0

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

**11. FIXED ASSETS**

**(c) Depreciation**

	2020 Actual	2020 Budget	2019 Actual
	\$	\$	\$
Buildings - non-specialised	60,467	35,000	37,546
Buildings - specialised	330,530	160,000	184,024
Furniture and equipment	12,430	16,000	16,439
Plant and equipment	177,199	135,000	174,601
Infrastructure - Roads	1,134,161	1,340,000	1,116,999
Other infrastructure Footpaths	37,523	36,000	37,499
Other infrastructure Kerbs & Drainage	215,069	200,000	214,907
Other infrastructure Other	310,554	260,000	308,521
Other infrastructure Bridges	272,711	290,000	269,774
Right of use assets -furniture and equipment	14,141	0	0
	2,564,785	2,472,000	2,360,310

**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
Land	Not depreciated
Buildings	50 to 80 years
Furniture and equipment	10 years
Plant and equipment	5 to 15 years
Earthmoving Equipment	15 years
Heavy Trucks	10 years
Light & Heavy Trucks	8 years
Sedans and Utilities	5 years
Minor Miscellaneous Plant	3 years
- Clearing and Earthworks (formation)	Not depreciated
- Construction/Road Base (pavement)	40 years
- bituminous seals	40 years
- asphalt surfaces	40 years
<u>Gravel roads</u>	
- Clearing and Earthworks (formation)	Not depreciated
- Construction/Road Base (pavement)	20 years
Gravel Sheet	20 years
Footpaths - slab	40 years
Other Infrastructure	20-50 years
Water supply piping and drainage systems	40-75 years
Right of use (buildings)	Based on the remaining lease
Right of use (plant and equipment)	Based on the remaining lease
Intangible assets - computer software licence	5 years

**Depreciation on revaluation**

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

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

## 12. RIGHT OF USE ASSETS

### (a) RIGHT OF USE ASSETS

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

	Right of use assets - furniture and equipment	Right of use assets Total
	\$	
<b>Carrying amount at 30 June 2019</b>	0	0
Recognised on initial application of AASB16	77,269	77,269
Restated opening carrying amount	77,269	77,269
Depreciation (expense)	(14,141)	(14,141)
<b>Carrying amount at 30 June 2020</b>	63,128	63,128
<b>(b) Cash outflow from leases</b>		
Interest expense on lease liabilities	2,041	2,041
Total cash outflow from leases	2,041	2,041

### SIGNIFICANT ACCOUNTING POLICIES

#### Leases

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

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

ROU assets are measured at cost. This means that all ROU assets (other than vested improvements) under zero cost concessionary leases are measured at zero cost (i.e. not included in the balance sheet). The exception is vested improvements on concessionary land leases such as roads, buildings or other infrastructure which are reported at fair value.

#### Leases (continued)

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

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

**13. REVALUATION SURPLUS**

	2020 Opening Balance	2020 Revaluation Increment	2020 Revaluation (Decrement)	Change in Accounting Policy (Decrement)	Total Movement on Revaluation	2020 Closing Balance	2019 Opening Balance	2019 Revaluation Increment	2019 Revaluation (Decrement)	Total Movement on Revaluation	2019 Closing Balance
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revaluation surplus - Land - freehold land	4,797,665	0	0	(6,000)	(6,000)	4,791,665	4,797,665	0	0	0	4,797,665
Revaluation surplus - Infrastructure - Roads	31,459,160	0	0	0	0	31,459,160	31,459,160	0	0	0	31,459,160
Revaluation surplus - Other infrastructure Kerbs & Drainage	3,772,178	0	0	0	0	3,772,178	3,772,178	0	0	0	3,772,178
Revaluation surplus - Other infrastructure Other	7,049,925	0	0	0	0	7,049,925	7,049,925	0	0	0	7,049,925
Revaluation surplus - Other infrastructure Bridges	4,544,880	0	0	0	0	4,544,880	4,544,880	0	0	0	4,544,880
	51,623,808	0	0	(6,000)	(6,000)	51,617,808	51,623,808	0	0	0	51,623,808

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.

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

**14. TRADE AND OTHER PAYABLES**

**Current**

Sundry creditors	
Prepaid rates	
Accrued salaries and wages	
ATO liabilities	
Bonds and deposits held	
Accrued Interest on Long Term Borrowings	
Accrued Expenses	

2020	2019
\$	\$
35,127	5,172
29,830	0
15,193	23,698
29,082	37,344
6,692	8,242
417	74,614
20,772	68,195
137,113	217,265

**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.

**15. SHORT-TERM BORROWINGS**

**Unsecured**

Short Term WATC Loan Funds
----------------------------

2020	2019
\$	\$
0	1,200,000

## 16. CONTRACT LIABILITIES

### Current

Contract liabilities from transfers for recognisable non-financial assets

Less than 1 year

2020	2019
\$	\$
331,831	0
331,831	0
331,831	
331,831	

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

**17. LEASE LIABILITIES**

**(a) Lease Liabilities**

	2020	2019
	\$	\$
Current	20,366	0
Non-current	37,137	0
	<u>57,503</u>	<u>0</u>

**(b) Movements in Carrying Amounts**

Purpose	Lease Number	Institution	Lease Interest Rate	Lease Term	Actual Lease Principal 1 July 2019	30 June 2020 Actual New Leases	30 June 2020 Actual Lease Principal Repayments	30 June 2020 Actual Lease Principal Outstanding	30 June 2020 Actual Lease Interest Repayments	Budget Lease Principal 1 July 2019	30 June 2020 Budget New Leases	30 June 2020 Budget Lease Principal Repayments	30 June 2020 Budget Lease Principal Outstanding	30 June 2020 Budget Lease Interest Repayments	Actual Lease Principal 1 July 2018	30 June 2019 Actual New Loans	30 June 2019 Actual Lease Principal Repayments	30 June 2019 Actual Lease Principal Outstanding	30 June 2019 Actual Lease Interest Repayments
					\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Governance</b>																			
Photocopier Lease	1	Lease	2.00%	5 years	77,269	0	19,766	57,503	2,041	0	0	0	0	0	0	0	0	0	0
					<u>77,269</u>	<u>0</u>	<u>19,766</u>	<u>57,503</u>	<u>2,041</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>

# SHIRE OF PINGELLY

## NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

### FOR THE YEAR ENDED 30 JUNE 2020

#### 18. INFORMATION ON BORROWINGS

##### (a) Borrowings

	2020	2019
	\$	\$
Current	169,321	167,697
Non-current	3,235,388	2,204,709
	3,404,709	2,372,406

##### (b) Repayments - Borrowings

Particulars	Loan Number	Institution	Interest Rate	Actual	30 June 2020	30 June 2020	30 June 2020	30 June 2020	Budget	30 June 2020	30 June 2020	30 June 2020	30 June 2020	Actual	30 June 2019	30 June 2019	30 June 2019	30 June 2019
				Principal	Actual	Actual	Actual	Actual		Budget	Budget	Budget	Budget		Actual	Actual	Actual	Actual
				1 July 2019	New Loans	Principal repayments	Interest repayments	Principal outstanding		1 July 2019	New Loans	Principal repayments	Interest repayments	Principal outstanding	1 July 2018	New Loans	Principal repayments	Interest repayments
				\$	\$	\$	\$	\$		\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Recreation and culture</b>																		
Recreation and Cultural Centre	123	WATC*	4.21%	2,198,287	0	143,397	92,380	2,054,890		2,198,286	0	143,397	135,845	2,054,889	2,289,025	0	90,738	93,502
Recreation and Cultural Centre	124	WATC*	0.65%	0	1,200,000	0	0	1,200,000		0	1,200,000	22,183	17,820	1,177,817	0	0	0	0
S/T Borrowing Rec & Cultural Centre	S/T	WATC*	2.36%	1,200,000	0	1,200,000	15,217	0		1,200,000	0	1,200,000	29,440	0	500,000	700,000	0	26,738
				3,398,287	1,200,000	1,343,397	107,597	3,254,890		3,398,286	1,200,000	1,365,580	183,105	3,232,706	2,789,025	700,000	90,738	120,240
<b>Self Supporting Loans</b>																		
<b>Education and welfare</b>																		
SSL Pingelly Cottage Homes	120	WATC*	6.47%	174,119	0	24,300	10,490	149,819		174,120	0	24,300	16,129	149,820	181,717	0	7,598	11,506
				174,119	0	24,300	10,490	149,819		174,120	0	24,300	16,129	149,820	181,717	0	7,598	11,506
				3,572,406	1,200,000	1,367,697	118,087	3,404,709		3,572,406	1,200,000	1,389,880	199,234	3,382,526	2,970,742	700,000	98,336	131,746

Opening balance of short term loan above is presented at note 15 as short term Borrowings

\* 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.

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

**(c) New Borrowings - 2019/20**

Particulars/Purpose	Institution	Loan Type	Term Years	Interest Rate %	Amount Borrowed		Amount (Used)		Total Interest & Charges \$	Actual Balance Unspent \$
					2020 Actual	2020 Budget	2020 Actual	2020 Budget		
					\$	\$	\$	\$		
Loan 124 PRACC	WATC*	Deb	3	0.65%	1,200,000	1,200,000	(1,200,000)	(1,200,000)	0	0
* WA Treasury Corporation					1,200,000	1,200,000	(1,200,000)	(1,200,000)	0	0

**(d) Undrawn Borrowing Facilities**  
**Credit Standby Arrangements**

	2020 \$	2019 \$
Bank overdraft limit	500,000	500,000
Bank overdraft at balance date	0	0
Credit card limit	15,000	15,000
Credit card balance at balance date	(1,850)	(250)
<b>Total amount of credit unused</b>	<b>513,150</b>	<b>514,750</b>

**Loan facilities**

Loan facilities - current	169,321	1,367,697
Loan facilities - non-current	3,235,388	2,204,709
Lease liabilities - current	20,366	0
Lease liabilities - non-current	37,137	0
<b>Total facilities in use at balance date</b>	<b>3,462,212</b>	<b>3,572,406</b>

**Unused loan facilities at balance date**

	0	0
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**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 27.

**SHIRE OF PINGELLY**  
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**19. EMPLOYEE RELATED PROVISIONS**

**(a) Employee Related Provisions**

	Provision for Annual Leave	Provision for Personal Leave	Provision for Long Service Leave	Total
	\$	\$	\$	\$
<b>Opening balance at 1 July 2019</b>				
Current provisions	147,189	46,579	135,382	329,150
Non-current provisions	0		96,091	96,091
	147,189	46,579	231,473	425,241
<b>Additional provision</b>	956	0	31,475	32,431
<b>Balance at 30 June 2020</b>	148,145	46,579	262,948	457,672
<b>Comprises</b>				
Current	148,145	46,362	180,047	374,554
Non-current	0	0	82,901	82,901
	148,145	46,362	262,948	457,455

  

	2020	2019
	\$	\$
<b>Amounts are expected to be settled on the following basis:</b>		
Less than 12 months after the reporting date	374,554	329,150
More than 12 months from reporting date	82,901	96,091
Expected reimbursements from other WA local governments	0	0
	457,455	425,241

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

**SIGNIFICANT ACCOUNTING POLICIES**

**Employee benefits**

**Short-term employee benefits**

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

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

**Other long-term employee benefits**

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

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

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

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

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

**Provisions**

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

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

## 20. 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	705,117	77,821	540,094
<b>Reconciliation of Net Cash Provided By Operating Activities to Net Result</b>			
Net result	(1,027,930)	(740,928)	(636,823)
Non-cash flows in Net result:			
Adjustments to fair value of financial assets at fair value through profit and loss	(864)	0	(6,151)
Depreciation on non-current assets	2,564,785	2,472,000	2,360,310
(Profit)/loss on sale of asset	376,612	385,719	(74,358)
Changes in assets and liabilities:			
(Increase)/decrease in receivables	(56,959)	(50,000)	178,964
(Increase)/decrease in other assets	(11,489)	0	1,958
(Increase)/decrease in inventories	5,040	0	(364)
(Increase)/decrease in contract assets	(180,445)	0	0
Increase/(decrease) in payables	(197,169)	(171,962)	(17,243)
Increase/(decrease) in provisions	32,214	0	68,184
Increase/(decrease) in contract liabilities	331,831	0	0
Change in Accounting policies transferred to retained surplus		90,981	
Non-operating grants, subsidies and contributions	(1,033,027)	(2,001,730)	(1,199,226)
Net cash from operating activities	802,599	(15,920)	675,251

## 21. TOTAL ASSETS CLASSIFIED BY FUNCTION AND ACTIVITY

	2020	2019
	\$	\$
Governance	2,675,914	2,839,052
General purpose funding	269,610	249,854
Law, order, public safety	319,912	370,107
Health	38,978	42,967
Education and welfare	1,879,937	2,138,447
Housing	23,808	3,747
Community amenities	521,715	501,434
Recreation and culture	15,953,208	16,410,264
Transport	63,050,110	63,606,972
Economic services	822,088	909,214
Other property and services	1,070,671	1,159,713
Unallocated	1,067,001	438,429
	87,692,952	88,670,200

## 22. CONTINGENT LIABILITIES

There are no contingent liabilities that require disclosure.

## 23. 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	37,400	38,400	38,400
President's allowance	1,200	1,200	1,200
Deputy President's allowance	300	300	300
Telecommunications allowance	0	1,000	0
	38,900	40,900	39,900

### 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	464,360	520,926
Post-employment benefits	65,393	78,774
Other long-term benefits	51,371	50,864
Termination benefits	12,951	45,561
	594,075	696,125

#### Short-term employee benefits

These amounts include all salary and fringe benefits 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 annual leave and long service benefits accruing during the year.

#### Termination benefits

These amounts represent termination benefits paid to KMP.



## 23. 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.

	2020 Actual	2019 Actual
The following transactions occurred with related parties:	\$	\$
Short term employee benefits -other related parties	76,307	104,496
<b>Amounts outstanding from related parties:</b>		
Loans to associated entities	149,819	174,119

### 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.

## 24. INVESTMENT IN ASSOCIATE AND JOINT ARRANGEMENTS

### (b) Share of joint operations

The Shire of Pingelly entered into a joint operations arrangement with the Housing Authority during the 2009/10 financial year for the construction of four x 2 bedroom units. Construction was completed in the 2011/12 financial year. The provision of this housing aims to provide accommodation for singles and childless couples. The Shire of Pingelly has a 18.28% interest in the assets and liabilities of this joint operation under the agreement with the Housing Authority. All revenue and expenses of the joint operation are recognised in the relevant financial statements of Shire.

The Shire is required to set aside 1% of the current replacement cost of the properties from the rental income each year for the long term maintenance of the properties. All profits derived from the operation are to be recognised as Restricted Assets to provide for future maintenance or the provision of future housing.

Transfer of Shire's share of joint operations to the Pingelly Cottage Homes (Somerset Alliance) completed in 2019/20.

	2020	2019
	\$	\$
<b>Lot 602 (38) and Lot 603 (36) Sharow Street Singles Units</b>		
- Opening Balance	53,463	52,544
- Profits From Operations	3,097	6,963
- Interest Earned	0	918
- Funds Utilised	(3,097)	(6,962)
- transfer to Pingelly Cottage Homes	-53,463	0
- Closing Balance	0	53,463
<b>Non-current assets</b>		
Freehold land at:		
- Independent valuation 2017 - level 2	0	9506
Non-Specialised buildings at:		
- Independent valuation 2017 - level 2	0	116,992
Less: accumulated depreciation	0	(4,896)
	0	121,602
<b>Other comprehensive income</b>		
<i>Items that will not be reclassified subsequently to profit or loss</i>		
Changes in asset revaluation surplus	0	0
<b>Total other comprehensive income for the period</b>	0	0
<b>Total comprehensive income for the period</b>	0	0

**SHIRE OF PINGELLY**  
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**25. RATING INFORMATION**

**(a) Rates**

**RATE TYPE**

**Differential general rate / general rate**

**Gross rental valuations**

GRV GRV - Residential

GRV GRV - Rural Residential

GRV GRV - Commercial/Industrial

GRV GRV - Townsites

**Unimproved valuations**

UV - Broadacre Rural

**Sub-Total**

**Minimum payment**

**Gross rental valuations**

GRV - Residential

GRV - Rural Residential

GRV - Commercial/Industrial

GRV - Townsites

**Unimproved valuations**

UV - Broadacre Rural

**Sub-Total**

**Total amount raised from general rate**

Ex-gratia rates

Prepaid rates

**Totals**

	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>Gross rental valuations</b>												
GRV GRV - Residential	0.12006	322	3,678,844	441,682	3,515	(117)	445,080	439,884	0	0	439,884	413,368
GRV GRV - Rural Residential	0.12006	66	816,816	98,067	841	14	98,922	98,067	0	0	98,067	94,233
GRV GRV - Commercial/Industrial	0.12006	29	412,252	49,495	0	0	49,495	39,744	0	0	39,744	60,266
GRV GRV - Townsites	0.12006	12	144,560	17,356	0	0	17,356	17,356	0	0	17,356	18,440
<b>Unimproved valuations</b>												
UV - Broadacre Rural	0.01034	247	130,804,500	1,352,519	(2,795)	0	1,349,724	1,352,519	(72)	0	1,352,447	1,291,196
<b>Sub-Total</b>		676	135,856,972	1,959,119	1,561	(103)	1,960,577	1,947,570	(72)	0	1,947,498	1,877,503
<b>Minimum payment</b>												
		Minimum \$										
<b>Gross rental valuations</b>												
GRV - Residential	900	62	96,900	55,800	0	0	55,800	55,800	0	0	55,800	52,200
GRV - Rural Residential	900	23	52,909	20,700	0	0	20,700	20,700	0	0	20,700	18,000
GRV - Commercial/Industrial	900	11	36,200	9,900	0	0	9,900	12,600	0	0	12,600	7,200
GRV - Townsites	900	8	44,160	7,200	0	0	7,200	7,200	0	0	7,200	6,300
<b>Unimproved valuations</b>												
UV - Broadacre Rural	900	45	2,753,000	40,500	0	0	40,500	40,500	0	0	40,500	40,500
<b>Sub-Total</b>		149	2,983,169	134,100	0	0	134,100	136,800	0	0	136,800	124,200
<b>Total amount raised from general rate</b>		825	138,840,141	2,093,219	1,561	(103)	2,094,677	2,084,370	(72)	0	2,084,298	2,001,703
Ex-gratia rates							214				240	233
Prepaid rates							0				0	(18,790)
<b>Totals</b>							2,094,891				2,084,538	1,983,146

**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 PINGELLY**  
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**25. RATING INFORMATION (Continued)**

**(b) Discounts, Incentives, Concessions, & Write-offs**  
**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 \$
Sundry Debtors	Write off	0.00%	0	0	0	3,519
Rates Assessment	Adjustment	0.00%	0	497	0	512
Rates Assessment	Write off	0.00%	0	30	0	0
				527	0	4,031
Total discounts/concessions				527	0	4,031

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
Sundry Debtors	Review of various Sundry Debtors	Aged Sundry Debtors	Liquidated Debtors or Sundry Debtors considered now Bad Debts
Rates Assessment	A101 upon application	Assist Rural Property Owner	Minimum Rate Assessments on Shire Boundaries 5.12

## 25. 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	27/08/2019			11.00%
<b>Option Two</b>				
First instalment	27/08/2019			11.00%
Second instalment	6/01/2020	10.00	5.50%	11.00%
<b>Option Three</b>				
First instalment	27/08/2019			11.00%
Second instalment	28/10/2019	10.00	5.50%	11.00%
Third instalment	6/01/2020	10.00	5.50%	11.00%
Fourth instalment	9/03/2020	10.00	5.50%	11.00%

	2020 Actual	2020 Budget	2019 Actual
	\$	\$	\$
Interest on unpaid rates	17,868	17,000	17,971
Interest on instalment plan	7,941	6,800	6,744
Charges on instalment plan	4,180	4,500	4,220
ESL Penalty Interest	918	800	828
	30,907	29,100	29,763

**SHIRE OF PINGELLY**  
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**26. RATE SETTING STATEMENT INFORMATION**

		2019/20 Budget	2019/20	2018/19
		(30 June 2020	(1 July 2019	(30 June 2019
		Carried	Brought	Carried
Note	Forward)	Forward)	Forward)	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	11(a)	(4,067)	0	(78,024)
Less: Movement in liabilities associated with restricted cash		0	25,277	25,277
Less: Fair value adjustments to financial assets at fair value through profit and loss		(864)	0	0
Less: Fair value adjustments to financial assets at amortised cost		0	(6,151)	(6,151)
Movement in pensioner deferred rates (non-current)		3,227	(12,100)	(12,100)
Movement in employee benefit provisions (non-current)		32,214	42,905	42,905
Add: Loss on disposal of assets	11(a)	380,679	385,719	3,666
Add: Depreciation on non-current assets	11(c)	2,564,785	2,472,000	2,360,310
<b>Non cash amounts excluded from operating activities</b>		<b>2,975,974</b>	<b>2,335,883</b>	<b>2,335,883</b>
<b>(b) Surplus/(deficit) after imposition of general rates</b>				
The following current assets and liabilities have been excluded from the net current assets used in the Rate Setting Statement in accordance with <i>Financial Management Regulation 32</i> to agree to the surplus/(deficit) after imposition of general rates.				
<b>Adjustments to net current assets</b>				
Less: Reserves - cash backed	4	(162,817)	(240,760)	(240,760)
Less: Financial assets at amortised cost - self supporting loans	5(a)	(17,539)	(24,300)	(24,300)
Less: Investments Current	5(a)	(5,000)	(5,000)	(5,000)
Add: Current liabilities not expected to be cleared at end of year				
- Current portion of borrowings	18(a)	169,321	1,367,697	1,367,697
- Current portion of lease liabilities		20,366	0	0
Add back: Component of Leave Liability not required to be funded.		374,554	329,150	329,150
<b>Total adjustments to net current assets</b>		<b>378,885</b>	<b>1,426,787</b>	<b>1,426,787</b>
<b>Net current assets used in the Rate Setting Statement</b>				
Total current assets		1,373,033	804,874	804,874
Less: Total current liabilities		(1,033,185)	(2,031,129)	(1,914,112)
Less: Total adjustments to net current assets		378,885	1,426,787	1,426,787
<b>Net current assets used in the Rate Setting Statement</b>		<b>718,733</b>	<b>200,532</b>	<b>317,549</b>
<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>				804,874
- Contract assets				0
<b>Total current assets at 1 July 2019</b>				<b>804,874</b>
<b>Total current liabilities at 30 June 2019</b>				(1,914,112)
- Contract liabilities from transfers from recognisable non-financial assets				(90,981)
- Rates paid in advance				(26,036)
<b>Total current liabilities at 1 July 2019</b>				<b>(2,031,129)</b>

## 27. 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
<b>Market risk - interest rate</b>	Long term borrowings at variable rates	Sensitivity analysis	Utilise fixed interest rate borrowings
<b>Credit risk</b>	Cash and cash equivalents, trade receivables, financial assets and	Aging analysis Credit analysis	Diversification of bank deposits, credit limits. Investment policy
<b>Liquidity risk</b>	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	Non Interest Bearing
	%	\$	\$	\$
<b>2020</b>				
Cash and cash equivalents	1.12%	705,117	392,108	313,009
Financial assets at amortised cost - term deposits	2.16%	162,817	162,817	
<b>2019</b>				
Cash and cash equivalents	1.81%	540,094	240,760	299,334

#### 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 18(b).

## 27. FINANCIAL RISK MANAGEMENT (Continued)

### (b) Credit risk

#### Trade and Other Receivables

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

Credit risk on rates and annual charges is minimised by the ability of the Shire to recover these debts as a secured charge over the land, that is, the land can be sold to recover the debt. Whilst the Shire was historically able to charge interest on overdue rates and annual charges at higher than market rates, which further encouraged payment, the effect of COVID-19 needs to be considered. Financial assistance provided to Rate Payers is expected to effect the Shire's cash flows.

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

The loss allowance as at 30 June 2020 and 1 July 2018 (on adoption of AASB 9) was determined as follows for rates receivable. No expected credit loss was forecast on 1 July 2019 or 30 June 2020 for rates receivable as penalty interest applies to unpaid rates and properties associated with unpaid rates may be disposed of to recover unpaid rates.

The expected credit loss is immaterial and therefore a provision for expected credit losses has not been brought to account.

	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					
Gross carrying amount	64,707	18,680	16,608	169,615	269,610
<b>30 June 2019</b>					
Rates receivable					
Gross carrying amount	1,856	96,691	52,983	98,324	249,854

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	2.64%	2.64%	2.64%	2.64%	
Gross carrying amount	55,625	567	0	9,000	65,192
Loss allowance	1,469	15	0	238	1,721
<b>30 June 2019</b>					
Trade and other receivables					
Expected credit loss	3.08%	3.08%	3.08%	3.08%	
Gross carrying amount	24,111	275	0	0	24,386
Loss allowance	743	8	0	0	751



## 27. FINANCIAL RISK MANAGEMENT (Continued)

### (c) Liquidity risk

#### Payables and borrowings

Payables and borrowings are both subject to liquidity risk – that is the risk that insufficient funds may be on hand to meet payment obligations as and when they fall due. The Shire manages this risk by monitoring its cash flow requirements and liquidity levels and maintaining an adequate cash buffer. Payment terms can be extended and overdraft facilities drawn upon if required and disclosed in Note 15(d).

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	137,113	0	0	137,113	137,113
Borrowings	271,953	911,295	3,016,605	4,199,853	3,404,709
Contract liabilities	331,831	0	0	331,831	331,831
Lease liabilities	57,503		0	57,503	57,503
	798,400	911,295	3,016,605	4,726,300	3,931,156
<b>2019</b>					
Payables	217,265	0	0	217,265	217,265
Borrowings	1,413,114	852,455	2,128,632	4,394,201	3,572,406
	1,630,379	852,455	2,128,632	4,611,466	3,789,671

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

There were no events after balance sheet date that required disclosure.

## 29. 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 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 will result 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:

Note	AASB 118 and AASB 1004 carrying amount		AASB 1058 carrying amount
	30 June 2019	Reclassification	01 July 2019
	\$	\$	\$
<b>Contract liabilities - current</b>			
Contract liabilities from transfers for recognisable non-financial assets	0	(90,981)	(90,981)
<b>Trade and other payables</b>			
Rates paid in advance	0	(26,036)	(26,036)
Adjustment to retained surplus from adoption of AASB 1058	29(c)	(117,017)	

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.

### AASB 15 : Revenue from Contracts with Customers

The Shire adopted AASB 15 on 1 July 2019 resulting in changes in accounting policies. In accordance with the transition provisions, the Shire adopted the new rules retrospectively with the cumulative effect of initial application recognised on 1 July 2019. There was no impact on the balance sheet on 1 July 2019.

**SHIRE OF PINGELLY**  
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**29. INITIAL APPLICATION OF AUSTRALIAN ACCOUNTING STANDARDS (Continued)**

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.

		2020 \$	Adjustment due to application of AASB 15 and AASB 1058	2020 \$ Compared to AASB 118 and AASB 1004
	Note	As reported under AASB 15 and AASB 1058		
<b>Statement of Comprehensive Income</b>				
<b>Revenue</b>				
Rates	25(a)	2,094,891	29,830	2,124,721
Operating grants, subsidies and contributions	2(a)	1,688,212	331,831	2,020,043
Fees and charges	2(a)	279,738	(180,445)	99,293
Non-operating grants, subsidies and contributions	2(a)	1,033,027	0	1,033,027
Net result		(1,027,930)	181,216	(846,714)
<b>Statement of Financial Position</b>				
Contract assets	2(a)	180,445	(180,445)	0
Trade and other payables	14	137,113	(29,830)	107,283
Contract liabilities	16	331,831	(331,831)	0
Net assets		83,304,341	181,216	83,485,557
<b>Statement of Changes in Equity</b>				
Net result		(1,027,930)	181,216	(846,714)
Retained surplus		31,523,716	181,216	31,704,932

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

**(b) 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.

	Note	2020 \$
Discount applied using incremental borrowing rate		77,269
Lease liability recognised as 1 July 2019 discounted using the Shire's incremental borrowing rate of 2%	17(b)	77,269
Lease liability - current		19,766
Lease liability - non-current		57,503
Right-of-use assets recognised at 1 July 2019		77,269

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

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

**(c) Impact of New Accounting Standards on Retained Surplus**

The impact on the Shire's retained surplus due to the adoption of AASB 15, AASB 1058 and AASB 16 as at 1 July 2019 was as follows:

	Note	Adjustments	2019 \$
Retained surplus - 30 June 2019			32,590,720
Adjustment to retained surplus from adoption of AASB 1058	29(a)	(117,017)	(117,017)
Retained surplus - 1 July 2019		(117,017)	32,473,703

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**FOR THE YEAR ENDED 30 JUNE 2020**

**30. OTHER SIGNIFICANT ACCOUNTING POLICIES**

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

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

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

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

**b) Current and non-current classification**

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

**c) Rounding off figures**

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

**d) Comparative figures**

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

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

**e) Budget comparative figures**

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

**f) Superannuation**

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

**g) Fair value of assets and liabilities**

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

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

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

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

**h) Fair value hierarchy**

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

**Level 1**

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

**Level 2**

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

**Level 3**

Measurements based on unobservable inputs for the asset or liability.

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

**Valuation techniques**

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

**Market approach**

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

**Income approach**

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

**Cost approach**

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

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

**i) Impairment of assets**

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

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

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

For non-cash generating specialised assets that are measured under the revaluation model, such as roads, drains, public buildings and the like, no annual assessment of impairment is required. Rather AASB 116.31 applies and revaluations need only be made with sufficient 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 PINGELLY**  
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**31. 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>
<b>GOVERNANCE</b> Effective leadership and governance	Administration and operation of facilities and services to members of Council; other costs that relate to the tasks of assisting elected members and ratepayers on matters which do not concern specific Council services.
<b>GENERAL PURPOSE FUNDING</b> A financially sustainable Shire.	Rates, general purpose government grants and interest revenue.
<b>LAW, ORDER, PUBLIC SAFETY</b> A safe community.	Fire prevention, animal control and assistance to emergency services.
<b>HEALTH</b> Health and family support services that are accessible and meet the needs of the community.	Food quality control, provision of doctor services and maintenance of dental equipment.
<b>EDUCATION AND WELFARE</b> Quality of life for the aged and disabled. Development and participation of young people.	Maintenance of a daycare centre and assistance to the provision of aged care accommodation.
<b>COMMUNITY AMENITIES</b> Appropriate development which is diverse in nature and protects local heritage.	Rubbish and recyclables collection and disposal services, operation of the refuse site, administration of the town planning scheme, maintenance of the cemetery, maintenance of public toilets and maintenance of storm water drainage.
<b>RECREATION AND CULTURE</b> Access to recreation, sporting and leisure opportunities.	Maintenance of the Town Hall, Pavilion, Community Centre, recreation ground, swimming pool complex, reserves, operation of the library together with support of cultural events.
<b>TRANSPORT</b> Safe and reliable transport infrastructure.	Construction and maintenance of streets, roads, bridges, cleaning and lighting of streets and depot maintenance.
<b>ECONOMIC SERVICES</b> Support the promotion and marketing of local businesses and tourism initiatives.	The regulation and provision of building control, control of noxious weeds and vermin, standpipe water supplies and area promotion.
<b>OTHER PROPERTY AND SERVICES</b> Provide support services for works and plant operations.	Private works operations, plant repairs and operation costs.

## 32. FINANCIAL RATIOS

	2020 Actual	2019 Actual	2018 Actual
Current ratio	0.88	0.25	0.74
Asset consumption ratio	0.69	0.70	0.71
Asset renewal funding ratio	1.44	N/A	N/A
Asset sustainability ratio	0.41	0.83	2.89
Debt service cover ratio	2.19	2.86	2.92
Operating surplus ratio	(0.85)	(0.73)	(0.47)
Own source revenue coverage ratio	0.39	0.42	0.48

The above ratios are calculated as follows:

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



## Auditor General

### INDEPENDENT AUDITOR'S REPORT

#### To the Councillors of the Shire of Pingelly

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

##### **Opinion**

I have audited the annual financial report of the Shire of Pingelly which comprises the Statement of Financial Position as at 30 June 2020, the Statement of Comprehensive Income by Nature or Type, Statement of Comprehensive Income by Program, Statement of Changes in Equity, Statement of Cash Flows and Rate Setting Statement for the year then ended, and notes comprising a summary of significant accounting policies and other explanatory information, and the Statement by the Chief Executive Officer.

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

- (i) is based on proper accounts and records; and
- (ii) fairly represents, in all material respects, the results of the operations of the Shire for the year ended 30 June 2020 and its financial position at the end of that period in accordance with the *Local Government Act 1995* (the Act) and, to the extent that they are not inconsistent with the Act, Australian Accounting Standards.

##### **Basis for Opinion**

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of my report. I am independent of the Shire in accordance with the *Auditor General Act 2006* and the relevant ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to my audit of the annual financial report. I have also fulfilled my other ethical responsibilities in accordance with the Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

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

I draw attention to Notes 1 and 11 to the annual financial report, which describe the basis of accounting. The annual financial report has been prepared for the purpose of fulfilling the Shire's financial reporting responsibilities under the Act, including the Local Government (Financial Management) Regulations 1996 (Regulations). My opinion is not modified in respect of these matters:

- (i) Regulation 17A requires a local government to measure vested improvements at fair value and the associated vested land at zero cost. This is a departure from AASB 16 *Leases* which would have required the entity to measure the vested improvements also at zero cost.
- (ii) In respect of the comparatives for the previous year ended 30 June 2019, Regulation 16 did not allow a local government to recognise some categories of land, including land under roads, as assets in the annual financial report.

##### **Responsibilities of the Chief Executive Officer and Council for the Financial Report**

The Chief Executive Officer (CEO) of the Shire is responsible for the preparation and fair presentation of the annual financial report in accordance with the requirements of the Act, the Regulations and, to the extent that they are not inconsistent with the Act, Australian Accounting Standards. The CEO is also responsible for such internal control as the CEO determines is necessary to enable the preparation of the annual financial report that is free from material misstatement, whether due to fraud or error.



In preparing the annual financial report, the CEO is responsible for assessing the Shire's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the State Government has made decisions affecting the continued existence of the Shire.

The Council is responsible for overseeing the Shire's financial reporting process.

### ***Auditor's Responsibility for the Audit of the Financial Report***

The objectives of my audit are to obtain reasonable assurance about whether the annual financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the annual financial report.

A further description of my responsibilities for the audit of the annual financial report is located on the Auditing and Assurance Standards Board website at [https://www.auasb.gov.au/auditors\\_responsibilities/ar4.pdf](https://www.auasb.gov.au/auditors_responsibilities/ar4.pdf). This includes the identification and assessment of the risk of material misstatement due to fraud arising from management override of controls. This description forms part of my auditor's report.

### **Report on Other Legal and Regulatory Requirements**

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

- (i) In my opinion, the following material matters indicate significant adverse trends in the financial position of the Shire:
  - a. The Current Ratio as reported in Note 32 of the annual financial report is below the Department of Local Government, Sport and Cultural Industries' standard for the last three financial years.
  - b. The Operating Surplus Ratio as reported in Note 32 of the annual financial report is below the Department of Local Government, Sport and Cultural Industries' standard for the last three financial years.
- (ii) The following material matter 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 was identified during the course of my audit:
  - a. The Shire has not reported the Asset Renewal Funding Ratio for 2019 and 2018 in the annual financial report as required by section 50(1) of the Local Government (Financial Management) Regulations 1996, as management could not confirm the reliability of the available information on planned capital renewals and required capital expenditure in the long-term financial plan and asset management plan respectively.
- (iii) All required information and explanations were obtained by me.
- (iv) All audit procedures were satisfactorily completed.
- (v) In my opinion, the Asset Consumption Ratio and the Asset Renewal Funding Ratio included in the annual financial report were supported by verifiable information and reasonable assumptions.

### **Other Matter**

The financial ratios for 2018 in Note 32 of the annual financial report were audited by another auditor when performing their audit of the Shire for the year ending 30 June 2018. The auditor expressed an unmodified opinion on the annual financial report for that year.

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

This auditor's report relates to the annual financial report of the Shire of Pingelly for the year ended 30 June 2020 included on the Shire's website. The Shire's management is responsible for the integrity of the Shire's website. This audit does not provide assurance on the integrity of the Shire's website. The auditor's report refers only to the annual financial report described above. It does not provide an opinion on any other information which may have been hyperlinked to/from this annual financial report. If users of the annual financial report are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited annual financial report to confirm the information contained in this website version of the annual financial report.



CARLY MEAGHER  
ACTING SENIOR DIRECTOR FINANCIAL AUDIT  
Delegate of the Auditor General for Western Australia  
Perth, Western Australia  
16 December 2020

## **10.4 Significant Matter Raised in Audit Report 2020**

**File Reference:** ADM0074  
**Location:** Not Applicable  
**Applicant:** Not Applicable  
**Author:** Executive Manager Corporate Services  
**Disclosure of Interest:** Nil  
**Attachments:** Audit Report for Year Ending 30 June 2020 (Attachment after Item 10.3)  
**Previous Reference:** Nil

### **Summary**

The Audit and Risk Committee is requested to consider the matters identified as “Significant” in the 2019/20 Audit Report, pursuant to Section 7.12A of the *Local Government Act 1995*:

### **Background**

Section 7.2 of the *Local Government Act 1995* requires that the accounts and annual financial report of a local government for each financial year are to be audited by an auditor appointed by the local government.

An amendment to Section 7.12A(4) of the Local Government Act 1995 in August 2017 now requires that a local government must:

*“(a) prepare a report addressing any matters identified as significant by the auditor in the audit report, and stating what action the local government has taken or intends to take with respect to each of those matters; and  
(b) give a copy of that report to the Minister within 3 months after the audit report is received by the local government.”*

Section 7.12A(5) further requires that:

*“Within 14 days after a local government gives a report to the Minister under subsection (4)(b), the CEO must publish a copy of the report on the local government’s official website.”*

The Office of the Auditor General in the Independent Auditor’s Report for the year ending 30 June 2020 was received on the 16 December 2020 (see attachment), under heading ‘Report on Other Legal and Regulatory Requirements’ states the following:

### **Report on Other Legal and Regulatory Requirements**

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

- (i) In my opinion, the following matters indicate significant adverse trends in the financial position of the Shire:
  - a. The Current ratio as reported in Note 32 of the financial report is below the Department of Local Government, Sport and Cultural Industries’ standard for the last three years.
  - b. The Operating surplus ratio as reported in Note 32 of the financial report is below the Department of Local Government, Sport and Cultural Industries’ standard for the last three years.

### **Comment**

#### **Current Ratio**

The current ratio as at 30 June 2020 has improved substantially since 2019. This is due to the \$1.2M WA Treasury Corporation transferred from a short-term loan to a long-term debenture.

Management and Council place a high priority on ensuring the financial sustainability of the Shire, as evidenced by efforts applied to strict budgetary frameworks.

### Operating Surplus Ratio

Research has revealed that the majority of rural local governments do not have an Operating Surplus Ratio that meets the standards set by the Department. The ratio is the measurement of a local government's ability to cover its operating expenses from its own source revenue and have revenue available for capital funding or other purposes. Own source operating revenue is made up of rates, fees and charges, reimbursements and recoveries, interest income and profit on disposal of assets.

Although depreciation is a non-cash expense it is a significant factor in the operating surplus ratio. The Shire is to investigate strategies to improve this ratio. It is quite possible, however, that the Operating Surplus Ratio may remain at levels below the "standard", due to cost pressures, limited rate base and revenue raising capacity, and therefore more reliant on government funding.

The Operating Surplus Ratio requires Council to ensure that its own revenue sources grow at the same or a greater rate than its operating expenses, including depreciation. It is well known that most country local governments struggle to fully fund asset depreciation via its own revenue sources and there is a heavy reliance on external grant funding such as Regional Road Group and Roads to Recovery to assist with asset renewal expenditure. It is important to note this ratio is affected by the amount of depreciation in the financials each year. The Shires level of depreciation continues to rise each year faster than own source revenues increase.

- 30 June 2020 \$2,564,785
- 30 June 2019 \$2,360,310

The depreciation increases of \$204,475 above, result from Buildings - Specialised, Infrastructure - Roads and Right of Use Asset - Furniture and Equipment brought to account following the introduction of AASB 16 – Leases.

The matter of this adverse trend of the operating surplus ratio and the reliance by rural Local Governments on external non-operating grants appears to be the norm rather than the exception in Country and Regional Western Australia.

### **Consultation**

Department of Local Government, Sport and Cultural Industries  
Office of the Auditor General  
AMD Chartered Accountants

### **Statutory Environment**

Section 6.4 of the *Local Government Act 1995* requires a local government to prepare financial reports including an annual financial report. *Regulation 50 of the Local Government (Financial Management) Regulations 1996* specifically requires the inclusion of seven financial ratios as developed by the Department to be included in the annual financial report. These statutory ratios are also included in Council's long-term financial plan and are key sustainability measures. The Department's Integrated Planning and Reporting Advisory Standard includes benchmarks in relation to the ratios that sets minimum regulatory requirements that ensure an acceptable minimum standard of practice.

### **Policy Implications**

Nil

### **Financial Implications**

Nil

**Strategic Implications**

Goal 5	Innovation, Leadership and Governance
Outcome	Nil applicable
Strategy	Nil applicable

**Risk Implications**

Risk	Failure to meet Department's financial ratio benchmarks may put the Council at risk of being classified unsustainable
Risk Rating (Prior to Treatment or Control)	Medium (9)
Principal Risk Theme	Legislative Compliance
Risk Action Plan (Controls or Treatment Proposed)	Long-Term Financial Plan developed 2020

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

**Voting Requirements**

Simple Majority

**Recommendation**

That the Audit Committee receives the report on the significant matters indicating an adverse trend in the Current Ratio and Operating Surplus Ratio raised in the 2019/20 Audit Report.

Moved: \_\_\_\_\_ Seconded: \_\_\_\_\_

## **10.5 Financial Management Systems and Procedures Review December 2020**

**File Reference:** ADM0074  
**Location:** Not Applicable  
**Applicant:** Not Applicable  
**Author:** Executive Manager Corporate Services  
**Disclosure of Interest:** Nil  
**Attachments:** Financial Management Systems and Procedures Review December 2020  
**Previous Reference:** Nil

### **Summary**

Submission of the Shire of Pingelly Financial Management Systems and Procedures Review December 2020 to Audit Committee for recommendation to Council.

### **Background**

The objective of the Financial Management Review is to examine the appropriateness and effectiveness of the financial management systems and procedures of the Shire on behalf of the Chief Executive Officer (CEO) as required by Local Government (Financial Management) Regulation 5(2)(c).

### **Comment**

The last review of the Financial Management Systems and Processes was undertaken in 2018.

The report attached, summarises the financial management systems review, findings of the review, management's responses and recommendations on the following financial systems and procedures of the Shire.

Overall the following results were obtained.

High Risk	Medium Risk	Low Risk
This is where an existing endorsed policy is not followed due to circumstances that may include a policy being out of date or the current procedures within the administration do not align	This is where generally policy and procedures align but there may be occasional discrepancies	This is where policies and procedures align
6	3	20

The six high risk matters relate to:

**Fixed Assets Valuation, Capitalisation and Depreciation** - The asset group description and lifecycle ages are not consistent between the Road Asset Management Plan, the relevant Policy and the Shire Budget.

The Shire is scheduled to complete the Asset Management Plan Buildings in the near future which will address part of this matter along with a review of the Policy at the earliest opportunity.

### **Risk Management**

The risk management framework is not yet embedded across the organisation. Ongoing training is underway to ensure all staff are applying the framework on a consistent basis.

### **Asset Management**

The Policy commits the Shire to funding and resourcing assets requirements. This is not possible in the current or medium term financial position. The Policy will be reviewed to reflect the Shire's current approach and financial position.

### **Buildings Owned by the Shire of Pingelly**

The Policy is around the conditions that apply when hiring out a Shire building to a community group (such as a lease or similar). The Policy is out of date, does not apply to the current operations and will be recommended for removal at the next Policy review.

### **Pingelly Museum Collection Management**

The Policy relates to the collection management of the Pingelly Museum. As Council Policies are not binding on external parties, the Policy will be recommended for amendment and expansion via a head of power such as a Deed of Agreement, to clarify the protection and ownership of the Collection.

### **Staff Housing**

The Policy relates to ensuring that all staff housing processes are correctly administered. Under the Policy employees are to have a tenancy agreement, however, historically this has been included in the employees contract. The Policy will be updated at the next review to align with the current process.

### **Consultation**

Shire of Pingelly Audit Committee  
Chief Executive Officer  
Core Business Australia

### **Statutory Environment**

Local Government (Financial Management) Regulations 1996

Division 5 CEO's duties as to financial management

Section (2) The CEO is to

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

### **Policy Implications**

Policy 2.7 Risk Management.

### **Financial Implications**

There are no financial implications associated with the officer recommendation.

### **Strategic Implications**

Goal 5	Innovation Leadership and Governance
Outcome 5.6	Financial systems are effectively managed
Strategy 5.6.1	Financial management and reporting systems are able to deliver on all administrative and management functions (including reporting) and long-term financial planning requirements

## Risk Implications

Risk	Failure to monitor the Shire's ongoing internal controls and risks would impact the organisations obligations to achieve legislative compliance.
Risk Rating (Prior to Treatment or Control)	Low (2)
Principal Risk Theme	Reputational / Legislative
Risk Action Plan (Controls or Treatment Proposed)	Nil

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

## Voting Requirements

Simple Majority

## Recommendation

**That the Audit Committee receives the Financial Management Systems and Procedures Review December 2020, finding and recommendations as presented.**

Moved: \_\_\_\_\_ Seconded: \_\_\_\_\_



**Shire of Pingelly**

# **Financial Management Review**

**Final Report 8 December 2020**



## DOCUMENT CONTROL

DOCUMENT CONTROL	
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## DISTRIBUTION SCHEDULE

Version No.	Date	Distribution	Reference
Version 1	27 November 2020	Shire of Pingelly	Draft FMR Report
Version 2	7 December 2020	Shire of Pingelly	Review comments
Version 3	8 December 2020	Shire of Pingelly	Final FMR Report
Version 4			

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## 1.0 Executive Summary

The objective of the Financial Management Review (FMR) is to examine the appropriateness and effectiveness of the Financial Management Systems (Procedures) and the Policies of the Shire of Pingelly on behalf of the Chief Executive Officer (CEO) as Required by Regulation 5(2) (c) *Local Government (Financial Management) Regulations 1996*.

Regulation 5(2)(c) of the *Local Government (Financial Management) Regulations 1996* requires the Chief Executive Officer (CEO) to undertake a review of the appropriateness and effectiveness of the financial management systems and procedures of the local government regularly (and not less than once in every four year financial years) and report to the local government the results of those reviews.

This review identified that the Shire of Pingelly has changed all the Executive team within the last year with the Executive Manager Corporate Services being in place for approximately five months at the time of this review. It should be noted that this executive is positively updating and changing several procedures, and this should be supported and encouraged.

It is this authors opinion that the Shire of Pingelly is currently in a positive state of change as the CEO has embarked on an agenda to modernise process and procedures and (where possible) shift to electronic records rather than manual paper copies. This overall change agenda is being embraced by the staff and this review found all staff positive, helpful and actively suggesting improvements which demonstrates a good culture and is reflective of good leadership.

It is important to note that the Shire of Pingelly has (in previous years) created a major community cultural and sporting facility (PRACC) in recent years, with State funding, and this facility has the potential to be the centre of economic development for the Shire. It is this authors opinion that a major development and growth business strategy and plan is needed to build on this facility and attract significant revenue to the Shire.

It should be noted that the building of the PRACC has (in previous years) drawn all financial resources from the Shire and has left the organisation in a challenging financial position that will limit activities for some years to come. This means that the Long-Term Financial Plan (LTFP) is potentially the key tool that needs maintained and that Councillors need to be aware of. This LTFP should be used as a planning tool to show the impact of any future financial decisions so that Council can understand the impact of decisions going forward.

This review has identified improvement areas to the Shire's policies and procedures that are listed within the document along with the following key themes:

- Policies are key to Council delivery and need to supply a clear overall direction for the CEO but avoid becoming procedures.
  - Evidence would suggest there are several policies that are too detailed and should be separated into policies with the detail removed and placed in operational procedures.
- The positive change agenda means that changes to procedures can outstrip policy quite quickly. As a result, there needs to be a planned approach that follows the steps below in the right order.
  - Identify the required changes to procedures and review these against the existing policy.

- If the policy requires changes, then make sure the policy is updated and agreed by Council before procedures change.
  - This would prevent the procedures not following policy and is the correct approach to improvement.
- The Shire Council needs to have a clear approach to all policies that ensure policies do not stretch into describing procedures.
  - There are several policies that are better suited to being procedures and the Shire should either remove these, convert them to procedures or create a policy that is relevant.

Overall, this review has identified a range of high-risk areas within the Shire, however these should be studied carefully as the above themes are the real reasons these are high risk, rather than any underperformance by teams.

## 2.0 Scope

The objective of the Financial Management Review (FMR) is to examine the appropriateness and effectiveness of the Financial Management Systems (Procedures) and the Policies of the Shire of Pingelly on behalf of the Chief Executive Officer (CEO) as Required by Regulation 5(2) (c) *Local Government (Financial Management) Regulations 1996*.

Regulation 5(2)(c) of the *Local Government (Financial Management) Regulations 1996* requires the Chief Executive Officer (CEO) to undertake a review of the appropriateness and effectiveness of the financial management systems and procedures of the local government regularly (and not less than once in every four year financial years) and report to the local government the results of those reviews.

The Financial Management Review covers the period 2020/2021 and results are to be reported to the Department of Local Government every three years as contained on this scope.

The report summarises the financial management policies review, findings of the review, managements response and recommendations on the following financial policies and procedures of the Shire of Pingelly.

During the report each policy was assessed to ensure they were compliance with the Strategic Community Plan (SCP)2020-2030 and the Corporate Business Plan (CBP)2020-2024.

The examination covered all policies relating to a financial matter for the Shire.  
The following policies were reviewed.

- 1.1 Fixed Assets Valuation, Capitalisation and Depreciation
- 1.5 Related Party Disclosures
- 2.7 Risk Management
- 3.3 Deposits for Cleaning and or Repairs
- 4.5 Conference and Meeting Expenses
- 4.10 Councillor Training
- 5.1 Bank Account Signatories and Payments
- 5.2 Investment of Surplus Funds
- 5.5 Donations
- 5.6 Sundry Debtors Recovery
- 5.7 Rates Recovery
- 5.8 Self Supporting Loans
- 5.9 Advances to Community Organisations
- 5.10 Pensioner and /Senior Concession on Non-Residential Properties
- 5.11 Purchasing
- 5.12 Minimum Rate Assessments on Shire Boundary
- 5.13 Asset Management
- 5.14 Corporate Credit Cards
- 5.15 Community Grant Scheme
- 5.16 Sponsorship
- 5.17 Correct Usage of Shire Fuel Cards
- 7.6 Buildings Owned by the Shire of Pingelly
- 7.11 Pingelly Museum Collection Management
- 9.1 Management of Council Records

- 10.7 Shire Housing – Water Usage
- 10.8 Gratuity Payments to Employees
- 10.16 Chief Executive Officer Annual Performance Review
- 10.18 Staff Housing
- 7.14 Communications and Social Media

The examination also covered other matters including

- Minutes of Council meeting to ensure compliances with relevant Legislation and Regulations
- The Shire of Pingelly Organisational Structure
- The Shire of Pingelly Strategic Community Plan
- The Shire of Pingelly Corporate Business Plan
- The Shire of Pingelly Standing Orders Local Laws 2017
- The Shire of Pingelly Delegation Register 2020



### 3.0 Health Chart

This risk analysis is based on the following 3 categories

#### High Risk:

This is where an existing endorsed policy is not followed due to circumstances that may include a policy being out of date or the current procedures within the administration do not align

#### Medium Risk

This is where generally policy and procedures align but there may be occasional discrepancies

#### Low Risk

This is where policies and procedures align

#### Key

S	System and Procedures	H	High Risk
C	Compliance Matter	M	Medium Risk
		L	Low Risk

Policy	Ref	Nature	Risk
Fixed Assets Valuation, Capitalisation and Depreciation	1.1	S	H
Related Party Disclosures	1.5	S	L
Risk Management	2.7	S	H
Deposits for Cleaning and/or Repairs	3.3	S	L
Conference and Meeting Expenses	4.5	S	L
Councillor Training Policy	4.10	S	L
Bank Account Signatories and Payments	5.1	S	L
Investment of Surplus Funds	5.2	S	L
Donations	5.5	S	L

Policy	Ref	Nature	Risk
Sundry Debtors Recovery	5.6	S	M
Rates Recovery	5.7	S	M
Self-Supporting Loans	5.8	S	L
Advances to Community Organisations	5.9	S	L
Pensioner and Seniors Concession on Non-Residential Properties	5.10	S	L
Purchasing Policy	5.11	S	M
Maximum Rate Assessments on Shire Boundary	5.12	S	L
Asset Management	5.13	S	H
Corporate Credit Cards	5.14	S	L
Community Grant Scheme	5.15	S	L
Sponsorship Policy	5.16	S	L
Correct Usage of Shire Fuel Cards Policy	5.17	S	L
Buildings Owned by the Shire of Pingelly	7.6	S	H
Pingelly Museum Collection Management	7.11	S	H
Management of Council Records	9.1	S	L
Shire Housing-Water Usage	10.7	S	L
Gratuity Payments to Employees	10.8	S	L
Chief Executive Officer Annual Performance Review	10.16	S	L
Staff Housing	10.18	S	H

Policy	Ref	Nature	Risk
Communications and Social Media	7.14	S	L

## 4.0 Policies examined with detailed observation and comments

### Policy 1.1 Fixed Assets Valuation, Capitalisation and Depreciation

<p><b>Review &amp; Adoption</b></p> <p>This is reviewed bi-annually and was last adopted by Council on 15th July 2020.</p>
<p><b>Background</b></p> <p>The staff were interviewed on the fixed asset approach including controls over asset valuation/ revaluation, capitalisation and depreciation including disposal of assets, updating the fixed asset register, depreciation ratios and reconciliation of the fixed asset register to the general ledger.</p>
<p><b>Findings</b></p> <p>Asset group descriptions and lifecycle ages are not standardised between the Asset Management Plan (AMP) and this policy.</p> <ul style="list-style-type: none"> <li>• This policy (page 2) lists several asset groups from sealed roads, streets through to drainage</li> <li>• The asset names are different between the AMP (page 24) and those used in the policy.</li> <li>• Asset lifecycle estimated number of years need to match in both the policy and the AMP</li> </ul> <p>The policy refers to 'asset management' and includes all assets including buildings, roads, computers etc. However, the organisation currently separates key asset areas and handles them differently. An example of this is a defined AMP for Transport Infrastructure but there is not the same for buildings</p> <p>The procedure within the Shire applies a system of the Asset Register recording assets of above \$5,000.00</p> <p>They are captured under Minor Equipment. This is different from the approach laid out in the policy due to new procedures and new approach within this area. As such the policy and procedures not currently align.</p> <p>The Shire team is progressing with a range of improvements to procedures and the improvement are known and on track. However, the policy needs to be updated prior to any changes to procedures.</p>
<p><b>Overall Finding-High Risk</b></p> <p>The Shire has been on a journey of improvement around procedures since new key staff have joined over the last year; however, the appropriate approach that should be adopted is to revise and update the policy before procedures or registers are changed.</p>

As a result, this review can only rate this policy as high risk and recommends the policy is changed at the first available opportunity.

This should involve an alignment of the naming of the asset group types, a standard agreed life span of individual asset types (e.g.: pavements- 80 years) that will be listed in the policy and reflected in the Asset Management Plans. This alignment of asset descriptions and lifecycles (in years) will ensure the correct depreciation is applied across financials.

**Required Improvements**

1. This policy is adapted and adopted by Council at the earliest opportunity.
2. Asset group descriptions and lifecycle ages need to be standardised between the policy and the Asset Management Plan (AMP).
3. The policy to refer to asset types potentially being in a range of relevant AMP's.
4. Under the related documents section of the policy, the following documents need to be listed;
  - Policy 5.13 Asset Management; and,
  - The Asset Management Plan (AMP).

## Policy 1.5 Related Party Disclosures

### Review & Adoption

This should be reviewed bi-annually and was last adopted by Council on 15th July 2020.

### Background

The relevant staff supplied the example information on this policy and a selection of 'related Party Disclosures' were examined.

### Findings

The policy has a few minor errors to be changed on wording.

- 3.1 – to add clarity of understanding please change second bullet point – add KMP abbreviation after the word personnel.
- 4.1 – The title should read 'For Related Party Disclosures' – e.g. remove the word Procedure as this is not a procedure.
- 4.4 – First Bullet point – adjust spacing on word 'Paying'.

Councillor, CEO and staff Related Party Disclosures have been sampled and are aligned to the policy.

Storage of Related Party Disclosures are within the strongroom.

### Overall Finding–Low Risk

On review of related party disclosures and the procedures this was found to be compliant with policy.

### Recommended Improvements

The policy has a few minor errors to be changed on wording.

1. 3.1 – to add clarity of understanding please change second bullet point add KMP abbreviation after the word personnel.
2. 4.1 – The title should read 'For Related Party Disclosures' – e.g. remove the word Procedure as this is not a procedure.
3. 4.4 – First Bullet point – adjust spacing on word 'Paying.'

## Policy 2.7 Risk Management

### Review & Adoption

This should be reviewed three yearly and was last adopted by Council on 15th July 2020.

### Background

Risk Management was part of most interviews across the organisation to gain an understanding and evidence of how risk management is understood and being applied.

### Findings

This has been raised and defined with Council as per part 4.4.2 of the policy.

There is a well-defined and document framework.

The risk management framework is not yet embedded across all staff (This has resulted in certain areas adopting their own approach to this as the staff all believe it is important). This is common as a risk management approach is rolled out across the Shire and the Executive team are aware of this.

An Audit and Risk Committee exists and consists of all Councillors and these meetings have been minuted and have been reviewed.

### Overall Finding–High Risk

This review has found that there has been good work to define the Risk Management Framework by the Executive and the team have a general understanding. There still needs to be further work on communicating the framework and ensure all staff are applying this on a consistent basis. It was found that this is understood by the executive, but this is still classed as high risk until this has been completed.

**Note:** Complete would be when staff are able to articulate or show the agreed risk framework and demonstrate where this has been used.

### Required Improvements

1. There needs to be a 'common sense' program of education and crosschecking that the risk management framework is being used along with reporting to supply evidence of this policy being implemented.

**Note:** It is understood training of staff is underway but as this is not yet embedded in all staff it can only be defined as high risk.

### Policy 3.3 Deposit for Cleaning and/ or Repairs

**Review & Adoption**

This should be reviewed three yearly and was last adopted by Council on 15th July 2020.

**Background**

During discussions regarding this policy it was found that front counter staff are the responsible officers for this policy.

**Findings**

The current hiring forms for any facilities are currently being reviewed to remove any not applicable buildings.

The process for ensuring that all bonds are handled and maintained appear to be in line with 4.3 of the policy and checks are carried out before return of bonds.

Bonds are logged into a trust account.

**Overall Finding–Low Risk**

This review found the procedures were aligned to the policy.



## Policy 4.5 Conference and Meeting Expenses

### Review & Adoption

This should be reviewed bi-annually and was last adopted by Council on 15<sup>th</sup> July 2020.

### Background

Conference and meeting expenses is generally managed by the CEO's EA.

### Findings

The EA handles all enquiries, conference and meeting expenses are either covered by the individual Councillor's quarterly allowances or when requested they are checked against available budget and agreed or not. If purchasing training this is organised through a purchase order. There are no typical other expenses claimed.

On review of this policy the content makes it clear that this is for Councillor conference and meeting expenses.

### Overall Finding—Low Risk

This review that the policy and the procedures align and are compliant.

## Policy 4.10 Councillor Training

### Review & Adoption

This should be reviewed bi-annually and was last adopted by Council on 15th July 2020.

### Background

Councillor training is managed by the CEO's EA.

### Findings

There appears to be no training register on hand for quick referencing to who has completed their required training. Each time a Councillor has completed a training module it is emailed to the EA of the CEO for recording and storage.

There is currently no induction manual for new or existing Councillors to reference although there is one being prepared before the next election.

A complete induction manual is being implemented for all new Councillors to give them a better understanding of their obligation.

### Overall Finding-Low Risk

This review find the Shire is low risk however, it should be noted that the key improvements listed below should be implemented as a matter of urgency.

### Suggested Improvements

1. There could be single location of a Councillor training register that shows all training undertaken.

## Policy 5.1 Bank Account Signatories and Payments

### **Review & Adoption**

This should be reviewed bi-annually and was last adopted by Council on 15th July 2020.

### **Background**

Reviewed via discussions and identification of the 'any two from four signatories.'

### **Findings**

This policy is to ensure that all payments made by the Shire has 2 authorised officers that need to sign off on any payments the Shire makes from its bank account.

The policy appears to be maintained to and that at least 2 of the 4 authorised officers are signing off on Payments. The 4 officers are the CEO, the Executive Manager of Technical Service, the Executive Manager of Corporate Services and the Senior Finance Officer.

There appears to be no challenges with bank reconciliations.

### **Overall Finding-Low Risk**

This review that the policy and the procedures align and are compliant.

## Policy 5.2 Investment of Surplus Funds

### **Review & Adoption**

This should be reviewed bi-annually and was last adopted by Council on 15th July 2020.

### **Background**

This was examined via discussions with officers including the Executive Manager Corporate Services and staff.

### **Findings**

This policy is currently being complied with however, prior to the Executive Manager Corporate Services commencing, it appears that there is no common register of investments other than Council minutes. It should be noted that prior to the Executive Manager of Corporate Service starting 5 months ago the only records were in Council minutes.

There is now a register to be used for any such transaction.

### **Overall Finding–Low risk**

This review has found that this is currently being complied with.

## Policy 5.5 Donations

### **Review & Adoption**

This should be reviewed bi-annually and was last adopted by Council on 15th July 2020.

### **Background**

This was reviewed through discussion and recent records.

### **Findings**

Although there are no such activities recently the staff are aware of the policy requirements.

### **Overall Finding–Low Risk**

This Review found the procedure was well understood and aligned with policy but is rarely used.

### **Suggested Improvements**

1. The Shire should consider changing this to a procedure rather than a policy.

## Policy 5.6 Sundry Debtors

### Review & Adoption

This should be reviewed bi-annually and was last adopted by Council on 15th July 2020.

### Background

After discussions with staff involved there appears to be some areas that need to be changed.

### Findings

The register for this is referred to as 'end of month debtors' statement

The procedure being followed align to the policy however the key staff interviewed identified a few potential improvements that the Shire may wish to improve. (these are listed below)

The policy states this is signed off by the CEO however the procedures are the Exec Manager of Corporate Services signs off.

### Overall Finding-Medium Risk

This review has found that the procedures are generally compliant, however the policy will need updated via Council to change 4.5 to reflect the fact that the Executive Manager of Corporate Service does this rather than the CEO.

### Required Improvements

1. The policy will need updated via Council to change 4.5 to reflect the fact that the appropriate designated officer does this rather than the CEO.

### Suggested Improvements

2. The policy has extensive timescales and would benefit from changing 4.2 from 60 days to 30 days, 90 days is too long to wait for debt recovery.

**Note:** This is already under review by the Executive Manager of Corporate Services

## Policy 5.7 Rates Recovery

### Review & Adoption

This should be reviewed bi-annually and was last adopted by Council on 15th July 2020.

### Background

After discussion with key staff it appears that this policy is being followed though although it was agreed that some changes could be made to have a better understanding of the policy.

### Findings

This policy could be split into a policy and a procedure this being sections 4.1-4.4 as the policy then 4.5-4.10 being the procedure.

### Overall Finding-Medium risk

This review has found that the procedures are generally compliant, however the policy will need updated via Council to change 4.5 to reflect the fact that the Executive Manager of Corporate Services does this rather than the CEO.

This review also found the policy is a mix of policy and procedures and certain key reference documents are not mentioned.

### Required Improvements

1. The policy will need to be updated via Council to change 4.5 to reflect the fact that the appropriate designated officer does this rather than the CEO.
2. Separate the policy from the procedure elements.
3. Correct related documents need to be referenced in Related Documents they are ***Error! Use the Home tab to apply Name of Act/Reg to the text that you want to appear here. Rates and Charges Part 5.***

## Policy 5.8 Self Supporting Loans

<b>Review &amp; Adoption</b>
This should be reviewed bi-annually and was last adopted by Council on 15th July 2020.
<b>Background</b>
Limited volume of these due to financial position.
<b>Findings</b>
It appears that there is only 1 self-supporting loan, and this is with the Pingelly Cottages.  This loan is managed by West Australian Treasury and a statement is forward to the Shire each month for monitoring and recording.
<b>Overall Finding-Low Risk</b>
This review has found that this is currently being complied with.



## Policy 5.9 Advances to Community Organisations

### **Review & Adoption**

This should be reviewed bi-annually and was last adopted by Council on 15th July 2020.

### **Background**

This policy deals with short term advances to community groups, however not used due to lack of financial resources.

### **Findings**

It exists and is known but there have been no requirements to use this policy.

### **Overall Finding-Low Risk**

As these are considered on application to council this policy, should be removed.

## Policy 5.10 Pensioners and Seniors Concessions on Non-Residential Properties

### Review & Adoption

This should be reviewed bi-annually and was last adopted by Council on 15th July 2020.

### Background

After discussions with staff this policy may need to be updated to reflect who is responsible for approval of the concessions.

### Findings

It appears there is no reporting process required for this policy, the Shire is notified by Water Corp as who has been approved for any concessions, once a form has been received to the Shire from Water Corp the officer in charge of rates updates the properties rating assessment. No approvals required from Council as this is directed from WaterCorp.

Pensioners receive 50% and Seniors receive 25% discount.

Related documents need to reflect *Rates and Charges (Rebates and Deferment) Act 1992*.

### Overall Finding-Low Risk

This review has found that this is currently being complied with.

### Required Improvements

1. It is recommended that the Related Documents needs to be updated to have *Rates and Charges (Rebates and Deferment) Act 1992* as a related document.

## Policy 5.11 Purchasing

### Review & Adoption

This should be reviewed bi-annually and was last adopted by Council on 15th July 2020.

### Background

This policy and procedures were examined by reviewing a selection of procurement.

### Findings

The policy was examined by interviewing relevant staff and their understanding of the purchasing policy.

The knowledge across with all staff was aligned to the policy and the online system for all purchase orders. There is also a good understanding of when to use preferred supplier panels.

Of the purchase orders reviewed a small percentage were found to not have the details recorded of who verbal quotes (or written) were obtained from.

### Overall Finding-Medium risk

The procedures are well understood and align to the policy however 10% of the purchase orders reviewed have the quote type box ticked but have not been completed with the names of suppliers of who's quotes have been received. It should be noted that this is known and being addressed by Executives.

### Required Improvements

1. On the policy related documents section, it needs to include *Local Government (financial management) regulations 1996*.
2. There should be a regular check on all procurement to ensure that staff always complete the details of relevant quote information.

## Policy 5.12 Minimum Rate Assessments on Shire Boundaries

<b>Review &amp; Adoption</b>  This should be reviewed bi-annually and was last adopted by Council on 15th July 2020.
<b>Background</b>  This policy is relevant to properties whose land is within two or more Shires.
<b>Findings</b>  Application for this needs to be in writing to the CEO.
<b>Overall Finding-Low Risk</b>  This review has found that this is currently being complied with.

## Policy 5.13 Asset Management

### Review & Adoption

This should be reviewed bi-annually and was last adopted by Council on 15th July 2020.

### Background

This was examining the way the Shire approaches Asset Management by interviewing staff.

### Findings

Asset management is currently split between transport infrastructure and buildings which are handled in different ways.

The policy commits the Shire to funding and resourcing all requirements which it cannot currently do due to funding constraints.

This policy is a mixture of policy and procedures and needs to reflect the framework that Council wishes to be deployed (e.g. An asset Strategy, Asset Management Plans) and the asset naming conventions.

### Overall Finding-High Risk

As the current policy commits the Council to fully fund and resource all asset requirements this binds the Council to fully funding required staff and all renewal and maintenance gaps. This is not possible in the current and medium-term financial position and therefore cannot be complied with. The current asset policy should be redefined to lay out the requirements for the Shire to have an Asset Strategy and Asset Management Plans.

The Policy should also require that the Long-Term Financial Plan must always reflect the full medium- and long-term renewal and maintenance gaps to ensure Council understands the task ahead,

### Required Improvements

1. This policy is re-written to clearly layout the requirements for a Shire Asset Strategy that is endorsed by Council and then a single Asset Management Plan that includes all Assets,
2. The new policy should include general existing points such as the scope of asset management and the fact the Shire will aim to resource and fund required asset management (where financial revenues allow).
3. The Policy should also require that the Long-Term Financial Plan must always reflect the full medium- and long-term renewal and maintenance gaps to ensure Council understands the task ahead.
4. It should also retain the need for Whole of Life costs description and add that all asset decisions taken to Council must include Whole of life costs.

## Policy 5.14 Corporate Credit Cards

### **Review & Adoption**

This should be reviewed bi-annually and was last adopted by Council on 15th July 2020.

### **Background**

After a discussion with the Executive Manager of Corporate Services it was found there is only 3 Credit Cards being used.

### **Findings**

Use of the credit cards is tracked by the approved officers. These being the CEO, Executive Manager of Technical Services and the Executive Manager of Corporate Services.

Each officer must complete a credit card use form and provide tax invoices or receipts when using a credit card.

The credit card payments are included in the agenda report with details in the attachments.

### **Overall Finding-Low Risk**

This review has found that this is currently being complied with.

## Policy 5.15 Community Grant Scheme

<b>Review &amp; Adoption</b>
This should be reviewed three yearly and was last adopted by Council on 15th July 2020.
<b>Background</b>
This was discussed with the Community Development Officer.
<b>Findings</b>
There is a strict procedure for this that is followed up by the Community Development Officer.  The applicant must apply form to the Shire. The officer then reviews this for alignment to Council priorities to ensure it meets community outcomes and required benefits. The officer then prepares an agenda item to go to Council with a recommendation to approve or not.
<b>Overall Finding-Low Risk</b>
This review has found that this is currently being complied with.

## Policy 5.16 Sponsorship

### **Review & Adoption**

This should be reviewed bi-annually and was last adopted by Council on 15th July 2020.

### **Background**

After a discussion with the appropriate officers it appears there is limited time the Shire have asked for sponsorships. This generally occurs around the time of large events.

### **Findings**

There appears to be limited times the Council have needed sponsorship for events.

One of the most recent sponsorships is the 'Wheelchair Basketball Tournament'.

This policy is generally handled by the Community Development Officer who follows the correct procedure for this policy.

This policy appears to be quite lengthy and could possibly be broken down to different documents.

### **Overall Finding-Low Risk**

This review has found that this is currently being complied with.

### **Suggested Improvements**

1. Remove procedure description from policy



## Policy 5.17 Correct Usage of Shire Fuel Cards

### **Review & Adoption**

This should be reviewed bi-annually and was last adopted by Council on 15th July 2020.

### **Background**

After a discussion with the appropriate officer it appears there were some areas in this policy that needed attention.

### **Findings**

This policy is currently being reviewed to be presented to Council.

This review has compared procedure to the newly drafted policy and has been used for comparison.

This policy includes procedures that could be in a separate document.

### **Overall Finding–Low Risk**

This review has found this area to be low risk if the revised policy is presented and adopted by Council.

## Policy 7.6 Buildings owned by the Shire of Pingelly

### Review & Adoption

This should be reviewed bi-annually and was last adopted by Council on 15th July 2020.

### Background

This policy is about the conditions that apply when hiring out a Shire building to a community group (such as a lease or similar).

### Findings

This policy is not adhered to within the Shire, this policy is out of date and the Shire has very few buildings with the majority having separate agreements with community groups.

The other key building this may apply to is the town hall that has been closed for the past 14 months and is currently going through community consultation.

As a result, there is no ability to measure the effectiveness of this policy and procedures as it does not apply to the operations or requirements within the Shire.

### Overall Finding-High Risk

This review has found this policy is completely out of date and bares no relation to existing procedures as a result this policy should be replaced with a true lease policy that Council can see when they are ready to lease any buildings.

### Required Improvements

1. Remove this policy.

## Policy 7.11 Pingelly Museum Collection Management

### Review & Adoption

This should be reviewed bi-annually and was last adopted by Council on 15th July 2020.

### Background

It appears that the Shire has little or no control over the Museum.

### Findings

Some of the Councillors are members of the Acquisition Committee.

Other than being responsible for the insurance of the items in the museum the Shire has no other financial ties to this museum.

This policy has no procedures that are required within the Shire. This is due to Council entering into a different arrangement with a community committee. This new arrangement is established under a lease agreement.

The Shire's only responsibility is to pay the insurance on this facility.

### Overall Finding-High Risk

This review has found this policy has the potential to bind the CEO to non-relevant activities and Council should remove this policy.

### Required Improvements

1. Remove this policy

## Policy 9.1 Management of Council Records

### Review & Adoption

This should be reviewed bi-annually and was last adopted by Council on 15th July 2020.

### Background

Reviewed through interviews with staff.

### Findings

This is to ensure that all Shire records are managed correctly as per the policy.

- There is no one person responsible for managing the Shires records, all officers are responsible for managing their own record keeping.
- Each of the Executive team are responsible for ensuring all records are completed correctly.
- Related Documents needs to be updated to add *Freedom of Information ACT 1992* *general Disposal Authority for Local Records and Local Government Act 1995*.

### Elected Members

All elected members do not create, collect and retain their own records relating to their role. They do not periodically deliver, to the CEO, originals or copies.

As a result, there is no approach to recording or storing them at the Shire other than copies of emails being received by the EA.

The Shire Executive's understand document management and storage is not currently effective, and they are developing a record keeping and retention procedure for approval by state.

Currently most documents and records are stored within Synergy by Executives and Managers however this is not adhering to a set procedure.

### Security of Records

The review identified that the records storage area and the strong room is in a separate area, however the strong room is accessible by all staff.

### Overall Finding-High Risk

The Executive team are aware of the issues around the historical records management approach and are actively developing a revised procedure. This is a positive approach, however at the time of this review the measurement is against the existing procedure. As a result, the current approach does not align to the policy and the draft improvements should be agreed and implemented as soon as possible.

In addition, this review found that access to document storage and the strong room was not clearly controlled. (it should be noted that this is a small Shire team) and a security procedure should be developed that is relevant to daily activities and document security.

**Required Improvements**

1. Create a new records storage and management procedure and train all staff
2. Identify the volume of work required to bring stored records and information up to date to comply and gain Council approval to resource and action this.
3. Create a new document storage and strongroom security procedure and implement it.

## Policy 10.7 Shire Housing – Water Usage

<b>Review &amp; Adoption</b>  A review is scheduled for March 2021 but the current one was last adopted 15 July 2020.
<b>Background</b>  Reviewed through interviews with staff.
<b>Findings</b> This is being reviewed but the current process is compliant with existing policy.
<b>Overall Finding–Low Risk</b>  This review has found that this is currently being complied with.

## Policy 10.8 Gratuity Payments to Employees

<b>Review &amp; Adoption</b>  Reviewed and adopted 15 July 2020.
<b>Background</b>  This is to outline the Shire's policy on gratuity payments to employees.
<b>Findings</b>  This policy is in place, but no gratuity payments have occurred this year.
<b>Overall Finding–Low Risk</b>  This review has found that this is currently being complied with.

## Policy 10.16 CEO Annual Performance Review

<b>Review and Adoption</b>  Reviewed and adopted 15 July 2020 & Adoption.
<b>Background</b>  This is to ensure that all processes are followed throughout this policy.
<b>Findings</b>  Interviewing the CEO and a fully compliant process is followed that reflects the policy.
<b>Overall Finding-Low Risk</b>  This review has found that this is currently being complied with.  <b>Required Improvements</b>  Needs to reference <i>Local Government Act 1995 s5.38(1)</i> in policy and in related documents.



## Policy 10.18 Staff Housing

### Review & Adoption

This should be reviewed bi-annually and was last adopted by Council on 15th July 2020.

### Background

. This is to ensure that all staff housing processes are correctly administered.

### Findings

It has been found that there are only 2 houses currently being leased by Shire officers.

There appears to be no tenancy agreement in place, the agreement forms part of the officer's contract.

There are no bonds required for these tenancies

The gardens of these properties are maintained in full by the Shire, the tenant is only required to ensure the gardens are watered.

The properties are inspected as soon as possible after a tenant has vacated the property. If there is any damage or carpets did not get clean the tenant will receive a bill for this.

### Overall Finding-High Risk

This review has found that although the policy requires a formal tenancy agreement to exist between the Shire and the Staff (as per the Residential Tenancy Act), the agreement is embedding within the staff's contract of employment. The Policy is out of date compared to procedures now in place and the policy needs reviewed and updated.

### Required Improvements

1. Policy needs reviewed and updated to align to how staff housing is dealt with as part of employee contracts
2. Needs to reference Residential Tenancy Act 1987 in Related Documents.

## Policy 7.14 Communications and Social Media

<b>Review &amp; Adoption</b>  This policy was shown as adopted in the March 2020 Council meeting minutes but is not on the Policy Register.
<b>Background</b>  None
<b>Findings</b>  This was reviewed as a connection to financial management.
<b>Overall Finding-Low Risk</b>  This review has found that this is currently being complied with.

## **4.1 Potential Policies to be Created/Updated**

This review has identified that the Shire has two key policies Reviewed/Updated that should be developed.

1. Occupational Health and Safety (since recent 2020 changes to legislation).
2. An IT Policy on IT security and care.

## **4.2 Other areas examined**

This review gathered evidence from staff interviews, procedures and evidence of activities. The review was also supported by the following sources:

- Minutes of Meetings
- Budget
- Local Government (Audit) Regulation 17 Review 2019
- Delegation Register
- Standing Orders – Local Laws 2017
- Published Policy Manual on the Shire website as at 23<sup>rd</sup> November 2020

## **5.0 Conclusion**

The Financial Management Review did not identify any significant issues relating to the Shire's Financial Management Systems and Procedures. The review has identified some process improvement opportunities that will be implemented to further enhance the Shire's control environment and improve operational efficiency.

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**11. CLOSURE OF MEETING**

The Chairman to declare the meeting closed.