



**Shire of Corrigin Audit and Risk Management Committee to be held on
Tuesday 18 October 2016 commencing at 11.30am at the Council
Chambers, 9 Lynch Street Corrigin**

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1. DECLARATION OF OPENING

The Chairperson, Lynette Baker opened the meeting at 11:40am.

2. ATTENDANCE /APOLOGIES/LEAVE OF ABSENCE

President	Cr L Baker
Deputy President	Cr D L Hickey
	Cr T J Pridham
	Cr J A Mason
	Cr M B Dickinson
	Cr S G Hardingham
	Cr B D Praetz
Chief Executive Officer	R L Paull
Deputy Chief Executive Officer	T L Dayman
Governance Executive/Records Officer	H Auld

APOLOGIES None

3. PUBLIC QUESTION TIME

There were no questions from the public.

4. DECLARATIONS OF INTEREST

There were no declarations of interest.

5. CONFIRMATION AND RECEIPT OF MINUTES

5.1. Previous Corrigin Audit and Risk Management Committee Meeting and Business Arising from Minutes

That the minutes of the Corrigin Audit and Risk Management Committee Meeting held in the Shire of Corrigin Council Chambers on 19 July 2016 (Attachment 5.1) be confirmed as a true and correct record.

Moved Cr Praetz: Seconded Cr Hardingham

That the minutes of the Corrigin Audit and Risk Management Committee Meeting held in the Shire of Corrigin Council Chambers on 19 July 2016 (Attachment 5.1) be confirmed as a true and correct record.

Carried 7/0

6. MATTERS ARISING FROM THE MINUTES

There were no matters arising from the minutes

7. MATTERS REQUIRING A COMMITTEE DECISION

7.1. Internal Audit Programme – Annual Leave Accruals and Long Service Leave

Applicant:	Shire of Corrigin
Location:	N/A
Date:	20 October 2016
Reporting Officer:	Rob Paull Chief Executive Officer
Disclosure of Interest:	No interest to disclose
File Number:	PER0051
Attachment Reference:	Nil

SUMMARY

The purpose of this report is to request the Audit and Risk Management Committee's consideration of Annual Leave and Long Service Leave Accruals of Shire staff.

BACKGROUND

Under various legislation and Awards, local government employees are entitled to annual leave and Long Service Leave. At the Audit and Risk Management Committee meetings of 19 July 2016, Committee noted information relating to Annual Leave and Long Service Leave Accruals for Shire staff and resolved as follows:

"That Council be recommended to Council:

- 1. That the Shire management continue to provide Annual Leave and Long Service Leave progress reports to the Committee over the next twelve month period.*
- 2. To support the Chief Executive Officer to approve Long Service Leave entitlements being remunerated at current pay rates until 31 December 2017.*
- 3. To adopt a new policy as provided in Attachment 7.1A for a process for the consideration for the deferment of Long Service Leave."*

This report seeks to update the Committee on the matters associated with addressing annual leave and Long Service Leave accruals.

COMMENT

Having employees with excessive annual leave accruals can have the following impact:

- Increase in \$ liability due to accumulated leave accruals;
- Increase in \$ liability due to increments in employee rate of pay, as the rate of pay is the current rate at the time at which is taken or paid, not the time at which it was accrued;
- Wellbeing effects of employees not having time away from work;
- Decrease in productivity; and
- Increase in contract or relief staff to cover periods of extended leave.

In accordance with the statutory environment the procedure would provide guidance to enable staff to reduce the balance by the following methods:

Annual Leave:

Each employee who has over 8 weeks leave available are aware of their options for cashing out up to 76 hours per annum in leave or their rights in terms of being forced to take any leave in excess of 8 weeks.

All staff notified have now provided the Chief Executive Officer (CEO) with satisfactory measures to address and reduce their respective annual leave accrual.

Long Service Leave

The Shire audit on Long Service Leave entitlements carried out in June 2016 resulted in each employee due for Long Service Leave or overdue received a letter outlining the entitlement of Long Service Leave they are due as per the *Local Government (Long Service Leave) Regulations (the 'Regulations')*.

Long Service Leave can be taken in any of the following methods by agreement:

- Leave at ordinary rates for 13 weeks
- Leave at half pay (26 weeks)
- Leave at double pay (6.5 weeks)

All staff notified have now provided the CEO with satisfactory measures to address and reduce their respective long service leave accrual.

STATUTORY ENVIRONMENT

Local Government Act 1995 - section 5.48 Local Government (Long Service Leave) Regulations

Local Government (Long Service Leave) Regulations 2001

Shire of Corrigin Enterprise Agreement 2014

Local Government Industry Award 2010

POLICY IMPLICATIONS

Under the heading of '1.11. Significant Accounting Policies', the Policy Manual states as follows:

“(m) Employee Benefits

The provisions for employee benefits relates to amounts expected to be paid for long service leave, annual leave, wages and salaries that are calculated as follows:

- i. Wages, Salaries, Annual Leave and Long Service Leave (Short-term Benefits)*
The provision for employees' benefits to wages, salaries, annual leave and long service leave expected to be settled within 12 months represents the amount the municipality has a present obligation to pay resulting from employees services provided to balance date. The provision has been calculated at nominal amounts based on remuneration rates the Council expects to pay and includes related on-costs.
- ii. Long Service Leave (Long-term Benefits)*
The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match as closely as possible, the estimated future cash outflows. Where Council does not have the unconditional right to defer settlement beyond 12 months the liability is recognised as a current liability.”

FINANCIAL IMPLICATIONS

In the short and long term, annual leave and Long Service Leave liability has the potential to impact Shire finances.

COMMUNITY & STRATEGIC OBJECTIVES

The matter before Council generally accords with the following Shire desired outcome as expressed in the revised Shire of Corrigin Strategic Community Plan 2013-2023:

6.2 Focus area two: Developing Leadership

Goal Four: We want to strengthen our community's position for the future

Strategy	Outcome
Maintain a resilient and independent Shire, with a clear vision for the future	A sustainable and progressive local government.
A representative model that reflects the community and acts on their aspirations.	Effective governance and advocacy by the Shire.

The matter before Council generally accords with the following Shire desired outcome as expressed in the revised Shire of Corrigin Corporate Business Plan 2013-2017:

5. STRATEGIC THEMES

5.2 Developing Leadership

Strategic Community Plan link	Strategies
Goal 5-1	Manage the Shire's finances and financial service activities to ensure the continuous, sustained operation of Council.

VOTING REQUIREMENT

Simple Majority

OFFICER'S RECOMMENDATION

That the Audit and Risk Management Committee recommend to Council that Shire management continue to provide Annual Leave and Long Service Leave progress reports to the Audit and Risk Management Committee over the next twelve month period.

Moved Cr Mason: Seconded Cr Praetz

That the Audit and Risk Management Committee recommend to Council that Shire management continue to provide Annual Leave and Long Service Leave progress reports to the Audit and Risk Management Committee over the next twelve month period.

Carried 7/0

7.2 Compliance Calender

Applicant:	Shire of Corrigin
Location:	N/A
Date:	18 October 2016
Reporting Officer:	Rob Paull Chief Executive Officer
Disclosure of Interest:	No interest to disclose
File Number:	CM 0054
Attachment Reference:	Nil

SUMMARY

This report relates to the Chief Executive Officer's (CEO) implementation of a Compliance Calender to Council's monthly reporting program.

BACKGROUND

From November/December 2016, a 'compliance calendar' is to be established for Shire administration staff detailing their respective compliance requirements for the month.

COMMENT

A Compliance Calendar has been developed and is to be implemented for Shire administration staff which outlines the Shire's obligations for statutory reporting, legislative compliance or formal submissions. As the month progresses, staff in conjunction with the Chief Executive Officer (CEO) or Deputy CEO will undertake the analysis of the work required and determine the extent of action needed that will be required to complete items.

During the week prior to the preparation of the monthly Council agenda, the report/list that arises from the calendar is to be reviewed to ensure compliance items are completed and reported to Council. The report to Council will record the ongoing local government compliance on a monthly basis so as to provide Council surety that all known compliance and operational requirements are being addressed as part of staff workloads and to that degree, an ongoing of internal audit is being completed on a monthly basis.

STATUTORY ENVIRONMENT

Whilst there is no statutory obligations for a 'Compliance Calender' or monthly reporting on compliance matters, such an arrangement will assist in ensuring that 'Reg16 – Functions of Audit Committee' and 'Reg17 – CEO to review certain systems and procedures' of the *Local Government Regulations 1996* are sufficiently carried out:

Regulation 16 – Functions of Audit Committee

"16 Audit Committee, functions of An Audit Committee –

- (c) is to review a report given to it by the CEO under regulation 17(3) (the CEO's report) and is to –*
 - (i) report to the council the results of that review; and*
 - (ii) give a copy of the CEO's report to the council."*

Regulation 17 – CEO to review certain systems and procedures

"17 CEO to review certain systems and procedures

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

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

POLICY IMPLICATIONS

There are no known policies or policy implications relating to this item.

FINANCIAL IMPLICATIONS

There are no financial implications relating to this item.

COMMUNITY & STRATEGIC OBJECTIVES

The matter before Council generally accords with the following Shire desired outcome as expressed in the revised Shire of Corrigin Strategic Community Plan 2013-2023:

6.2 Focus area two: Developing Leadership

Goal Four: We want to strengthen our community’s position for the future

Strategy	Outcome
Maintain a resilient and independent Shire, with a clear vision for the future	A sustainable and progressive local government.
A representative model that reflects the community and acts on their aspirations.	Effective governance and advocacy by the Shire.

The matter before Council generally accords with the following Shire desired outcome as expressed in the revised Shire of Corrigin Corporate Business Plan 2013-2017:

5. STRATEGIC THEMES

5.2 Developing Leadership

Strategic Community Plan link	Strategies
Goal 5-1	Council management, systems and processes enable the delivery of sustainable services and projects
Goal 5-1	Manage the Shire’s finances and financial service activities to ensure the continuous, sustained operation of Council.

VOTING REQUIREMENT

Simple Majority

OFFICER’S RECOMMENDATION

That the Audit and Risk Management Committee recommend to Council to note the Compliance Calendar arrangements as provided in the Chief Executive Officer’s report.

Moved Cr Mason: Seconded Cr Hickey

That the Audit and Risk Management Committee recommend to Council to note the Compliance Calendar arrangements as provided in the Chief Executive Officer’s report.

Carried 7/0

8. DATE OF NEXT MEETING

Tuesday 20 December 2016 in the Shire Chambers commencing at 11.00am.

9. CLOSE

There being no further business to discuss, the Chairperson thanked everybody for their attendance and closed the meeting at 12:22pm.



**CEO's Review of Risk Management,
Internal Control and Legislative Compliance
December 2016**

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Introduction

In accordance with the *Local Government (Audit) Regulations 1996* a local government's Chief Executive Officer is to review at least once every two years, the appropriateness and effectiveness of the local government's systems and procedures with regard to risk management, internal control and legislative compliance.

The *Local Government (Audit) Regulations 1996* prescribe the requirements for local governments in relation to the engagement of auditors, the annual compliance audit return and the functions of the audit committee.

In February 2013 amendments to the Local Government Audit Regulations were introduced that extended the responsibilities of the Audit committee and Chief Executive Officer, the amendments require local government CEO's to report to the Audit Committee (and then the Council) on the appropriateness and effectiveness of their systems and procedures for:

- Risk Management;
- Internal Control; and
- Legislative Compliance.

The review may relate to any or all of the matters referred to above, but each of those matters is to be the subject of a review at least once every 2 calendar years. The first review was completed in December 2014.

This report provides the results of the Chief Executive Officer's review and the progress following the first report in 2014.

Risk Management Framework

The Shire adopted a Risk Management Framework in October 2014. The framework describes the principles of risk management and details the roles and responsibilities of risk management from the Audit Committee to individual employees. The framework includes a risk level matrix and criteria for assessing risks in term of likelihood and consequences. Although the current framework requires updating due to the organisational structure change that occurred in March 2016, however the overall principles of the Risk Management Framework remain the same.

Risk Management Policy and Procedures

In October 2014 as part of the initial review the Shire developed a Risk Management Policy and Risk Management Procedures which sets out the identification, assessment, management, reporting and monitoring of risks. The policy and procedures form the Risk Management Framework for the Shire.

The documents aim was to balance a documented, structured and systematic process with the current size and complexity of the Shire along with existing time, resources and workload pressure.

The documents as with the overall Risk Management Framework require a review as this has not occurred since the adoption in October 2014. With the organisational structure change and gradual improvements within our system, Council's Insurers – LGIS are working with staff to review the current document and ensure it is up to date in early 2017.

After this review the Risk Management Policy and Procedures will be kept under review by the Shire's Management Team and its employees. It will be formally reviewed annually along with all policies forming the Register of Policies. A copy of the current policies adopted in October 2014 are included as **Attachment A**.

Corporate Risk Register

As part of the initial review in 2014 and development of the Risk Management Framework a Corporate Risk Register was developed. The register captures risks that may prevent the achievement of the Shire's key strategic objectives and major systems and projects. The register includes financial and non-financial systems and helps ensure compliance with key legislation, details current controls and identifies new controls to reduce risks. The register is an important element in the overall Risk Management Framework that assists the Shire in capturing and recording risks that threaten the major systems and the delivery of major projects.

Since the development of the Risk Register, it has been presented to the Audit Committee and Council on a number of occasions for review, with the last being in December 2015. The updated Risk Register 2016 is included as **Attachment B** and identifies what matters have been addressed and those that continue to be ongoing.

In the initial implementation of the Corporate Risk Register and as part of the overall Regulation 17 review report that the former CEO presented to Council in December 2014 the following areas for improvement were noted:

- Business Continuity Plan
- Purchasing Policy
- Compliance Calendar

These items along with other matters consider relevant to this review are noted under separate heading further in this report.

Business Continuity Plan

The Shire identified the need to develop a Business Continuity Plan in the Shire's Corporate Risk Register. Initially this was to be implemented by July 2015. A Business Continuity Plan is an important tool in the Shire's overall management of risk as it assists in the Shire's ability to recover from situations ensuring that decisions are made quickly minimising financial, environmental and reputational impacts. In May 2016, staff arranged with our insurer, LGIS, to start the process of implementing a Business Continuity Plan. Two workshops have been held, one with the Chief Executive Officer, Deputy Chief Executive Officer and Governance Projects Officer at the end of May. The second workshop was held in October, this was attended by the Chief Executive Officer, Manager Finance and Governance Projects Officer.

From these two workshops a draft Incident Management and Business Continuity Response Plan and Incident Management and Business Continuity Response Procedures Manual has been developed. LGIS have provided the draft versions of each document and this now requires the Governance Projects Officer to finalise the drafts to include the individual needs of the Shire of Corrigin. It is anticipated the completed plan and procedures manual will be available for adoption by Council in March 2017.

Purchasing Policy

Since the initial Regulation 17 Review report two new Purchasing policies have been adopted by Council, one under the previous CEO in April 2015 and the latest Purchasing Policy was adopted by Council in December 2015. As part of the adoption of the Purchasing Policy in December 2015 a Local Price Preference Policy was also adopted. However, the required public notice of adoption and public consultation was not completed in accordance with the Local Government Act 1995.

This was noted after the completion of the Compliance Audit return in March 2016, after which corrective action was taken. Notice of the proposed adoption and review of public submissions was completed in June 2016. The last step in the process before the policy can be given formal effect is to give Statewide notice of the adoption of a Price Preference Policy. This has been completed with the notice appearing in the West Australian newspaper on 10 December 2016, which is the date on which the policy now formally applies. Once adopted the Shire will ensure that a copy of this adopted policy is –

- (a) Included with any specifications for tenders to which the policy applies; and
- (b) made available for public inspection, in accordance with regulation 29 of the *Local Government (Administration) Regulations 1996*.

After this thorough review of the Purchasing Policy and inclusion of a Local Price Preference Policy it is concluded that the policies are relevant to the organisation at this time and that both policies reflect the Shire's ongoing commitment to improved risk management principles, systems and processes.

Compliance Calendar

A Compliance Calendar is a tool to assist the Shire in its obligations for statutory reporting, legislative compliance or formal submissions that are required under various legislative provisions. The Governance Projects Officer created a Compliance Calendar in 2014 as part of the initial Regulation 17 review in 2014. The aim was to not only cover legislative requirements but to also compile a calendar with a list of annual jobs that staff need to complete. This Calendar would ensure that all tasks no matter how small or large are recorded, so that it reduces the chance of things being forgotten or missed. The Calendar lists all tasks no matter how large or small and provides a reminder on that staff members Outlook calendar in the month leading up to the task required. This is a way of ensuring tasks are not forgotten in the event that someone is away or that a staff member leaves the organisation.

Whilst the Calendar was endorsed by Council in November 2014 as part of the initial Regulation 17 review, it was not immediately implemented. A report was presented to the October 2016 meeting of the Audit and Risk Management Committee and the Calendar has now been implemented and will be continually reviewed by the CEO and DCEO. as it is a living document that can change with legislative changes and with changing staff roles and procedures.

Compliance Audit Return

The Shire continues to complete the annual Compliance Audit Return and return it to the Department of Local Government and Communities by the required deadline. This return is presented to the Audit and Risk Management Committee before a recommendation to Council. Whilst one matter of non-compliance was raised in the 2015 return regarding the adoption of a local price preference policy the issue was rectified as soon as the error was realised.

This raises the issue that the Compliance Audit Return identifies many (but not all) of the legislative compliance and reporting obligations affecting local government. The return is an annual “self-assessment” which in the past has traditionally identified full compliance with no areas of non-compliance. However, this in itself is not a guarantee of compliance across all areas as there are some areas that are not assessed or the Shire has never encountered, as was the case with the area of non-compliance detected in the 2015 return. For this reason a process of continual improvement and development of procedures and checklists to ensure compliance in all areas is of ongoing importance.

Agenda and Minutes

Since the commencement of the new CEO in September 2015, Council would be aware that a number of changes have occurred to the format of the Council meeting agendas and minutes. This has been a gradual change to an improved format that recognises the Community and Strategic Objectives. The focus of risk implication has yet to be included in the agenda format, this is something that a number of local governments throughout Western Australia have adopted and brings a focus on to risk with every decision Council makes. It forms part of the standard agenda and ensures staff look at the potential risk involved in each decision of Council. A revised agenda format that includes ‘risk’ is to be implemented in 2017.

Audit Services

As a requirement under section 7.3 of the *Local Government Act 1999*, Council appointed Moore Stephens for the period 1 July 2016 to 30 June 2018 to conduct audits of the Shire’s accounts and annual financial report.

Moore Stephens is a well-established firm with a great deal of previous experience in the provision of auditing services and recognised leaders in Local Government Accounting and Auditing services.

Financial Management Review

The CEO is responsible for implementing policies, procedures and controls which are designed to ensure the effective and efficient management of the Shire’s resources.

A four yearly review of financial management systems as required by Regulation 5(2)(c) of the *Local Government (Financial Management) Regulations 1996*, was undertaken by Moore Stephens (Council’s Audit firm) in June 2016. Council accepted the report at the June 2016 ordinary meeting of Council.

The report concluded the following:

“Based on our work described in this report (which is not an audit), nothing has come to our attention to indicate the Shire of Corrigin has not established and maintained, in all material respects, appropriate and effective financial management systems and procedures during the period of our review being 1 July 2015 to 31 March 2016.”

Moore Stephens did make recommendations to the CEO on systems and procedures that were assessed as having opportunities for improvement and those are gradually being implemented as per the recommendations. This action was reported to Council at the June 2016 Ordinary meeting.

Organisational Structure

As Council would be aware the Staff Organisational structure was reviewed and changed in March 2016 where the position of Executive Manager Governance and Compliance was removed (at the request of the incumbent officer). However, importantly the March 2016 structural review retained the employee who had been in that position albeit on a part time basis.

This has meant that whilst not completing all of the day to day governance and compliance activities falls on to one position the knowledge and experience is passed on to all staff to assist them to ensure each area of responsibility is aware of their roles and responsibilities in terms of good governance and compliance. The CEO oversees the governance role and provides daily advice to members of staff. The CEO and DCEO are currently reviewing the overall Staff structure as they do on an annual basis. The Shire continues to review and improve its systems to ensure effective monitoring of risk management programs, the maintenance of sound internal controls, and that a focus on legislative compliance is maintained.

To build on the roles of each employee position it is suggested that a thorough review of all position descriptions be undertaken to ensure that each employee and manager knows their specific roles and is provided with adequate guidance in the performance of that role. This also ensures no gaps in the organisation, which can occur when staff change and new staff are not provided with the required on the job training from one employee to another.

Job descriptions improve an organisation’s ability to manage people and roles in the following ways:

- Clarifies employer expectations for employee;
- Provides basis of measuring job performance;
- Provides clear description of role of job candidates;
- Provides a structure and discipline for company to understand and structure all jobs and ensure necessary activities, duties and responsibilities are covered by one job or another;
- Provides continuity of role parameters irrespective of manager interpretation;
- Enables pay and grading systems to be structured fairly and logically;
- Prevents arbitrary interpretation of role content and limit by employee and employer and manager;
- Essential reference tool in issues of employee/employer dispute;
- Essential reference tool for discipline issues;
- Provides important reference points for training and development areas;
- Provides neutral and objective reference points for appraisals, performance reviews and counselling;
- Enables formulation of skill set and behaviour set requirements per role;
- Enables organisation to structure and manage roles in a uniform way, thus increasing efficiency and effectiveness of recruitment, training and development, organisational structure, work flow and activities, customer service, etc;
- Enables factual view to be taken by employees and managers in career progression and succession planning;

- Used in the recruitment process to assist you and the applicants to understand the role and what is required, ensuring that the selected person can properly commit to the job.

Developing strong job descriptions and keeping them up to date is vital to ensuring efficiency and ensuring that employees know what they're supposed to do and how to do it. Well-written employee job descriptions will align employee direction. Alignment of the people the Shire employs will assist in the overall performance of the Shire. The Shire would benefit from a dedicated person undertaking a review of all job descriptions, working closely with each employee to ensure a thorough understanding of each role. This would then lead into a review of the Workforce Plan (including a succession plan), updated policies and procedures for employment practices and all areas of human resource management. There is existing staff within the Shire with the experience to complete this role in-house.

Summary

A review of the Shire of Corrigin's systems in relation to risk management, internal control and legislative compliance has been conducted and in the opinion of the officer responsible it can be considered that with the available staff and resources of the Shire of Corrigin, that the systems are appropriate and effective.

The Shire should still aim for a system of continual improvement in all areas of business as there are improvements to be made in all areas however this will continue to be limited by the available staff and resources.



Shire of Corrigin

- Risk Management Policy
- Risk Management Procedures

Last Updated: September 2014

Version: 0.01

Shire of Corrigin

Prepared by: LGIS Risk Management

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Introduction

The Policy and Procedures form the Risk Management Framework for the Shire of Corrigin (“the Shire”). It sets out the Shire’s approach to the identification, assessment, management, reporting and monitoring of risks. All components of this document are based on AS/NZS ISO 31000:2009 Risk Management.

It is essential that all areas of the Shire adopt these procedures to ensure:

- Strong corporate governance.
- Compliance with relevant legislation, regulations and internal policies.
- Integrated Planning and Reporting requirements are met.
- Uncertainty and its effects on objectives is understood.

This Framework aims to balance a documented, structured and systematic process with the current size and complexity of the Shire along with existing time, resource and workload pressures.

Further information or guidance on risk management procedures is available from LGIS Risk Management.

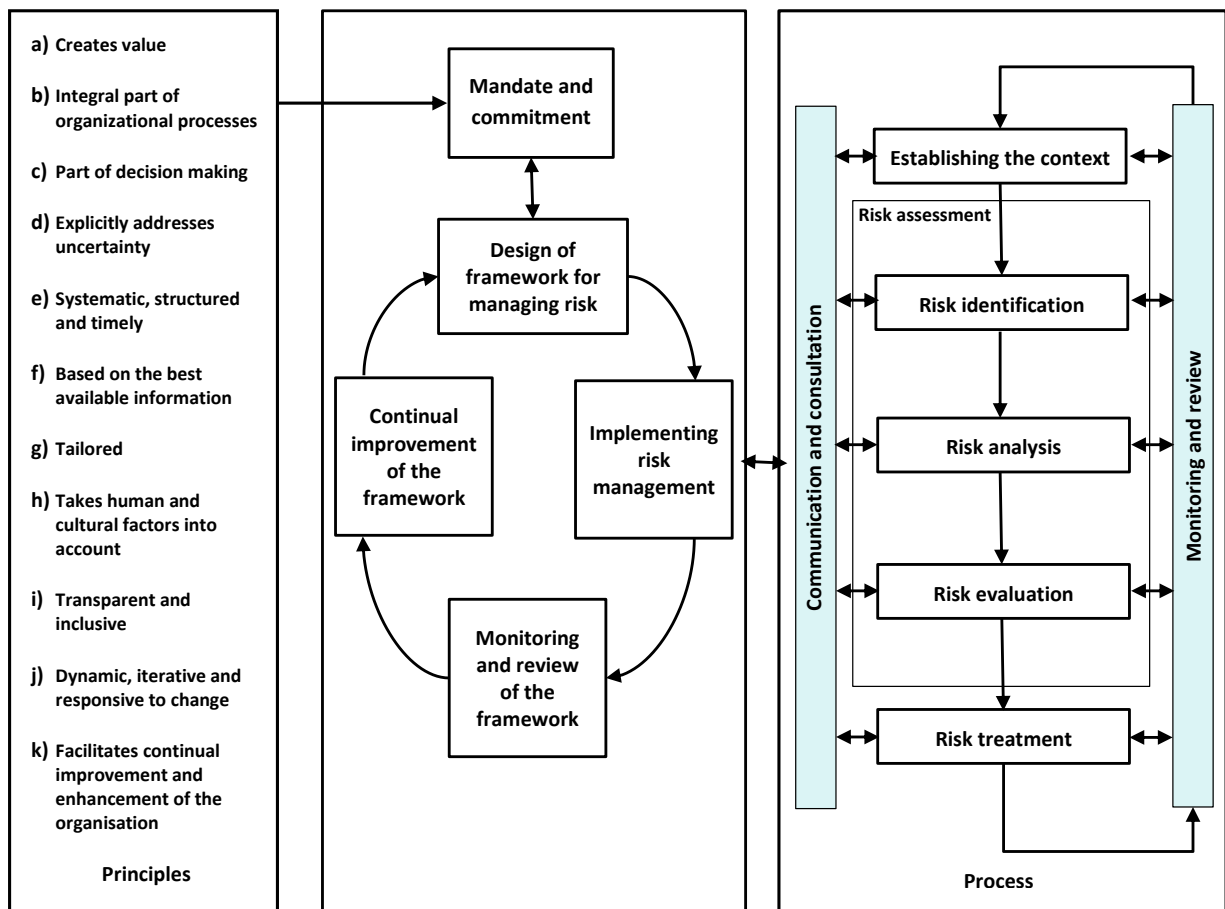


Figure 1: Risk Management Process (Source: AS/NZS 31000:2009)

Shire of Corrigin Risk Management Policy

Policy Authority

This policy is approved by the CEO and Councillors

Effective Date

September 2014

Policy Review

This policy will be reviewed annually by the CEO and Managers.

Purpose

The Shire of Corrigin (“the Shire”) Risk Management Policy documents the commitment and objectives regarding managing uncertainty that may impact the Shire’s strategies, goals or objectives.

Policy

It is the Shire’s Policy to achieve best practice (aligned with AS/NZS ISO 31000:2009 Risk management), in the management of all risks that may affect the Shire, its customers, people, assets, functions, objectives, operations or members of the public.

Risk Management will form part of the Strategic, Operational, Project and Line Management responsibilities and where possible, be incorporated within the Shire’s Integrated Planning Framework.

The Shire’s Management Team will determine and communicate the Risk Management Policy, Objectives and Procedures, as well as, direct and monitor implementation, practice and performance.

Every employee within the Shire is recognised as having a role in risk management from the identification of risks to implementing risk treatments and shall be invited and encouraged to participate in the process.

Consultants may be retained at times to advise and assist in the risk management process, or management of specific risks or categories of risk.

Definitions (from AS/NZS ISO 31000:2009)

Risk: Effect of uncertainty on objectives.

Note 1: An effect is a deviation from the expected – positive or negative.

Note 2: Objectives can have different aspects (such as financial, health and safety and environmental goals) and can apply at different levels (such as strategic, organisation-wide, project, product or process).

Risk Management: Coordinated activities to direct and control an organisation with regard to risk.

Risk Management Process: Systematic application of management policies, procedures and practices to the activities of communicating, consulting, establishing the context, and identifying, analysing, evaluating, treating, monitoring and reviewing risk.

Risk Management Objectives

- Optimise the achievement of our vision, mission, strategies, goals and objectives.
- Provide transparent and formal oversight of the risk and control environment to enable effective decision making.
- Enhance risk versus return within our risk appetite.
- Embed appropriate and effective controls to mitigate risk.
- Achieve effective corporate governance and adherence to relevant statutory, regulatory and compliance obligations.
- Enhance organisational resilience.
- Identify and provide for the continuity of critical operations

Risk Appetite

The Shire quantified its risk appetite through the development and endorsement of the Shire’s Risk Assessment and Acceptance Criteria. The criteria are included within the Risk Management Procedures and are subject to ongoing review in conjunction with this policy.

All organisational risks to be reported at a corporate level are to be assessed according to the Shire’s Risk Assessment and Acceptance Criteria to allow consistency and informed decision making. For operational requirements such as projects or to satisfy external stakeholder requirements, alternative risk assessment criteria may be utilised, however these cannot exceed the organisations appetite and are to be noted within the individual risk assessment.

Roles, Responsibilities & Accountabilities

The CEO is responsible for the allocation of roles, responsibilities and accountabilities. These are documented in the Risk Management Procedures (Operational Document).

Monitor & Review

The Shire will implement and integrate a monitor and review process to report on the achievement of the Risk Management Objectives, the management of individual risks and the ongoing identification of issues and trends.

This policy will be kept under review by the Shire’s Management Team and its employees. It will be formally reviewed annually.

Signed:

Chief Executive Officer

Date: ____/____/_____

Risk Management Procedures

Governance

Appropriate governance of risk management within the Shire of Corrigin (the “Shire”) provides:

- Transparency of decision making.
- Clear identification of the roles and responsibilities of the risk management functions.
- An effective Governance Structure to support the risk framework.

Framework Review

The Risk Management Framework is to be reviewed for appropriateness and effectiveness at least every two years.

Operating Model

The Shire has adopted a “Three Lines of Defence” model for the management of risk. This model ensures roles; responsibilities and accountabilities for decision making are structured to demonstrate effective governance and assurance. By operating within the approved risk appetite and framework, the Council, Management and Community will have assurance that risks are managed effectively to support the delivery of the Strategic, Corporate & Operational Plans.

First Line of Defence

All operational areas of the Shire are considered ‘1st Line’. They are responsible for ensuring that risks (within their scope of operations) are identified, assessed, managed, monitored and reported. Ultimately, they bear ownership and responsibility for losses or opportunities from the realisation of risk. Associated responsibilities include;

- Establishing and implementing appropriate processes and controls for the management of risk (in line with these procedures).
- Undertaking adequate analysis (data capture) to support the decisioning of risk matters.
- Prepare risk acceptance proposals where necessary, based on level of residual risk.
- Retain primary accountability for the ongoing management of their risk and control environment.

Second Line of Defence

The Executive Manager Governance & Compliance acts as the primary ‘2nd Line’. This position owns and manages the framework for risk management. They draft and implement the governance procedures and provide the necessary tools and training to support the 1st line process.

Maintaining oversight on the application of the framework provides a transparent view and level of assurance to the 1st & 3rd lines on the risk and control environment. Support can be provided by additional oversight functions completed by other 1st Line Teams (where applicable). Additional responsibilities include:

- Providing independent oversight of risk matters as required.
- Monitoring and reporting on emerging risks.
- Co-ordinating the Shire’s risk reporting for the CEO & Management Team and the Audit Committee.

Third Line of Defence

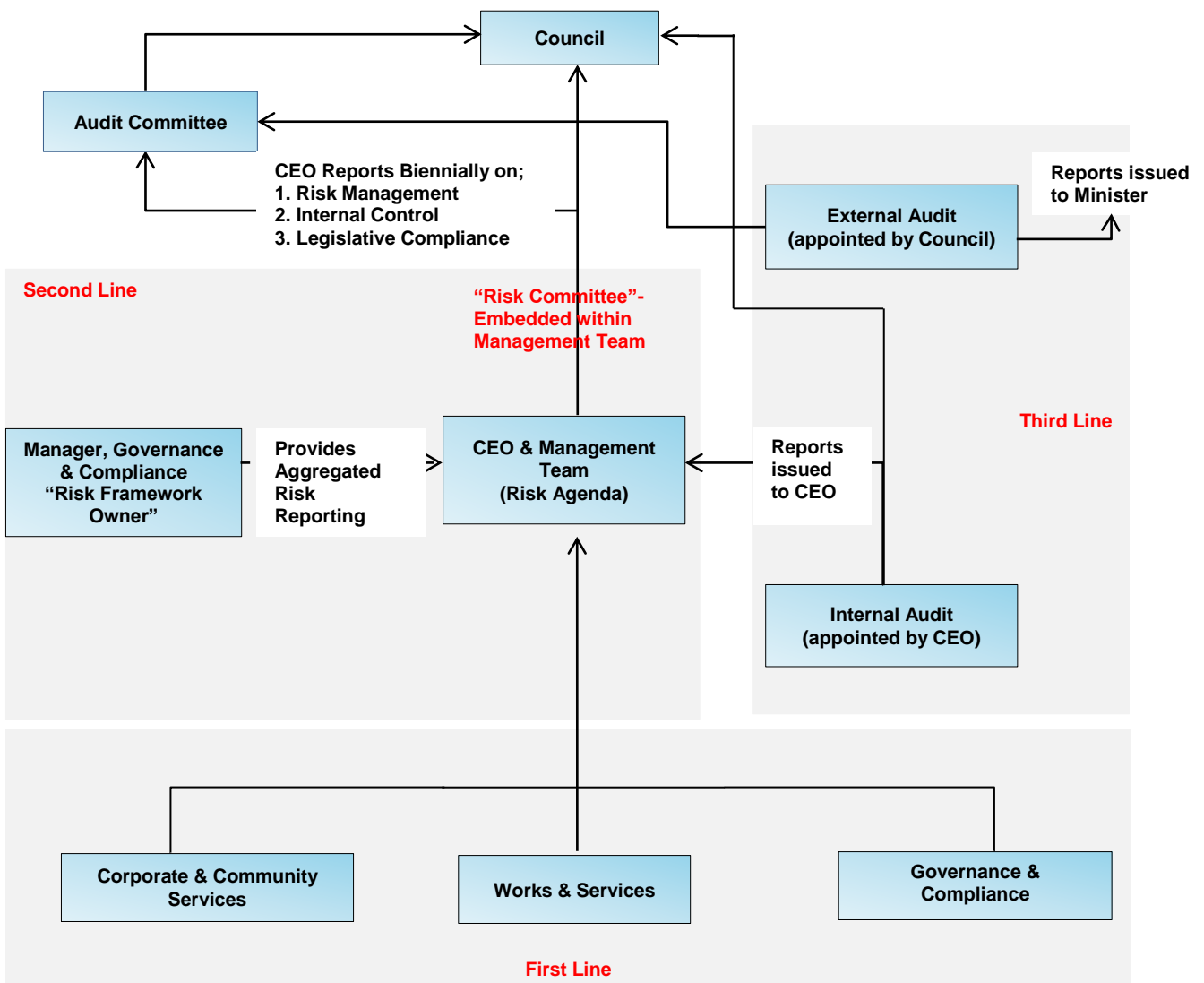
Internal & External Audit are the third line of defence, providing independent assurance to the Council, Audit Committee and Shire Management on the effectiveness of business operations and oversight frameworks (1st & 2nd Line).

Internal Audit – Appointed by the CEO to report on the adequacy and effectiveness of internal control processes and procedures. The scope of which would be determined by the CEO with input from the Audit Committee.

External Audit – Appointed by the Council on the recommendation of the Audit Committee to report independently to the President and CEO on the annual financial statements only.

Governance Structure

The following diagram depicts the current operating structure for risk management within the Shire.



Roles & Responsibilities

Council

- Review and approve the Shire's Risk Management Policy and Risk Assessment & Acceptance Criteria.
- Appoint / Engage External Auditors to report on financial statements annually.
- Establish and maintain an Audit Committee in terms of the Local Government Act.

Audit Committee

- Support Council to provide effective corporate governance.
- Oversight of all matters that relate to the conduct of External Audits.
- Must be independent, objective and autonomous in deliberations.
- Make recommendations to Council on External Auditor appointments.

CEO/Management Team

- Appoint Internal Auditors as required under Local Government (Audit) regulations.
- Liaise with Council in relation to risk acceptance requirements.
- Approve and review the appropriateness and effectiveness of the Risk Management Framework.
- Drive consistent embedding of a risk management culture.
- Analyse and discuss emerging risks, issues and trends.
- Document decisions and actions arising from 'risk matters'.
- Own and manage the Risk Profiles at Shire Level.

Executive Manager Governance & Compliance

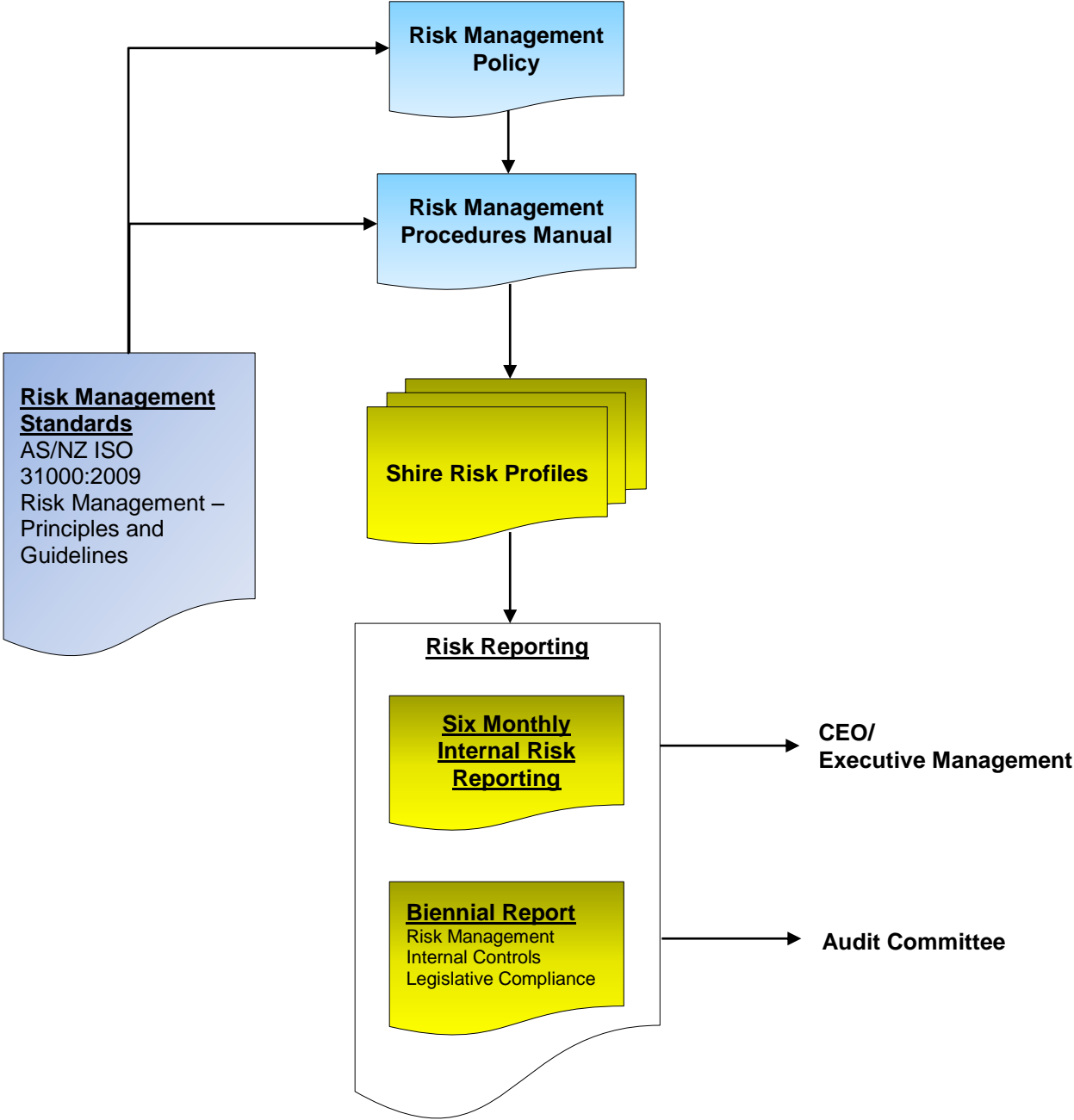
- Oversee and facilitate the Risk Management Framework.
- Support reporting requirements for Risk matters.

Work Areas

- Drive risk management culture within work areas.
- Own, manage and report on specific risk issues as required.
- Assist in the Risk & Control Management process as required.
- Highlight any emerging risks or issues accordingly.
- Incorporate 'Risk Management' into Management Meetings, by incorporating the following agenda items;
 - New or emerging risks.
 - Review existing risks.
 - Control adequacy.
 - Outstanding issues and actions.

Document Structure (Framework)

The following diagram depicts the relationship between the Risk Management Policy, Procedures and supporting documentation and reports.



Risk & Control Management

All Work Areas of the Shire are required to assess and manage the Risk Profiles on an ongoing basis.

Each Manager, in conjunction with the Executive Manager Governance & Compliance is accountable for ensuring that Risk Profiles are:

- Reflective of the material risk landscape of the Shire.
- Reviewed on at least a six monthly basis, unless there has been a material restructure or change in the risk and control environment.
- Maintained in the standard format.

This process is supported by the use of key data inputs, workshops and ongoing business engagement.

Risk & Control Assessment

To ensure alignment with ISO 31000:2009 Risk Management, the following approach is to be adopted from a Risk & Control Assessment perspective.

Establishing the Context

The first step in the risk management process is to understand the context within which the risks are to be assessed and what is being assessed, this forms two elements:

Organisational Context

The Shire's Risk Management Procedures provides the basic information and guidance regarding the organisational context to conduct a risk assessment; this includes Risk Assessment and Acceptance Criteria (Appendix A) and any other tolerance tables as developed. In addition, existing Risk Themes are to be utilised (Appendix C) where possible to assist in the categorisation of related risks.

Any changes or additions to the Risk Themes must be approved by the Executive Manager Governance & Compliance and Chief Executive Officer.

All risk assessments are to utilise these documents to allow consistent and comparable risk information to be developed and considered within planning and decision making processes.

Specific Risk Assessment Context

To direct the identification of risks, the specific risk assessment context is to be determined prior to and used within the risk assessment process. For risk assessment purposes the Shire has been divided into three levels of risk assessment context:

Strategic Context

The Shire's external environment and high level direction. Inputs to establishing the strategic risk assessment context may include;

- Organisations Vision/Mission
- Stakeholder Analysis
- Environment Scan/SWOT Analysis
- Existing Strategies/Objectives/Goals

Operational Context

The Shire's day to day activities, functions, infrastructure and services. Prior to identifying operational risks, the operational area should identify its Key Activities i.e. what is trying to be achieved. Note: these may already be documented in business plans, budgets etc.

Project Context

Project Risk has two main components:

- **Risk in Projects** refers to the risks that may arise as a result of project activity (i.e. impacting on process, resources or IT systems) which may prevent the Shire from meeting its objectives.
- **Project Risk** refers to the risks which threaten the delivery of project outcomes.

In addition to understanding what is to be assessed, it is also important to understand who are the key stakeholders or areas of expertise that may need to be included within the risk assessment.

Risk Identification

Using the specific risk assessment context as the foundation and in conjunction with relevant stakeholders, answer the following questions, capture and review the information within each Risk Profile.

- What can go wrong? What are areas of uncertainty? (Risk Description)
- How may this risk eventuate? (Potential Causes)
- What are the current measurable activities that mitigate this risk from eventuating? (Controls)
- What are the potential consequential outcomes of the risk eventuating?

Risk Analysis

To analyse the risks the Shire's Risk Assessment and Acceptance Criteria (Appendix A) is applied:

- Based on the documented controls, analyse the risk in terms of Existing Control Ratings
- Determine relevant consequence categories and rate how bad it could be if the risk eventuated with existing controls in place (Consequence)
- Determine how likely it is that the risk will eventuate to the determined level of consequence with existing controls in place (Likelihood)
- By combining the measures of consequence and likelihood, determine the risk rating (Level of Risk)

Risk Evaluation

The Shire is to verify the risk analysis and make a risk acceptance decision based on:

- Controls Assurance (i.e. are the existing controls in use, effective, documented, up to date and relevant)
- Existing Control Rating
- Level of Risk
- Risk Acceptance Criteria (Appendix A)
- Risk versus Reward/Opportunity

The risk acceptance decision needs to be documented and those risks that are acceptable are then subject to the monitor and review process.

Note: Individual Risks or Issues may need to be escalated due to its urgency, level of risk or systemic nature.

Risk Treatment

For unacceptable risks, determine treatment options that may improve existing controls and/or reduce consequence/likelihood to an acceptable level.

Risk treatments may involve actions such as avoid, share, transfer or reduce the risk with the treatment selection and implementation to be based on;

- Cost versus benefit
- Ease of implementation
- Alignment to organisational values/objectives

Once a treatment has been fully implemented, the Executive Manager Governance & Compliance is to review the risk information and acceptance decision with the treatment now noted as a control and those risks that are acceptable then become subject to the monitor and review process (Refer to Risk Acceptance section).

Monitoring & Review

The Shire is to review all Risk Profiles at least on a six monthly basis or if triggered by one of the following;

- changes to context,
- a treatment is implemented,
- an incident occurs or due to audit/regulator findings.

The Executive Manager Governance & Compliance is to monitor the status of risk treatment implementation and report on, if required.

The CEO & Management Team will monitor significant risks and treatment implementation as part of their normal agenda item on a quarterly basis with specific attention given to risks that meet any of the following criteria:

- Risks with a Level of Risk of High or Extreme
- Risks with Inadequate Existing Control Rating
- Risks with Consequence Rating of Catastrophic
- Risks with Likelihood Rating of Almost Certain

The design and focus of Risk Summary report will be determined from time to time on the direction of the CEO & Management Team. They will also monitor the effectiveness of the Risk Management Framework ensuring it is practical and appropriate to the Shire.

Communication & Consultation

Throughout the risk management process, stakeholders will be identified, and where relevant, be involved in or informed of outputs from the risk management process.

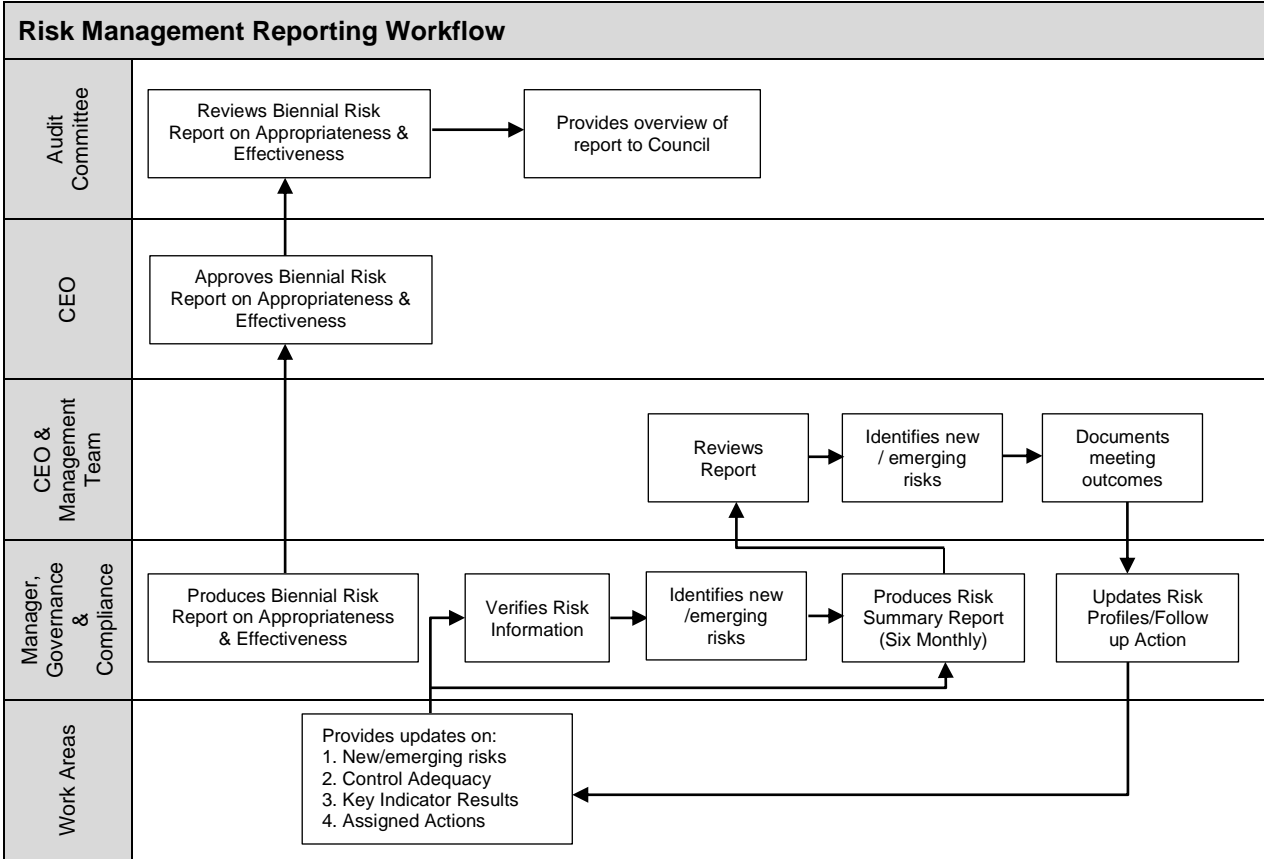
Risk management awareness and training will be provided to all staff.

Risk management will be included within the employee induction process to ensure new employees are introduced to the Shire's risk management culture.

Reporting Requirements

Coverage & Frequency

The following diagram provides a high level view of the ongoing reporting process for Risk Management.



Each Work Area is responsible for ensuring:

- They continually provide updates in relation to new, emerging risks, control effectiveness and key indicator performance to the Executive Manager Governance & Compliance.
- Work through assigned actions and provide relevant updates to the Executive Manager Governance & Compliance.
- Risks/Issues reported to the CEO & Management Team are reflective of the current risk and control environment.

The Executive Manager Governance & Compliance is responsible for:

- Ensuring Shire Risk Profiles are formally reviewed and updated, at least on a six monthly basis or when there has been a material restructure, change in risk ownership or change in the external environment.
- Six Monthly Risk Reporting for the CEO & Management Team – Contains an overview of the Risk Summary for the Shire.
- Annual Compliance Audit Return completion and lodgement.

Key Indicators

Key Indicators (KI's) may be required to be used for monitoring and validating key risks and controls. The following describes the process for the creation and reporting of KIs:

- Identification
- Validity of Source
- Tolerances
- Monitor & Review

Identification

The following represent the minimum standards when identifying appropriate KI's key risks and controls:

- The risk description and causal factors are fully understood
- The KI is fully relevant to the risk or control
- Predictive KI's are adopted wherever possible
- KI's provide adequate coverage over monitoring key risks and controls

Validity of Source

In all cases an assessment of the data quality, integrity and frequency must be completed to ensure that the KI data is relevant to the risk or Control.

Where possible the source of the data (data owner) should be independent to the risk owner. Overlapping KI's can be used to provide a level of assurance on data integrity.

If the data or source changes during the life of the KI, the data is required to be revalidated to ensure reporting of the KI against a consistent baseline.

Tolerances

Tolerances are set based on the Shire's Risk Appetite. They are set and agreed over three levels:

- Green – within appetite; no action required.
- Amber – the KI must be closely monitored and relevant actions set and implemented to bring the measure back within the green tolerance.
- Red – outside risk appetite; the KI must be escalated to the CEO & Management Team where appropriate management actions are to be set and implemented to bring the measure back within appetite.

Monitor & Review

All active KI's are updated as per their stated frequency of the data source.

When monitoring and reviewing KI's, the overall trend must be considered over a longer timeframe instead of individual data movements. The trend of the KI is specifically used as an input to the risk and control assessment.

Risk Acceptance

Day to day operational management decisions are generally managed under the delegated authority framework of the Shire.

Risk Acceptance is a management decision to accept, within authority levels, material risks which will remain outside appetite framework (refer Appendix A – Risk Assessment & Acceptance Criteria) for an extended period of time (generally 3 months or longer).

The following process is designed to provide a framework for those identified risks.

The 'Risk Acceptance' must be in writing, signed by the relevant Manager and cover:

- A description of the risk.
- An assessment of the risk (eg. Impact consequence, materiality, likelihood, working assumptions etc)
- Details of any mitigating action plans or treatment options in place
- An estimate of the expected remediation date.

A lack of budget/funding to remediate a material risk outside appetite is not sufficient justification in itself to accept a risk.

Accepted risks must be continually reviewed through standard operating reporting structure (ie. Management Team)

Appendix A – Risk Assessment and Acceptance Criteria

Measures of Consequence							
Rating (Level)	Health	Financial Impact	Service Interruption	Compliance	Reputational	Property	Environment
Insignificant (1)	Negligible injuries	Less than \$1,000	No material service interruption	No noticeable regulatory or statutory impact	Unsubstantiated, low impact, low profile or 'no news' item	Inconsequential or no damage.	Contained, reversible impact managed by on site response
Minor (2)	First aid injuries	\$1,001 - \$10,000	Short term temporary interruption – backlog cleared < 1 day	Some temporary non compliances	Substantiated, low impact, low news item	Localised damage rectified by routine internal procedures	Contained, reversible impact managed by internal response
Moderate (3)	Medical type injuries	\$10,001 - \$100,000	Medium term temporary interruption – backlog cleared by additional resources < 1 week	Short term non-compliance but with significant regulatory requirements imposed	Substantiated, public embarrassment, moderate impact, moderate news profile	Localised damage requiring external resources to rectify	Contained, reversible impact managed by external agencies
Major (4)	Lost time injury	\$100,001 - \$1,000,000	Prolonged interruption of services – additional resources; performance affected < 1 month	Non-compliance results in termination of services or imposed penalties	Substantiated, public embarrassment, high impact, high news profile, third party actions	Significant damage requiring internal & external resources to rectify	Uncontained, reversible impact managed by a coordinated response from external agencies
Catastrophic (5)	Fatality, permanent disability	More than \$1,000,000	Indeterminate prolonged interruption of services – non-performance > 1 month	Non-compliance results in litigation, criminal charges or significant damages or penalties	Substantiated, public embarrassment, very high multiple impacts, high widespread multiple news profile, third party actions	Extensive damage requiring prolonged period of restitution Complete loss of plant, equipment & building	Uncontained, irreversible impact

Measures of Likelihood			
Level	Rating	Description	Frequency
5	Almost Certain	The event is expected to occur in most circumstances	More than once per year
4	Likely	The event will probably occur in most circumstances	At least once per year
3	Possible	The event should occur at some time	At least once in 3 years
2	Unlikely	The event could occur at some time	At least once in 10 years
1	Rare	The event may only occur in exceptional circumstances	Less than once in 15 years

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

Risk Acceptance Criteria

Risk Rank	Description	Criteria	Responsibility
LOW	Acceptable	Risk acceptable with adequate controls, managed by routine procedures and subject to annual monitoring	Operational Manager
MODERATE	Monitor	Risk acceptable with adequate controls, managed by specific procedures and subject to semi-annual monitoring	Operational Manager
HIGH	Urgent Attention Required	Risk acceptable with excellent controls, managed by senior management / executive and subject to monthly monitoring	Director / CEO
EXTREME	Unacceptable	Risk only acceptable with excellent controls and all treatment plans to be explored and implemented where possible, managed by highest level of authority and subject to continuous monitoring	CEO / Council

Existing Controls Ratings		
Rating	Foreseeable	Description
Effective	There is <u>little</u> scope for improvement.	<ol style="list-style-type: none"> Processes (Controls) operating as intended and aligned to Policies / Procedures. Subject to ongoing monitoring. Reviewed and tested regularly.
Adequate	There is <u>some</u> scope for improvement.	<ol style="list-style-type: none"> Processes (Controls) generally operating as intended, however inadequacies exist. Nil or limited monitoring. Reviewed and tested, but not regularly.
Inadequate	There is a <u>need</u> for improvement or action.	<ol style="list-style-type: none"> Processes (Controls) not operating as intended. Processes (Controls) do not exist, or are not being complied with. Have not been reviewed or tested for some time.

Appendix B – Risk Profile Template

Risk Theme	Date		
<p><u>This Risk Theme is defined as:</u> <i>Definition of Theme</i></p>			
<p><u>Potential causes include:</u> <i>List of potential causes</i></p>			
Key Controls	Type	Date	Shire Rating
<i>List of Key Controls</i>			
Overall Control Ratings:			
Risk Ratings			Shire Rating
Consequence:			
Likelihood:			
Overall Risk Ratings:			
Key Indicators	Tolerance	Date	Overall Shire Result
<i>List of Key Indicators</i>			
<p><u>Comments</u> <i>Rationale for all above ratings</i></p>			
Current Issues / Actions / Treatments	Due Date	Responsibility	
<i>List current issues / actions / treatments</i>			

Appendix C – Risk Theme Definitions

Misconduct

Intentional activities in excess of authority granted to an employee, which circumvent endorsed policies, procedures or delegated authority. This would include instances of:

- Relevant authorisations not obtained.
- Distributing confidential information.
- Accessing systems and/or applications without correct authority to do so.
- Misrepresenting data in reports.
- Theft by an employee.
- Collusion between Internal & External parties.

This does not include instances where it was not an intentional breach - refer Errors, Omissions or delays in transaction processing, or Inaccurate Advice.

External Theft & Fraud (inc. Cyber Crime)

Loss of funds, assets, data or unauthorised access (whether attempts or successful) by external parties, through any means (including electronic), for the purposes of;

- Fraud – benefit or gain by deceit
- Malicious Damage – hacking, deleting, breaking or reducing the integrity or performance of systems
- Theft – stealing of data, assets or information (no deceit)

Examples include:

- Scam Invoices
- Cash or other valuables from 'Outstations'.

Business Disruption

A local physical event causing the inability to continue business activities and provide services to the community. This may or may not result in Business Continuity Plans to be invoked. This does not include disruptions due to:

- IT Systems or infrastructure related failures should be captured under "Failure of IT Systems and Infrastructure".
- Contractor/Supplier issues should be captured under "Inadequate Supplier/Contract Management".
- People issues should be captured under "Inappropriate People Management".

Damage to Physical Assets

Damage to buildings, property, plant & equipment (all assets) that does not result in a disruption to business objectives (refer Business Disruption). This could be a result of a natural disaster or other events, or an act carried out by an external party (inc. graffiti and/or vandalism).

Errors, omissions, delays

Errors, omissions or delays in operational activities as a result of unintentional errors or failure to follow due process. This includes instances of;

- Human errors, incorrect or incomplete processing
- Inaccurate recording, maintenance, testing and/or reconciliation of data
- Errors or inadequacies in model methodology, design, calculation or implementation of models.

This may result in incomplete or inaccurate information. Consequences include;

- Inaccurate data being used for management decision making and reporting
- Delays in service to customers
- Inaccurate data provided to customers

This excludes process failures caused by inadequate/incomplete procedural documentation - refer "Inadequate Document Management Processes".

Failure of IT &/or Communications Systems and Infrastructure

Instability, degradation of performance, or other failure of IT Systems, Infrastructure, Communication or Utility causing the inability to continue business activities and provide services to the community. This may or may not result in IT Disaster Recovery Plans being invoked. Examples include failures or disruptions caused by:

- Hardware &/or Software
- IT Network
- Failures of IT Vendors

This also includes where poor governance results in the breakdown of IT maintenance such as;

- Configuration management
- Performance Monitoring
- IT Incident, Problem Management & Disaster Recovery Processes

This does not include new system implementations - refer "Inadequate Change Management".

Failure to fulfil statutory, regulatory or compliance requirements

Failure to correctly identify, interpret, assess, respond and communicate laws and regulations as a result of an inadequate compliance framework. This could result in fines, penalties, litigation or increased scrutiny from regulators or agencies. This includes, new or proposed regulatory and legislative changes, in addition to the failure to maintain updated legal documentation (internal & public domain) to reflect changes.

This does not include;

- Issues in relation to OH&S – refer "Inadequate employee and visitor safety and security"
- Procurement, disposal or tender process failures – refer "Inadequate Procurement, Disposal or Tender Practices"
- HR based legislation – refer "ineffective People Management"

Providing inaccurate advice/information

Incomplete, inadequate or inaccuracies in professional advisory activities to customers or internal staff. This could be caused by using unqualified staff, however it does not include instances relating to Breach of Authority.

Inadequate Change Management

Inadequate analysis, design, delivery and/or status reporting of change initiatives, resulting in additional expenses, time requirements or scope changes. This includes:

- Inadequate Change Management Framework to manage and monitor change activities.
- Inadequate understanding of the impact of project change on the business.
- Failures in the transition of projects into standard operations.
- Failure to implement new systems
- Failures of IT Project Vendors/Contractors

This includes Directorate or Service Unit driven change initiatives except new Plant & Equipment purchases. Refer "Inadequate Plant and Equipment design, delivery and maintenance"

Inadequate Organisation and Community Emergency Management

Failure to adequately conduct Prevention, Preparation, Response and Recovery (PPRR) in the organisation structure and community elements, inclusive of the management of all emergencies. This includes;

- Lack of (or inadequate) emergency response plans.
- Lack of training to specific individuals or availability of appropriate emergency response.
- Failure in command and control functions as a result of incorrect initial assessment or untimely awareness of incident.
- Inadequacies in environmental awareness and monitoring of fuel loads, curing rates etc

(References: AS 3745; AS 1851; AIIMS 4 Management Principles)

Inadequate Document Management Processes

Failure to adequately capture, store, archive, retrieve, provision and/or disposal of documentation. This includes:

- Contact lists.
- Procedural documents.
- 'Application' proposals/documents.
- Contracts.
- Forms, requests or other documents.

Inadequate employee and visitor safety and security

Non-compliance with Occupation Health & Safety (OH&S) Regulations and physical security requirements. This risk includes issues relating to:

- Inadequate Policy, Frameworks, Systems and Structure to prevent the injury of visitors, staff, contractors and/or tenants in the provision of a working or business environment.
- Inadequate security protection measures in place for buildings, depots and other places of work (vehicle, community etc).
- Public Liability Claims, due to negligence or personal injury.
- Employee Liability Claims due to negligence or personal injury.

Inadequate engagement of Community/Stakeholders/Elected Members

Failure to maintain effective working relationships with the Community (including Local Media), Stakeholders, Key Private Sector Companies, Government Agencies and/or Elected Members. This invariably includes activities where communication, feedback and/or consultation is required and where it is in the best interests to do so. For example;

- Following up on any access & inclusion issues.
- Infrastructure Projects.
- Regional or District Committee attendance.
- Local Planning initiatives.
- Strategic Planning initiatives

This does not include instances whereby Community expectations have not been met for standard service provisions such as Community Events, Library Services and/or Bus/Transport services.

Inadequate Procurement, Disposal or Tender Practices.

Failures in the procurement, acquisition, acceptance or disposal process for assets as governed by the Local Government Act. This risk theme also relates to and includes;

- Lack of formalised process to identify specific requirements prior to procurement.
- Acceptance of assets without reference to a formalised process to ensure correct receipt and/or notification of receipt (transfer of ownership).
- Disposing of P & E (either through sale or decommissioning) that did not meet expectations from either a time or financial perspective.
- Failures in the Tender process from RTF preparation, advertising, due diligence and awarding.

Inadequate Asset Management

Failure or reduction in service of infrastructure assets, plant, equipment or machinery. These include fleet assets in addition to community use based assets including playgrounds, boat ramps and other maintenance based assets. Areas included in the scope are;

- Inadequate design (not fit for purpose)
- Ineffective usage (down time)
- Outputs not meeting expectations
- Inadequate maintenance activities
- Inadequate or unsafe modifications.

It does not include issues with the inappropriate use of the Plant, Equipment or Machinery. Refer Misconduct.

Inadequate Stock Management

Lack of stock to ensure continuity of operations or oversupply of stock resulting in dormant (non-performing) assets. Stock includes, consumables, stationery, spare parts and/or other items used for operational purposes. This could be a result of an ineffective stock management system/processes or the peripheral processes in the issuance and/or recording of 'transactions'.

It does not include theft or loss of stock through ineffective operations; refer

- Theft – “Misconduct” or “External Theft or Fraud”
- Ineffective operations – “Errors, Omissions or Delays”.

Inadequate Supplier / Contract Management

Inadequate management of External Suppliers, Contractors, IT Vendors or Consultants engaged for core operations. This includes issues that arise from the ongoing supply of services or failures in contract management & monitoring processes. This also includes:

- Concentration issues
- Vendor sustainability

It does not include failures in the tender process; refer “Inadequate Procurement, Disposal or Tender Practices”.

Ineffective People Management

Failure to effectively manage and lead human resources (full/part time, casuals, temporary and volunteers). This includes not having an effective Human Resources Framework in addition to not having appropriately qualified or experienced people in the right roles or not having sufficient staff numbers to achieve objectives. Other areas in this risk theme to consider are;

- Breaching employee regulations (excluding OH&S)
- Discrimination, Harassment & Bullying in the workplace
- Poor employee wellbeing (causing stress)
- Key person dependencies without effective succession planning in place
- Induction issues
- Terminations (including any tribunal issues)
- Industrial activity

Care should be taken when considering insufficient staff numbers as the underlying issue could be process inefficiencies.

Ineffective management of Facilities/Venues

Failure to effectively manage the day to day operations of facilities and/or venues. This includes;

- Inadequate procedures in place to manage the quality or availability.
- Ineffective signage
- Booking issues
- Financial interactions with hirers/users
- Oversight/provision of peripheral services (eg. cleaning/maintenance)

Not meeting Community expectations

Failure to provide expected levels of service, events and benefit to the community. This includes where precedents have set Community perceptions or where services are generally expected. This will normally result in reputational impacts, however may have financial considerations with re-work, compensations or refunds. Examples include:

- Reducing the number or quality of events.
- Withdrawing support (or not supporting) other initiatives to provide relief/benefits to the Community.
- Loss of new or ongoing funding requirements for projects, events and other initiatives.
- Technology expectations

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Shire of Corrigin Risk Report - December 2016

Executive Summary

Being the initial risk report, this is focussing on driving the framework for ensuring that future reports will continue to provide relevant insight and recommendations to assist the Shire Executive in managing risks. This report is provided in full (dashboard and individual risk profiles) to allow the Executive an opportunity to review and confirm the current risk landscape of the Shire. It is envisaged that future reports will only be in a dashboard format, highlighting the current Risk & Control ratings together with any current actions / treatments underway.

These internal reports are expected to be generated and discussed twice a year as part of the agenda for the Executive Management Team.

Recommendations

Risk Framework

1. Ensure that the Risk Management Policy is approved by Council.
2. Approve the Risk Management Procedures Manual.

Risk Profiles

1. Review and approve all Risk Profiles (from a Risk & Control perspective).
2. Confirm Current Issues / Actions / Treatments (Responsibility & Due Date)

Misconduct		Risk	Control
		Low	Adequate
Current Issues / Actions / Treatments	Due Date	Responsibility	
Review current IT System access (passwords)	Feb - 17 - ongoing	CEO/DCEO	
Improve Staff Induction Process to include Code of Conduct / Legislative responsibilities	Completed	CEO/DCEO/GPO	

Business Disruption		Risk	Control
		Moderate	Inadequate
Current Issues / Actions / Treatments	Due Date	Responsibility	
Develop Business Continuity Plan for Admin & Depot (Budget Review - LGIS)	Commenced October 2016 - Ongoing	CEO/GPO	

Damage to Physical Assets		Risk	Control
		Not Material	0
Current Issues / Actions / Treatments	Due Date	Responsibility	

Errors, Omissions & Delays		Risk	Control
		High	Adequate
Current Issues / Actions / Treatments	Due Date	Responsibility	
Review and implement a 'job' tracking system (eg. Records Mgt Module) Budget consideration	May-17	CEO/DCEO	
Improve 'Job' planning process (eg. Land Tenure, Consultations, completeness - checklist)	May-17	CEO/Manager Works & Services/GPO	

External Theft & Fraud		Risk	Control
		Moderate	Adequate
Current Issues / Actions / Treatments	Due Date	Responsibility	
Improve access security at Depot (eg. Cable gate / CCTV) budget consideration	Further Police grant for CCTV Mar-17 - possible Budget Item for 2017/18	CEO/Manager Works & Services/GPO	

Failure of IT &/or Communications Systems and Infrastructure		Risk	Control
		Moderate	Adequate
Current Issues / Actions / Treatments	Due Date	Responsibility	

Failure to fulfil statutory, regulatory or compliance requirements		Risk	Control
		Low	Adequate
Current Issues / Actions / Treatments	Due Date	Responsibility	
Develop/ Finalise Compliance Calendar (need to implement via Managers)	Completed	CEO/GPO/GEO	
Refresh of internal procedures (activity focussed)	Commenced - completed by February 2017	CEO	

Inadequate safety and security (staff, visitors and community)		Risk	Control
		High	Inadequate
Current Issues / Actions / Treatments	Due Date	Responsibility	
Develop a Training Register for all staff	May-17	CEO/DCEO/Manager Works & Services/GPO	
Refresh Contractor Induction Program	Completed	CEO/GPO	

Shire of Corrigin Risk Report - December 2016

Shire of Corrigin Risk Report - December 2016

<u>Providing inaccurate advice / information</u>		Risk	Control
		Not Material	0
Current Issues / Actions / Treatments	Due Date	Responsibility	

<u>Inadequate Organisation and Community Emergency Management</u>		Risk	Control
		High	Inadequate
Current Issues / Actions / Treatments	Due Date	Responsibility	
Develop Internal Emergency Evacuation Management Plan	May-17	CEO/GPO	
Review LEM Arrangements (Plans)	Completed	CEO	
Arrange Fire Evacuation Drill & Extinguisher Training	Drill in Oct 16 Extinguisher training Mar-17 - ongoing	CEO/GPO	

<u>Inadequate Document Management Processes</u>		Risk	Control
		High	Inadequate
Current Issues / Actions / Treatments	Due Date	Responsibility	
Review and implement a 'job' tracking system (eg. Records Mgt Module) Budget consideration	Mar-17	CEO/DCEO	
<u>Inadequate engagement of Community / Stakeholders / Elected Members</u>		Risk	Control
		Moderate	Adequate
Current Issues / Actions / Treatments	Due Date	Responsibility	
Develop Community Engagement Policy	Completed	CEO/GPO/GEO	

<u>Inadequate Project / Change Management</u>		Risk	Control
		Not Material	0
Current Issues / Actions / Treatments	Due Date	Responsibility	
<u>Inadequate Procurement, Disposal or Tender Practices.</u>		Risk	Control
		Moderate	Adequate
Current Issues / Actions / Treatments	Due Date	Responsibility	

<u>Inadequate Asset Management</u>		Risk	Control
		Moderate	Adequate
Current Issues / Actions / Treatments	Due Date	Responsibility	
Review the implementation of an Asset Management System (funding for consultant received)	Commencing Feb-17	CEO/DCEO	

<u>Inadequate Stock Management</u>		Risk	Control
		Not Material	0
Current Issues / Actions / Treatments	Due Date	Responsibility	

<u>Inadequate Supplier / Contract Management</u>		Risk	Control
		High	Inadequate
Current Issues / Actions / Treatments	Due Date	Responsibility	
Review and improve Contract Management System (Follow up)	Completed	CEO/GPO	
Identify non documented contractual agreements and determine ongoing requirements	May-17 - Ongoing	CEO/GPO	
Scan all existing contracts to keep back up copies	May-17 - Ongoing	CEO/GPO/GEO	

<u>Ineffective People Management</u>		Risk	Control
		Low	Adequate
Current Issues / Actions / Treatments	Due Date	Responsibility	
Develop a Training Register for all staff	May-17	CEO/DCEO/Manager Works & Services/GPO	
Develop Succession Planning within the Shire - relates to Internal Procedure updates	May-17- Ongoing	CEO/DCEO/Manager Works & Services/GPO	
Improve Staff Induction Process to include Code of Conduct / Legislative responsibilities	Completed	CEO/GPO	

<u>Ineffective management of Facilities / Venues / Events</u>		Risk	Control
		Moderate	Adequate
Current Issues / Actions / Treatments	Due Date	Responsibility	
Develop Casual Hirers Agreement for use	Completed	DCEO	

<u>Not meeting Community expectations</u>		Risk	Control
		Not Material	0
Current Issues / Actions / Treatments	Due Date	Responsibility	

MOORE STEPHENS

9 December 2016

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Mr Rob Paul
Chief Executive Officer
Shire of Corrigin
9 Lynch Street
CORRIGIN WA 6375

Dear Rob

AUDIT OF SHIRE OF CORRIGIN FOR THE YEAR ENDED 30 JUNE 2016

We advise that we have completed the audit of your Shire for the year ended 30th June 2016 and enclose our Audit Report and a copy of the Management Report.

A copy of the Audit Report and Management Report has also been sent directly to the President, Cr Lyn Baker, as is required by the Act.

We would like to take this opportunity to thank you and your staff for the assistance provided during the audit.

Please contact us if you have any queries.

Yours sincerely



Greg Godwin
Partner
[Moore Stephens](http://www.moorestephens.com.au)

Encl.

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INDEPENDENT AUDITOR'S REPORT TO THE ELECTORS OF THE SHIRE OF CORRIGIN

REPORT ON THE FINANCIAL REPORT

We have audited the accompanying financial report of the Shire of Corrigin, which comprises the statement of financial position as at 30 June 2016, statement of comprehensive income by nature or type, statement of comprehensive income by program, statement of changes in equity, statement of cash flows and the rate setting statement for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the statement by Chief Executive Officer.

Management's Responsibility for the Financial Report

Management is responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards, the Local Government Act 1995 (as amended) and the Local Government (Financial Management) Regulations 1996 (as amended) and for such internal control as Management determines is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Shire's preparation and fair presentation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Shire's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Council, as well as evaluating the overall presentation of the financial report.

We believe the audit evidence we obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial report of the Shire of Corrigin is in accordance with the Local Government Act 1995 (as amended) and the Local Government (Financial Management) Regulations 1996 (as amended), including:

- a) giving a true and fair view of the Shire's financial position as at 30 June 2016 and of its financial performance and its cash flows for the year ended on that date; and
- b) complying with Australian Accounting Standards (including Australian Accounting Interpretations).

**INDEPENDENT AUDITOR'S REPORT
TO THE ELECTORS OF THE SHIRE OF CORRIGIN (CONTINUED)**

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

During the course of the audit we became aware of one instance where the Council did not comply with the Local Government (Financial Management) Regulations 1996 (as amended):

Rate Notice

The rate notice did not include a brief statement that "Rebates to pensioners and seniors are funded by the government of WA" as required by Local Government (Financial Management) Regulation 56(4)(ha).

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

- a) There are no matters that in our opinion indicate significant adverse trends in the financial position or the financial management practices of the Shire.
- b) Except as noted above, no other matters indicating non-compliance with Part 6 of the Local Government Act 1995 (as amended), the Local Government (Financial Management) Regulations 1996 (as amended) or applicable financial controls of any other written law were noted during the course of our audit.
- c) In relation to the Supplementary Ratio Information presented at page 59 of this report, we have reviewed the calculations of the Asset Consumption Ratio as presented and nothing has come to our attention to suggest it is not:
 - i. reasonably calculated; and
 - ii. based on verifiable information.

The Asset Renewal Funding Ratio was not calculated and no review was carried out.

- d) All necessary information and explanations were obtained by us.
- e) All audit procedures were satisfactorily completed in conducting our audit.

MOORE STEPHENS
CHARTERED ACCOUNTANTS



GREG GODWIN
PARTNER

Date: 9 December 2016
Perth, WA

9 December 2016

MOORE STEPHENS

The Shire President
Shire of Corrigin
9 Lynch Street
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Dear Cr Baker

MANAGEMENT REPORT FOR THE YEAR ENDED 30 JUNE 2016

We advise that we have completed our audit procedures for the year ended 30 June 2016 and enclose our Audit Report.

We are required under the Local Government Audit Regulations to report certain compliance matters in our audit report. Other matters which arise during the course of our audit that we wish to bring to Council's attention are raised in this management report.

It should be appreciated that our audit procedures are designed primarily to enable us to form an opinion on the financial statements and therefore may not bring to light all weaknesses in systems and procedures which may exist. However, we aim to use our knowledge of the Shire's organisation gained during our work to make comments and suggestions which, we hope, will be useful to you.

COMMENT ON RATIOS

Since the arrival of the new statutory ratios in 2013 (which included the requirement to calculate for 2012), we have endeavoured to provide Council and Audit Committees with a comparison of these ratios.

Ratios provide useful information when compared to industry and internal benchmarks and assist in identifying trends. Whilst not conclusive in themselves, understanding ratios, their trends and how they interact is beneficial for the allocation of scarce resources and planning for the future. Information relating to the statutory ratios disclosed in the financial report is summarised in the table below and commentary provided on the following pages.

	Target Ratio ¹	Actual 2016	Council's Adjusted Ratios					Council's 5 Year Trend ²	4 Year Average ³	
			2016	2015	2014	2013	2012		Regional	State
Current Ratio	≥ 1	1.37	1.37	1.28*	2.40*	1.08	1.33	↓	2.48	2.29
Asset Sustainability Ratio	≥ 1.1	1.27	1.27	1.30	1.03	1.88	1.63	↓	1.38	1.23
Debt Service Cover Ratio	≥ 15	0.86	4.31*	6.48*	7.28*	7.31	7.38	↓	11.82	14.01
Operating Surplus Ratio	≥ 0.15	(1.05)	(0.75)*	(0.23)*	(0.17)*	(0.06)	0.13	↓	(0.08)	(0.02)
Own Source Revenue Coverage Ratio	≥ 0.9	0.40	0.40	0.45	0.49	0.60	0.61	↓	0.56	0.68
Asset Consumption Ratio	≥ 0.75	0.98	0.98	0.98	0.64	0.44	N/A	↑	0.77	1.16
Asset Renewal Funding Ratio	≥ 1.05	N/A	N/A	N/A	N/A	N/A	N/A	↔	0.97	1.00

¹ Target ratios per Department of Local Government and Communities (DLGC) Guidelines except the Debt Service Ratio which is a target devised by Moore Stephens (and based on experience). For information, DLGC Guidelines indicate a target Debt Service Cover Ratio of 5.

² The 5-year trend compares the adjusted 2016 ratio to the average of the adjusted ratios for the last 5 years (except for the Asset Consumption and Asset Renewal Funding Ratios which are a 4-year trend).

³ The average in relation to the Regional and State comparisons is a 4 year average of 2012, 2013, 2014 and 2015.

* Adjusted for "one-off" timing/ non-cash items.

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COMMENT ON RATIOS (CONTINUED)

Adjustments relating to 2016

Two of the ratios in the accompanying table were distorted by “one off” timing/non-cash items by the early receipt of half of the allocation of the 2015-16 Financial Assistance Grants (FAGs) on 30 June 2015. The early payment of the grant increased operating revenue in 2015 and decreased operating revenue in 2016 by \$876,529.

This item is considered “one-off” timing/non-cash in nature and was adjusted when calculating the ratios in the above table (as shown by “**”) as were relevant comparative year ratios (which had been affected by similar “one-off” items).

Regional and State 4 Year Averages

Regional and State 4 year averages have not been adjusted for “one-off” items even though these items may have been applicable in prior years as they are based on the statutory ratios which have been reported in published financial reports. However, they still provide a useful reference point as they are indicative of a trend.

Commentary on specific ratios

• Debt Service Cover Ratio

The Debt Service Cover Ratio measures Council’s ability to service debt out of its uncommitted or general purpose funds available from its operations.

This ratio is below target level and has been trending downwards over the over the last five years. In addition, it is well below both Regional and State 4 year averages.

Whilst we acknowledge the overall level of borrowings has decreased, the deterioration and downward trend in the ratio has occurred as a result of a decrease in the Shire’s operating surplus (before interest and depreciation) in the current year.

Interpretation of this ratio should also be considered together with the Operating Surplus Ratio as discussed below.

• Operating Surplus Ratio

The Operating Surplus Ratio represents the percentage by which the operating surplus (or deficit) differs from the Shire’s own sources revenue.

This ratio has deteriorated slightly from the previous year and it is trending downwards over the last five years. It is currently below the target level and the State and Regional averages.

Analysis of the Shire’s Statement of Comprehensive Income indicates the main reasons for the deterioration of this ratio are as follows:-

- A fall in operating grants, subsidies and contributions due to less grant funding from the Federal and State government in 2016; and
- A significant increase in depreciation from \$2,221,830 in 2015 to \$3,178,058 in 2016.

The increase in depreciation is attributable to the revaluation of infrastructure assets conducted during the year ended 30 June 2015 which resulted in a significantly higher depreciable asset base, especially for roads. One possible reason relates to the Remaining Useful Life (RUL) assessments performed on individual assets. They may not have been comprehensive enough to adjust to more realistic conditions which would have resulted in a lower depreciation expense.

Whilst the approach to conditions and RULs was considered conservative, we suggest this be reviewed as it provides an unrealistic distortion to the ratios represented. We will continue to monitor this in future years.

As in the case of the Debt Service Cover ratio above, to help alleviate the continued erosion of these ratios, both Council and Management will also need to consider ways to improve the operating position either via increasing revenue or by decreasing expenditure (or a combination of both). This is dependent upon the Council and management understanding the circumstances and the interaction own source revenue has on other ratios and operations in general.

COMMENT ON RATIOS (CONTINUED)

Commentary on specific ratios (Continued)

• **Asset Renewal Funding Ratio**

It was not possible to calculate this ratio as the Shire's Asset Management Plan did not have yearly totals of required capital renewal expenditure for each of the 10 years forecasted. This information is necessary for the calculation of the net present value (NPV) of capital renewal expenditure required by the ratio.

To enable proper calculation of this ratio and to help identify gaps between planned and required capital expenditure, Council needs to ensure the Shire's Asset Management Plan is updated with yearly totals of the required capital renewal expenditure forecasted.

Summary

The Shire's ratio position, after adjustment for FAGs and factoring in the depreciation anomaly detailed above, appears reasonably consistent with prior years.

Whilst some ratios are below the accepted industry benchmark, lower ratios may be expected and acceptable in the short term, provided other measures/strategies are maximised.

We would also like to take this opportunity to stress one-off assessments of ratios at a particular point in time can only provide a snapshot of the financial position and operating situation of the Shire. As is the case with all ratios and indicators, their interpretation is much improved if they are calculated as an average over time with the relevant trends being considered. We will continue to monitor the financial position and ratios in future financial years and suggest it is prudent for Council and management to do so also as they strive to manage the scarce resources of the Shire.

If the Shire requires, we have a report available which is able to compare your ratios against other Local Governments across the State and by Region. The report is also able to incorporate a selection of your peer Local Governments, whether they be of near neighbours or similar type in nature. This may be of particular relevance in your case as you are included in the Wheatbelt region when comparison to other, more similar local governments, may be more relevant. If you are interested in such an expanded report, please contact us.

We noted no other matters we wish to bring to your attention.

UNCORRECTED MISSTATEMENTS

We advise there were no uncorrected misstatements noted during the course of our audit.

We take this opportunity to thank all staff for the assistance provided during the audit.

Should you wish to discuss any matter relating to the audit or any other matter, please do not hesitate to contact us.

Yours faithfully



Greg Godwin
Partner
Moore Stephens

Encl.

SHIRE OF



ANNUAL REPORT

2015 - 2016



Strengthening our community now to grow and prosper into the future

www.corrigin.wa.gov.au

Shire of Corrigin

The Shire of Corrigin is located in the Roe Region of Western Australia's Wheatbelt less than 2 ½ hours drive east of Perth.

Corrigin is a vibrant country community founded on broadacre farming.

Corrigin provides a range of services to meet the community's needs including education, health, recreation facilities and affordable land & housing.



Shire of Corrigin Statistics	
Distance from Perth	234k
Area	3,095 sq km
Length of Sealed Roads	405.4 km
Length of Unsealed Roads	767.6 km
Population	1,100 (source ABS)
Number of Electors	818
Number of Dwellings	650
Total Rates Levied	\$2,209,903
Total Revenue	\$4,402,888
Number of Employees	31 FTE

Shire of Corrigin
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President's Report

I am pleased to bring you my President's Report for the year 2015 – 2016 which continued Council's focus on the execution of the Strategic Plan.

In the Focus Area of Developing Leadership, we carried out the bi-annual Council elections in October, as required under the Local Government Act (1995). We had five candidates for three positions, necessitating an election, which was very welcomed. The two "new" Councillors have certainly settled into their roles well and are contributing wholeheartedly to this Council's decision making process, along with their colleagues.



Both Council and the Community Resource Centre have Facebook pages which are increasingly being used to good effect to promote events and publish important information. Shire has revised the Community Newsletter, which is published in the Windmill, ensuring further transparency and maintaining a strong customer focus.

The Focus Area of Economic Development has been further advanced by the continued employment of the Business Development Officer – a position which is shared with our three RoerOC neighbours. This Officer has continued to hold 'Business After Hours' events as well as completing a "Why Local Matters" study.

An Aged Friendly Communities study was completed, which provided information and assistance in the development of the Business Case for the Wheatbelt South Aged Housing Alliance. This Alliance, in association with seven other Wheatbelt local governments, enable the Shire to make application for the construction of four additional independent living units in Corrigin. If the funding application is successful, it will result in two new units due for commencement in the 2017/18 financial year. This fulfills the Community's desire for progress in the Focus Area of Social Development.

Similarly, the completion of the Corrigin Recreation and Events Centre will enhance our Social Development. The Centre was opened in March and the CREC Advisory Committee of user groups has continued to meet to develop the management of the facility. The winter sports clubs have signed a Memorandum of Understanding which facilitates the sports day arrangements.

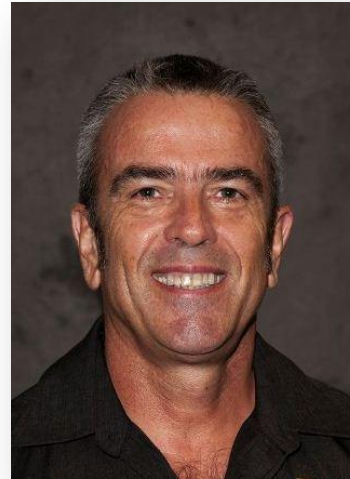
During 2015/16 Council has:

- Adopted the Shire of Corrigin Animals, Environment and Nuisance Local Law 2015
- Adopted the Shire of Corrigin Health Local Law 2015
- Adopted a Local Price Preference Policy
- Sold Lot 18 Lawton Way, Granite Rise Estate
- Entered into a Lease with the Corrigin Farm Improvement Group for the "Old Roads Board" building, for use as an office
- Entered into an MOU with the Water Corporation relating to the supply of 2 water refill stations
- Entered into an MOU with the Shires of Kulin, Kondinin, Narembreen, Cuballing, Wickepin, Wandering, Narrogin and the Town of Narrogin to establish the Wheatbelt South Aged Housing Alliance

It is Council's intention to review the Strategic Community Plan and its accompanying plans during the 2016/17 financial year.

Cr Lynette Baker
President





Chief Executive Officer's Report

Over the past 12 months the Shire has had a focus of completing major projects within the Shire of Corrigin, including the completion of the Corrigin Recreation & Events Centre.

It is with great pleasure that I present the 2015/2016 Annual Report to the residents and ratepayers of the Shire of Corrigin.

Of significance, the period of 2015/16 saw the completion of the 'Corrigin Recreation & Events Centre'. This major infrastructure project has been the focus of Council and the community over a number of years and it is great to see the delivery of a wonderful long term community asset.

The Shire's focus continued on the delivery of services to the community which also included the following important programs and projects:

- Capital renewal and upgrade programs, including the completion of the adventure playground toilets, footpath renewals, construction of the Bulyee and Bullaring bush fire appliance bay facilities, along with the completion of the facilities associated with the Corrigin Recreation & Events Centre, including parking and the new (expanded) playground.
- Extensive community consultation was undertaken in relation to the review of Local Laws, consolidating the planning scheme, preparing the Aged Friendly Communities Plan, establishing a Local Price Preference Purchasing Policy.
- Continuing the review of the strategic planning of local emergency arrangements, including the amalgamation of Bush Fire Brigades, reviewing and implementing of the Local Recovery Plan and Local Emergency Management Arrangements.
- Continuing progress on the Yealering Bulyee Grain Freight Route Upgrade.
- Capital road works upgrades to significant local roads.

In October 2015, Council held its local government elections for the three elected member vacancies. The results of the election saw Cr Lyn Baker re-elected and Brian Praetz and Shannon Hardingham being elected, with terms expiring in 2019. The electorate saw fit to return Cr Baker to Council, acknowledging her wealth of experience, commitment and strategic leadership to Council and the community. I personally thank her for the guidance and assistance Cr Baker has provided me in my first year as Chief Executive Officer here at the Shire.

I welcome newly appointed councillors, Cr Praetz and Cr Hardingham, who bring a new and fresh view of matters concerning the community. I would also like to thank retiring councillors Mike Weguelin and Norm Talbot for the commitment and input into the Shire over their terms and wish them all the best in their future endeavours.



Council has a strong commitment to providing good governance of the Shire and compliance with State legislation. In accordance with *Local Government (Financial Management) Regulations 1996*, as Chief Executive Officer, I authorised the review into Council's financial management systems and procedures resulting in the 'Financial Management Review'. This Review was conducted by Moore Stephens Chartered Accountants who concluded that Council has established and maintained, in all material aspects, appropriate and effective financial management systems and procedures.

The Shire of Corrigin Community Strategic Plan identifies the priorities and aspirations identified by the community through public consultation. The Shire continues to work towards the implementation of strategies outlined in the Plan, the progress of which is reported within this year's Annual Report. Council continues to make sure our budgets are well placed to achieve our goals as we work towards long term sustainability. As part of our ongoing focus on strong governance and transparency, all of the Council's policies and processes have been reviewed, resulting in a more clear and efficient mode of operation. Staff and Councillors have continued to work hard to deliver improved services and facilities that provide a sustainable future.

Council continues its commitment to engage with the community on a number of levels, and ensures that it has good representation on local committees. In addition, it has continued to engage the community with strong consultation initiatives including formation of advisory committees and key stakeholder groups for consultation of specific activities. With its desire to continue to engage and communicate with the community, Council has redesigned its newsletters and is currently re-developing its website, with the aim of providing a modern means of providing information, and being interactive with the community and visitors.

Council has continued its strong support for Shire Staff to achieve positive outcomes for the community. I would like to extend my personal thanks to all Staff and our elected members.

Rob Paul
Chief Executive Officer



Councillors



Cr Lynette Baker
President
Term Expires 2019
Ph: 9065 7053



Cr Des Hickey
Deputy President
Term Expires 2017
Ph: 0428 751 024



Cr Matt Dickinson
Term Expires 2017
Ph: 0428 632 013



Cr Janeane Mason
Term Expires 2017
Ph: 0417 095 804



Cr Terry Pridham
Term Expires 2017
Ph: 0429 192 659



Cr Shannon Hardingham
Term Expires 2019
Ph: 0427 630 063



Cr Brian Praetz
Term Expires 2019
Ph: 0418 927 211



Executive Management Team

Taryn Dayman

Deputy Chief Executive Officer



Greg Tomlinson

Manager Works & Services



Organisational Structure



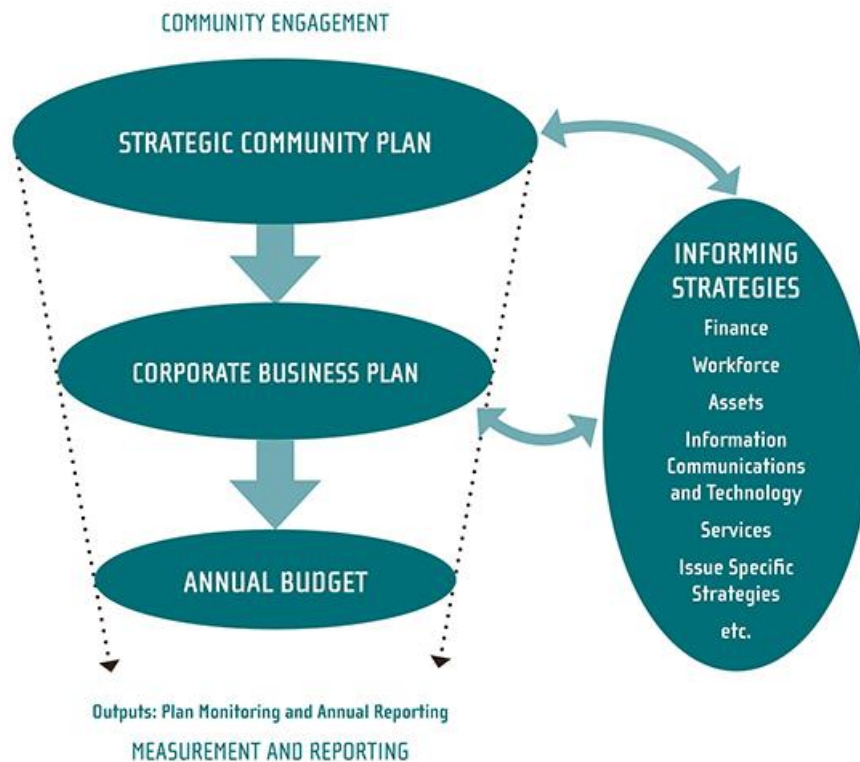
Strategic Community Plan

In 2010, the Western Australian State Government introduced legislation requiring Local Governments to prepare an Integrated Planning and Reporting (IPR) Framework by June 2013.

IPR ensures that Councils Strategic Plan reflect the community aspirations, visions, and priorities of the district.

The Shire consulted widely with the community to produce the Strategic Community Plan and other plans within the IPR Framework.

The diagram below highlights the components of the framework:



In accordance with the legislation and following extensive community input, Council adopted its Strategic Community plan in June 2013. A desktop review was conducted in May 2016, with only minor changes made to the plan and the overall direction and objectives remaining unchanged.

The Strategic Community Plan is Council's principal planning and strategy document, which means that it governs all of the work that the Shire undertakes, either through direct services delivery, partnership arrangements, or advocacy on behalf of the community.

The Annual review of the Corporate Business Plan was conducted in June 2016, providing direction to Council and staff on how the vision of the Strategic Community plan will be achieved. Essentially the goals within the plan remain unchanged from the Corporate Business Plan adopted in 2013. Within the reviewed plan, sub goals have been identified to assist with meeting the broad goals. It is intended that this will provide additional guidance to Councillors and management to assist in achieving each goal.

In early 2017 Council will commence the process of conducting a holistic review of the Strategic Community Plan, involving extensive public engagement, consultation and submission period.



In accordance with legislation, Council is required to report to the community annually on its progress towards achieving the objectives.

Strategic Community Plan 2015/16 - Progress

Our Vision

“Corrigin – strengthening our community to grow and prosper into the future”

The Shire of Corrigin comprises a diverse range of people, communities and landscapes. It is imperative that the vision captures the diversity of the area and is inclusive of all as the Shire moves forward. The community’s vision has been developed with a range of input received through the community engagement process. It reflects clear community aspirations for the ten-year period of the Strategic Community Plan.

Key Focus area one: Economic Development

Goal one: We want to be able to spend our money locally and encourage others to do the same.

Goal	Strategy	Outcome	Status
1.1	Work with the business community to grow and attract a local workforce targeting young people	We can grow the local economy	Ongoing Council support and consultation with various agencies, including Wheatbelt Business Network (WBN) to develop and improve Corrigin Economic position and business growth.
1.2	Develop tourism in the Shire, showcasing existing attractions, new events and the main Street.	Showcasing our attractions increases the number of people visiting to the area	Ongoing Council support of various agencies and representation on regional tourism boards, development of regional tourism initiatives and strategies.
1.3	Develop short-term and overnight accommodation options in the Shire	Visitors stay longer in our community and short-term employees can reside in the Shire.	Provision of residential land for sale to enable the development of accommodation options. Limited amount of progress on short-term accommodations strategies to date.
1.4	Explore opportunities to improve technology across the Shire to support economic development	Improved technology helps us to be innovative and efficient in our business	Council continues to advocate to telecommunications suppliers and state government for the upgrade of local exchanges and towers. The Corrigin telephone exchange was recently upgraded to provide additional ADSL ports.



Goal Two: Utilise the land available in the area for a range of new business.

Goal	Strategy	Outcome	Status
2.1	Diversify businesses in the community to improve resilience	Increase customer spending and employment in the Shire	Ongoing Council support of various agencies, including WBN to develop and improve Corrigin resilience.

Goal Three: We want a sustainable agricultural sector supporting our local economy

Goal	Strategy	Outcome	Status
3.1	Work with Federal and State Government to support the growth of the agricultural sector	A thriving agricultural sector into the future.	Through partnerships and Council support of local farmer groups.

Key Focus area two: Developing Leadership**Goal four: Transparent decision-making is important to us**

Goal	Strategy	Outcome	Status
4.1	Ensure active engagement with the community to inform decision-making	Community contribution to how local issues are managed.	Council has engaged key stakeholders to participate in discussions on major Council initiatives and projects. Council is developing a Community Consultation / Engagement Policy to facilitate and encourage community involvement in local issues.
4.2	Maintain a strong customer focus	Effective communications on key decisions	Council has been actively using print, electronic and social media to inform and engage with the community. Council has updated the design of its newsletter and is currently re-developing its website, with the aim of providing a modern means of providing information, and being interactive with the community and visitors.



Goal five: We want to strengthen our community's position for the future.

Goal	Strategy	Outcome	Status
5.1	Maintain a resilient and independent Shire, with a clear vision for the future	A sustainable and progressive local government	Council continues its focus on providing good governance and planning for the district has reviewed its Strategic Community Plan and Corporate Business Plan
5.2	A representative model that reflects the community and acts on their aspirations	Effective governance and advocacy by the Shire	The community is represented by seven community elected members, with good attendance at Council and community meetings.

Key Focus area three: Social Development**Goal six: We need good services to support our development as a Shire**

Goal	Strategy	Outcome	Status
6.1	Maintain the range of services and facilities provided by the Shire, particularly those for the rural area (roads) and sporting community	Essential services help us to prosper as a community.	Ongoing maintenance, upgrade and renewal of Councils assets and facilities.
6.2	Increase housing options to attract new families	Increased growth and participation in our community	Council ensures that there is adequate supply of residential land within Corrigin, with 31 lots for sale in Granite Rise.
6.3	Improve local health services to provide greater and more timely access for the community	Our community can more easily access the range of services they need at the time they need them	Ongoing Council support for the provision of Primary and Allied Health services to the community, including advocating with state government and other key stakeholders for the improvement of health services to the district.
6.4	Develop age care facilities in the Shire, including low care	Our residents can reside in the community for their whole life	Ongoing Council support to various agencies, including the Senior Citizens Committee. Improvement of Council's facilities and infrastructure to facilitate Corrigin as an Age-Friendly Community. Consultation and development of an Age Friendly development plan.



6.5	Explore opportunities to support the growth of our schools, including through regional collaboration where feasible,	Our young people can access quality education with the Shire	Ongoing. Council has made limited progress to date
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Goal seven: We want to be an inclusive community

Goal	Strategy	Outcome	Status
7.1	Put in place mechanisms to increase involvement and engagement in the development of the community	Stronger, inclusive communities across the Shire that define our indemnity	Ongoing. Provision of adequate facilities and programs to facilitate increasing involvement and engagement of the community

Key Focus area Four: Social Development

Goal Eight: Sustainability and protection of our farm land is important to the future of the area.

Goal	Strategy	Outcome	Status
8.1	Provide support to increase innovative farming practices in the area	Our land will be more productive now and into the future	Ongoing Council support of local community groups and joint ventures, including CFGI
8.2	Support the increased protection of our Shire's environment through active land management	Future generations will experience and enjoy our natural environment	Ongoing. Continued active management of natural areas, in conjunction with key stakeholders and community members.

Goal Nine: We want to make the most of our environment, including to attract more visitors

Goal	Strategy	Outcome	Status
9.1	Explore opportunities to utilise key areas in the Shire by showcasing their natural and environmental characteristics and developing educational programs	We recognize and uphold the value of our natural landscape and encourage visitors to do the same	Ongoing support of local community groups and joint ventures, including Corrigin Farm Improvement Group and Corrigin District High School.



Major Projects Snapshot



Adventure Playground Toilets



Bullaring Appliance Bay Facility



Bulyee Appliance Bay Facility



CREC Playground (installed in July)



Corrigin Recreation & Events Centre.

Council's major construction project for 2015/2016 has been the construction of the Corrigin Recreation & Events Centre. The \$6.3 million facility was designed by Site Architects and built by Perkins WA Pty Ltd and includes an indoor court / events area, squash courts, male and female change rooms, toilets and storage facilities, offices, meeting room, first aid room first class kitchen and function area.



Corrigin Recreation & Events Centre Opening

The Official opening of the Corrigin Recreation & Events Centre was held on the 13 March 2016 and was opened by Rick Wilson, Federal Member for O'Connor and Hon Mia Davies MLA, Member for Central Wheatbelt.

The opening was well attended by the community, who enjoyed a tour of the facility, free BBQ, free entertainment and junior exhibition matches held in the indoor court.



10 Year Road Program

2016/17			
Funding	Road	Description of Works	Budget \$
State RRG	Corrigin Narembeen Rd	Reconstruct & widen	490,000
Grain Freight	Bulyee Rd	Reconstruct & widen	611,600
Federal R2R	Dry Well Rd	Resheet	35,388
Federal R2R	Babakin Corrigin Rd	Reconstruct & widen	111,643
Federal R2R	Bilbarin Quairading Rd	Widen shoulders	126,000
Federal R2R	Lomos South	Resheet	196,951
Federal R2R	Corrigin South Rd	Widen shoulders	232,695
Federal R2R	Gill Road Intersection	Reconstruct	20,621
2017/18			
Funding	Road	Description of Works	Budget \$
State RRG	Corrigin Narembeen Rd	Reconstruct & widen	490,000
Federal R2R	Lomos North	Resheet	200,000
Federal R2R	Dry Well Rd	Resheet	119,000
Federal R2R	Parsons Rd	Resheet	200,000
2018/19			
Funding	Road	Description of Works	Budget \$
State RRG	Corrigin Narembeen Rd	Reconstruct & widen	490,000
Federal R2R	Babakin Corrigin Rd	Reconstruct & widen	300,000
Federal R2R	Bilbarin Quairading Rd	Resheet	102,000
2019/20			
Funding	Road	Description of Works	Budget \$
State RRG	Corrigin Narembeen Rd	Reconstruct & widen	490,000
Council	Bendering Road	Reconstruct & widen	200,000
Council	Goyder St	Reconstruct	150,000
2020/21			
Funding	Road	Description of Works	Budget \$
State RRG	Corrigin Narembeen Rd	Reconstruct & widen	490,000
Council	Bilbarin Quairading Rd	Widen shoulders	126,000
Council	Bullaring Pingelly Rd	Reconstruct & widen	200,000
2021/22			
Funding	Road	Description of Works	Budget \$
State RRG	Bullaring Pingelly Rd	Reconstruct & widen	490,000
Council	Bulyee Quairadin Rd	Widen Shoulders	270,000
Council	Boyd St	Reconstruct	150,000
2022/23			
Funding	Road	Description of Works	Budget \$
State RRG	Bullaring Pingelly Rd	Reconstruct & widen	490,000
Council	Dry Well Road	Resheet	121,000
Council	Jose Street	Reconstruct	200,000
2023/24			
Funding	Road	Description of Works	Budget \$
State RRG	Bullaring Pingelly Rd	Reconstruct & widen	490,000
Council	49 Gate West Rd	Resheet	175,000
Council	Gill Road	Widen shoulders	140,000



Future Years			
Funding	Road	Description of Works	Budget \$
Council	Barber Rd	Resheet	155,000
Council	49 Gate West Rd	Resheet	175,000
Council	Rafferty Rd	Resheet	280,000
Council	Fulwoods Rd	Resheet	135,000
Council	Lomos South Rd	Resheet	112,000
Council	Lomos North Rd	Resheet	142,000

Note: This program is indicative only and may be subject to change.

Council undertook the following construction works as part of the works program for the 2015/16 financial year

2014/2015 Road Construction works			
Funding	Road	Description of Works	Actual \$
State RRG	Rabbit Proof Fence Rd	Reconstruct & Widen	106,438
State RRG	Corrigin Narembeen Rd	Reconstruct & widen	390,901
Grain Freight	Bulyee Rd	Reconstruct & Widen	291,608
Federal R2R	Dry Well Rd	Resheet	166,453
Federal R2R	Dilling Railway Rd	Reconstruct & Seal	43,032
Federal R2R	Dry Well Rd	Reconstruct T Junction	86,458
Federal R2R	Barber Rd	Resheet	201,303
Federal R2R	Bendering Rd	Widen shoulders	140,140
Federal R2R	Rendell Street	Reseal and Kerb	49,259



National Competition Policy

This policy was introduced by the Commonwealth Government in 1995 to promote competition for the benefit of business, consumers and the economy by removing what was considered to be unnecessary protection of monopolies of markets where competition can be enhanced. It effects local governments as factors such as exemption from company and income tax or possible local regulations and laws may give local government a potential advantage over private contractors.

In respect to Council's responsibilities under to the National Competition Policy, the Shire reports as follows:

- No business enterprise of the Shire of Corrigin has been classified by the Australian Bureau of Statistics as either a Public Trading Enterprise or a Public Financial Enterprise.
- Competitive neutrality has not applied to any activities undertaken by the Shire in this reporting period.
- No allegations of non-compliance with the competitive neutrality principles have been made by any private entity.
- The principles of competitive neutrality will be implemented in respect of any relevant activity undertaken during the next financial reporting period.

Freedom of Information

In complying with the *Freedom of Information Act 1992*, the Shire of Corrigin is required to prepare and publish an information statement.

The Shire of Corrigin's Information Statement is reviewed annually and is available via Council's website or at the Shire administration office. The information statement contains advice on the type of documents available to the public and how to access those documents.

State Records Act

The *State Records Act 2000* requires the Shire to maintain and dispose of all records in the prescribed manner.

Principle 6 – Compliance: Government Organisations ensure their employees comply with the record keeping plan.

Rationale:

An organisation and its employees must comply with the organisation's record keeping plan. Organisations should develop and implement strategies for ensuring that each employee is aware of the compliance responsibilities.

Minimum Compliance Requirements:

The record keeping plan is to provide evidence to adduce that:

1. The efficiency and effectiveness of the organisation's record keeping system is evaluated not less than once every 5 years.
2. The organisation conducts a record keeping training program.
3. The efficiency and effectiveness of the record keeping training program is reviewed from time to time.
4. The organisation's induction program addresses employee roles and responsibilities in regard to their compliance with the organisation's record keeping plan.

The Shire has complied with items 1 to 4.



Disability Access and Inclusion Plan

Under the *Disability Services Act 1993*, all Western Australian Local Governments are required to develop and implement a Disability Access and Inclusion Plan (DAIP), addressing seven desired outcomes, to be reviewed on an annual basis and reported on to the Disability Services Commission (DSC) by 31 July each year.

Council has an endorsed DAIP which was reviewed in December 2014. Council is required to report on our present activities as they relate to the seven desired DAIP outcomes.

1. People with disability have the same opportunities as other people to access the services of, and any events organised by, the relevant public authority.
2. People with disability have the same opportunities as other people to access the buildings and other facilities of the relevant public authority.
3. People with disability receive information from the relevant public authority in a format that will enable them to access the information as readily as other people are able to access it.
4. People with disability receive the same level and quality of service from the staff of the relevant public authority.
5. People with disability have the same opportunities as other people to make complaints to the relevant public authority.
6. People with disability have the same opportunities as other people to participate in any public consultation by the relevant public authority.
7. People with disability have the same opportunities as other people to obtain and maintain employment with a public authority.

Employee Remuneration Disclosure

Regulation 19B of the *Local Government (Administration) Regulation 1996* requires the Shire to include the following information in its Annual Report:

- The number of employees of the Shire entitled to an annual salary of \$100,000 or more; and
- The number of those employees with an annual salary entitlement that falls within each band of \$10,000 over \$100,000.

Set out below, in bands of \$10,000, is the number of employees of the Shire entitled to an annual salary of \$100,000 or more for 2015/2016:

Salary Range

\$ From	\$ To	Number of Employees
110,000	119,999	
120,000	129,999	1
130,000	139,999	
140,000	149,999	
Total		1

Public Interest Disclosures

The *Public Interest Disclosures Act 2003* facilitates the disclosure of public interest information, and provides protection for those making such disclosure and those who are the subject of disclosures. The Act provides a system for the matters disclosed to be investigated and for appropriate action to be taken.



The Chief Executive Officer has complied with all obligations under the Act including:

- Appointing the Governance and Project Officer as the Public Interest Disclosure officer for the organisation and publishing an internal procedure relating to the Shire's obligation.
- Providing protection from detrimental action or the threat of detrimental action for an employee of the Shire who makes an appropriate disclosure of public interest information.

Complaints Register

Section 5.121 of the *Local Government Act 1995* requires the Annual Report to contain details of the entries made in the Complaints Register regarding complaints made about elected members.

There were no complaints lodged against elected members in the year under review.



SHIRE OF CORRIGIN
FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016



SHIRE OF CORRIGIN
FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016

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Principal place of business:
9 Lynch Street
CORRIGIN

**SHIRE OF CORRIGIN
FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016**

**LOCAL GOVERNMENT ACT 1995
LOCAL GOVERNMENT (FINANCIAL MANAGEMENT) REGULATIONS 1996**

STATEMENT BY CHIEF EXECUTIVE OFFICER

The attached financial report of the Shire being the annual financial report and other information for the financial year ended 30 June 2016 are in my opinion properly drawn up to present fairly the financial position of the Shire at 30th June 2016 and the results of the operations for the financial year then ended in accordance with the Australian Accounting Standards and comply with the provisions of the Local Government Act 1995 and the regulations under that Act.

Signed as authorisation of issue on the

9th day of December 2016



Rob Paul
Chief Executive Officer

SHIRE OF CORRIGIN
STATEMENT OF COMPREHENSIVE INCOME
BY NATURE OR TYPE
FOR THE YEAR ENDED 30TH JUNE 2016

	NOTE	2016 \$	2016 Budget \$	2015 \$
Revenue				
Rates	22	2,209,902	2,224,822	2,115,202
Operating grants, subsidies and contributions	29	1,412,899	1,559,183	3,751,291
Fees and charges	28	575,211	630,047	589,874
Interest earnings	2(a)	69,392	91,055	173,240
Other revenue	2(a)	78,628	37,226	110,852
		<u>4,346,032</u>	<u>4,542,333</u>	<u>6,740,459</u>
Expenses				
Employee costs		(2,225,291)	(2,137,244)	(2,253,200)
Materials and contracts		(1,258,940)	(1,820,589)	(1,407,370)
Utility charges		(296,714)	(333,606)	(289,827)
Depreciation on non-current assets	2(a)	(3,178,058)	(2,251,750)	(2,221,830)
Interest expenses	2(a)	(106,336)	(115,535)	(111,674)
Insurance expenses		(248,695)	(254,741)	(272,635)
Other expenditure		(118,957)	(136,489)	(62,336)
		<u>(7,432,991)</u>	<u>(7,049,954)</u>	<u>(6,618,872)</u>
		(3,086,959)	(2,507,621)	121,588
Non-operating grants, subsidies and contributions	29	1,806,771	2,360,245	2,921,315
Profit on asset disposals	20	26,854	22,880	70,805
(Loss) on asset disposals	20	(5,572)	(2,567)	(20,588)
Net result		<u>(1,258,906)</u>	<u>(127,063)</u>	<u>3,093,120</u>
Other comprehensive income				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Changes on revaluation of non-current assets	12	(170,175)	0	104,636,217
Total other comprehensive income		<u>(170,175)</u>	<u>0</u>	<u>104,636,217</u>
Total comprehensive income		<u><u>(1,429,081)</u></u>	<u><u>(127,063)</u></u>	<u><u>107,729,337</u></u>

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

SHIRE OF CORRIGIN
STATEMENT OF COMPREHENSIVE INCOME
BY PROGRAM
FOR THE YEAR ENDED 30TH JUNE 2016

	NOTE	2016 \$	2016 Budget \$	2015 \$
Revenue	2(a)			
Governance		5,644	1,500	6,053
General purpose funding		3,143,589	3,226,637	4,910,238
Law, order, public safety		58,598	44,125	40,693
Health		161,135	277,069	257,669
Education and welfare		164,531	154,342	179,116
Housing		89,088	98,960	94,656
Community amenities		220,697	214,867	224,032
Recreation and culture		107,640	65,115	474,718
Transport		171,444	178,217	226,132
Economic services		46,228	64,665	62,672
Other property and services		177,438	216,836	264,480
		<u>4,346,032</u>	<u>4,542,333</u>	<u>6,740,459</u>
Expenses	2(a)			
Governance		(622,969)	(725,572)	(642,091)
General purpose funding		(51,519)	(53,179)	(42,652)
Law, order, public safety		(153,148)	(131,555)	(130,580)
Health		(722,610)	(791,035)	(750,073)
Education and welfare		(375,486)	(379,460)	(355,239)
Housing		(83,169)	(102,134)	(116,375)
Community amenities		(590,825)	(560,952)	(532,152)
Recreation and culture		(1,632,661)	(1,357,938)	(1,245,302)
Transport		(2,643,904)	(2,290,918)	(2,245,337)
Economic services		(272,714)	(363,232)	(271,772)
Other property and services		(177,650)	(178,444)	(175,624)
		<u>(7,326,655)</u>	<u>(6,934,419)</u>	<u>(6,507,197)</u>
Finance costs	2(a)			
Community amenities		(17,205)	(23,451)	(19,614)
Recreation and culture		(89,131)	(92,084)	(92,060)
		<u>(106,336)</u>	<u>(115,535)</u>	<u>(111,674)</u>
		(3,086,959)	(2,507,621)	121,588
Non-operating grants, subsidies and contributions	29	1,806,771	2,360,245	2,921,315
Profit on disposal of assets	20	26,854	22,880	70,805
(Loss) on disposal of assets	20	(5,572)	(2,567)	(20,588)
Net result		<u>(1,258,906)</u>	<u>(127,063)</u>	<u>3,093,120</u>
Other comprehensive income				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Changes on revaluation of non-current assets	12	(170,175)	0	104,636,217
Total other comprehensive income		<u>(170,175)</u>	<u>0</u>	<u>104,636,217</u>
Total comprehensive income		<u>(1,429,081)</u>	<u>(127,063)</u>	<u>107,729,337</u>

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

**SHIRE OF CORRIGIN
STATEMENT OF FINANCIAL POSITION
AS AT 30TH JUNE 2016**

	NOTE	2016 \$	2015 \$
CURRENT ASSETS			
Cash and cash equivalents	3	2,125,083	5,157,518
Trade and other receivables	4	294,696	138,508
Inventories	5	<u>104,837</u>	<u>102,562</u>
TOTAL CURRENT ASSETS		<u>2,524,616</u>	<u>5,398,588</u>
NON-CURRENT ASSETS			
Other receivables	4	7,530	7,530
Inventories	5	1,580,000	1,610,000
Property, plant and equipment	6	27,058,939	25,439,189
Infrastructure	7	<u>121,775,902</u>	<u>121,950,875</u>
TOTAL NON-CURRENT ASSETS		<u>150,422,371</u>	<u>149,007,594</u>
TOTAL ASSETS		<u>152,946,987</u>	<u>154,406,182</u>
CURRENT LIABILITIES			
Trade and other payables	8	356,837	304,249
Current portion of long term borrowings	9	155,953	147,678
Provisions	10	<u>497,573</u>	<u>443,294</u>
TOTAL CURRENT LIABILITIES		<u>1,010,363</u>	<u>895,221</u>
NON-CURRENT LIABILITIES			
Long term borrowings	9	1,945,368	2,101,320
Provisions	10	<u>37,585</u>	<u>26,889</u>
TOTAL NON-CURRENT LIABILITIES		<u>1,982,953</u>	<u>2,128,209</u>
TOTAL LIABILITIES		<u>2,993,316</u>	<u>3,023,430</u>
NET ASSETS		<u>149,953,671</u>	<u>151,382,752</u>
EQUITY			
Retained surplus		32,895,808	32,588,295
Reserves - cash backed	11	1,299,013	2,865,432
Revaluation surplus	12	<u>115,758,850</u>	<u>115,929,025</u>
TOTAL EQUITY		<u>149,953,671</u>	<u>151,382,752</u>

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

**SHIRE OF CORRIGIN
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30TH JUNE 2016**

	NOTE	RETAINED SURPLUS \$	RESERVES CASH BACKED \$	REVALUATION SURPLUS \$	TOTAL EQUITY \$
Balance as at 1 July 2014		25,983,906	6,376,701	11,292,808	43,653,415
Comprehensive income					
Net result		3,093,120	0	0	3,093,120
Changes on revaluation of assets	12	0	0	104,636,217	104,636,217
Total comprehensive income		3,093,120	0	104,636,217	107,729,337
Transfers from/(to) reserves		3,511,269	(3,511,269)	0	0
		32,588,295	2,865,432	115,929,025	151,382,752
Balance as at 30 June 2015					
Comprehensive income					
Net result		(1,258,906)	0	0	(1,258,906)
Changes on revaluation of assets	12	0	0	(170,175)	(170,175)
Total comprehensive income		(1,258,906)	0	(170,175)	(1,429,081)
Transfers from/(to) reserves		1,566,419	(1,566,419)	0	0
		32,895,808	1,299,013	115,758,850	149,953,671
Balance as at 30 June 2016					

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

**SHIRE OF CORRIGIN
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30TH JUNE 2016**

	NOTE	2016 Actual \$	2016 Budget \$	2015 Actual \$
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts				
Rates		2,190,141	2,224,822	2,108,282
Operating grants, subsidies and contributions		1,276,472	1,559,183	3,734,837
Fees and charges		575,211	871,216	587,374
Interest earnings		69,392	91,055	173,240
Goods and services tax		647,070	450,000	808,821
Other revenue		108,630	37,226	110,582
		<u>4,866,916</u>	<u>5,233,502</u>	<u>7,523,136</u>
Payments				
Employee costs		(2,142,123)	(2,137,244)	(2,095,471)
Materials and contracts		(1,247,909)	(2,762,986)	(1,395,186)
Utility charges		(296,714)	(333,606)	(289,827)
Interest expenses		(108,516)	(115,535)	(116,029)
Insurance expenses		(248,695)	(254,741)	(272,635)
Goods and services tax		(623,803)	(450,000)	(808,821)
Other expenditure		(118,957)	(136,489)	(62,331)
		<u>(4,786,717)</u>	<u>(6,190,601)</u>	<u>(5,040,300)</u>
Net cash provided by (used in) operating activities	13(b)	80,199	(957,099)	2,482,836
CASH FLOWS FROM INVESTING ACTIVITIES				
Payments for purchase of property, plant & equipment		(3,190,330)	(3,201,751)	(5,627,678)
Payments for construction of infrastructure		(1,692,081)	(2,073,666)	(1,713,031)
Non-operating grants, subsidies and contributions		1,806,771	2,360,245	2,921,315
Proceeds from sale of fixed assets		110,683	159,773	405,803
Net cash provided by (used in) investment activities		<u>(2,964,957)</u>	<u>(2,755,399)</u>	<u>(4,013,591)</u>
CASH FLOWS FROM FINANCING ACTIVITIES				
Repayment of debentures		(147,677)	(139,850)	(139,850)
Net cash provided by (used in) financing activities		<u>(147,677)</u>	<u>(139,850)</u>	<u>(139,850)</u>
Net increase (decrease) in cash held		(3,032,435)	(3,852,348)	(1,670,605)
Cash at beginning of year		5,157,518	5,157,518	6,828,123
Cash and cash equivalents at the end of the year	13(a)	<u><u>2,125,083</u></u>	<u><u>1,305,170</u></u>	<u><u>5,157,518</u></u>

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

**SHIRE OF CORRIGIN
RATE SETTING STATEMENT
FOR THE YEAR ENDED 30TH JUNE 2016**

NOTE	2016 Actual \$	2016 Budget \$	2015 Actual \$
Net current assets at start of financial year - surplus/(deficit)	<u>1,735,611</u> 1,735,611	<u>1,590,858</u> 1,590,858	<u>46,656</u> 46,656
Revenue from operating activities (excluding rates)			
Governance	5,644	1,500	6,053
General purpose funding	933,687	1,001,815	2,795,036
Law, order, public safety	58,598	44,125	40,693
Health	165,914	313,920	257,678
Education and welfare	164,531	154,342	179,116
Housing	89,088	98,960	94,656
Community amenities	220,697	214,867	224,032
Recreation and culture	107,640	65,115	474,718
Transport	188,423	193,183	284,472
Economic services	46,228	64,665	62,672
Other property and services	182,534	224,750	276,935
	<u>2,162,984</u>	<u>2,377,242</u>	<u>4,696,061</u>
Expenditure from operating activities			
Governance	(622,969)	(725,572)	(642,091)
General purpose funding	(51,519)	(53,179)	(42,652)
Law, order, public safety	(153,148)	(131,555)	(130,580)
Health	(722,610)	(828,776)	(750,073)
Education and welfare	(375,486)	(379,460)	(355,239)
Housing	(83,169)	(102,134)	(116,375)
Community amenities	(608,030)	(584,403)	(551,767)
Recreation and culture	(1,721,792)	(1,450,022)	(1,337,362)
Transport	(2,643,904)	(2,290,918)	(2,265,925)
Economic services	(272,714)	(363,232)	(271,772)
Other property and services	(183,220)	(180,122)	(175,620)
	<u>(7,438,561)</u>	<u>(7,089,373)</u>	<u>(6,639,456)</u>
Operating activities excluded from budget			
(Profit) on disposal of assets	20	(26,854)	(22,880)
Loss on disposal of assets	20	5,572	2,567
Movement in rates outstanding - Pensioners (non-current)		0	0
Movement in land held for resale (non-current)		30,000	0
Movement in employee benefit provisions (non-current)		10,696	0
Depreciation on assets	2(a)	3,178,058	2,251,750
Amount attributable to operating activities		<u>(342,494)</u>	<u>(889,836)</u>
INVESTING ACTIVITIES			
Non-operating grants, subsidies and contributions		1,806,771	2,360,245
Proceeds from disposal of assets	20	110,683	159,773
Purchase of property, plant and equipment	6(b)	(3,190,330)	(3,201,751)
Purchase and construction of infrastructure	7(b)	(1,692,081)	(2,073,665)
Amount attributable to investing activities		<u>(2,964,957)</u>	<u>(2,755,398)</u>
FINANCING ACTIVITIES			
Repayment of debentures	21(a)	(147,677)	(139,850)
Transfers to reserves (restricted assets)	11	(65,301)	(92,055)
Transfers from reserves (restricted assets)	11	1,631,720	1,652,317
Amount attributable to financing activities		<u>1,418,742</u>	<u>1,420,412</u>
Surplus(deficiency) before general rates		<u>(1,888,709)</u>	<u>(379,591)</u>
Total amount raised from general rates	22	<u>2,209,902</u>	<u>2,224,822</u>
Net current assets at June 30 c/fwd - surplus/(deficit)	23	<u><u>321,193</u></u>	<u><u>0</u></u>
		<u><u>1,735,611</u></u>	<u><u>1,735,611</u></u>

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

SHIRE OF CORRIGIN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) 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), Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board, the Local Government Act 1995 and accompanying regulations. Material accounting policies which have been adopted in the preparation of this financial report are presented below and have been consistently applied unless stated otherwise.

Except for cash flow and rate setting information, the report has been prepared on the accrual basis and is based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and liabilities.

Critical accounting estimates

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

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

The local government reporting entity

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

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

All monies held in the Trust Fund are excluded from the financial statements. A separate statement of those monies appears at Note 19 to these financial statements.

(b) 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.

(c) 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 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.

SHIRE OF CORRIGIN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) 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.

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.

Collectability of trade and other receivables is reviewed on an ongoing basis. Debts that are known to be uncollectible are written off when identified. An allowance for doubtful debts is raised when there is objective evidence that they will not be collectible.

(e) Inventories

General

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

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

Land held for sale

Land held for development and sale is valued at the lower of cost and net realisable value. Cost includes the cost of acquisition, development, borrowing costs and holding costs until completion of development. Finance costs and holding charges incurred after development is completed are expensed.

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

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

(f) Fixed Assets

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

Mandatory requirement to revalue non-current assets

Effective from 1 July 2012, the Local Government (Financial Management) Regulations were amended and the measurement of non-current assets at Fair Value became mandatory.

During the year ended 30 June 2013, the Shire commenced the process of adopting Fair Value in accordance with the Regulations.

Whilst the amendments initially allowed for a phasing in of fair value in relation to fixed assets over three years, as at 30 June 2015 all non-current assets were carried at Fair Value in accordance with the requirements.

Thereafter, each asset class must be revalued in accordance with the regulatory framework established and the Shire revalues its asset classes in accordance with this mandatory timetable.

Relevant disclosures, in accordance with the requirements of Australian Accounting Standards, have been made in the financial report as necessary.

SHIRE OF CORRIGIN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Fixed Assets (Continued)

Land under control

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

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

Initial recognition and measurement between mandatory revaluation dates

All assets are initially recognised at cost and subsequently revalued in accordance with the mandatory measurement framework detailed above.

In relation to this initial measurement, cost is determined as the fair value of the assets given as consideration plus costs incidental to the acquisition. For assets acquired at no cost or for nominal consideration, cost is determined as fair value at the date of acquisition. The cost of non-current assets constructed by the Shire includes the cost of all materials used in construction, direct labour on the project and an appropriate proportion of variable and fixed overheads.

Individual assets acquired between initial recognition and the next revaluation of the asset class in accordance with the mandatory measurement framework detailed above, are carried at cost less accumulated depreciation as management believes this approximates fair value. They will be subject to subsequent revaluation at the next anniversary date in accordance with the mandatory measurement framework detailed above.

Revaluation

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 asset are recognised against revaluation surplus directly in equity. All other decreases are recognised in profit or loss.

Land under roads

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

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

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

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

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

SHIRE OF CORRIGIN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Fixed Assets (Continued)

Depreciation

The depreciable amount of all fixed assets including buildings but excluding freehold 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.

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) Restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount; or
- b) Eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

Major depreciation periods used for each class of depreciable asset are:

Buildings	30 to 50 years
Furniture and equipment	4 to 10 years
Plant and equipment	5 to 15 years
Sealed roads and streets	
formation	not depreciated
pavement	50 years
seal	
- bituminous seals	20 years
- asphalt surfaces	25 years
Gravel roads	
formation	not depreciated
pavement	50 years
Formed roads (unsealed)	
formation	not depreciated
pavement	50 years
Footpaths - slab	20 years
Sewerage piping	100 years
Water supply piping and drainage systems	75 years
Parks & Gardens	20 to 40 years

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.

SHIRE OF CORRIGIN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Fixed Assets (Continued)

Capitalisation threshold

Council has adopted the following capitalisation thresholds for each classification of property, plant, equipment and infrastructure assets as below;

Land	Nil
Buildings	\$2,000
Plant & Equipment	\$2,000
Furniture & Equipment	\$2,000
Infrastructure - Roads	\$5,000
Infrastructure – Drainage	\$5,000
Infrastructure – Parks & Gardens	\$5,000
Infrastructure – Footpaths and Cycle-ways	\$5,000
Infrastructure – Airports	\$5,000*
Infrastructure – Sewerage	\$5,000
Infrastructure – Other	\$5,000

*Airports have various components, such as building and plant and equipment and the thresholds applicable to these components should be applied to each component.

(g) Fair Value of Assets and Liabilities

When performing a revaluation, the Shire uses a mix of both independent and management valuations using the following as a guide:

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.

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.

SHIRE OF CORRIGIN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Fair Value of Assets and Liabilities (continued)

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 an asset at its current service capacity.

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.

As detailed above, the mandatory measurement framework imposed by the Local Government (Financial Management) Regulations requires, as a minimum, all assets carried at a revalued amount to be revalued in accordance with the regulatory framework.

(h) Financial Instruments

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the Shire becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the Shire commits itself to either the purchase or sale of the asset (i.e. trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified 'at fair value through profit or loss', in which case transaction costs are expensed to profit or loss immediately.

Classification and subsequent measurement

Financial instruments are subsequently measured at fair value, amortised cost using the effective interest rate method, or at cost.

SHIRE OF CORRIGIN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Financial Instruments (Continued)

Amortised cost is calculated as:

- (a) the amount in which the financial asset or financial liability is measured at initial recognition;
- (b) less principal repayments and any reduction for impairment; and initially recognised and the maturity amount calculated using the effective interest rate method.

The effective interest method is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense in profit or loss.

(i) Financial assets at fair value through profit and loss

Financial assets are classified at "fair value through profit or loss" when they are held for trading for the purpose of short-term profit taking. Such assets are subsequently measured at fair value with changes in carrying amount being included in profit or loss. Assets in this category are classified as current assets.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss.

Loans and receivables are included in current assets where they are expected to mature within 12 months after the end of the reporting period.

(iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed maturities and fixed or determinable payments that the Shire has the positive intention and ability to hold to maturity. They are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss.

Held-to-maturity investments are included in current assets, where they are expected to mature within 12 months after the end of the reporting period. All other investments are classified as non-current.

(iv) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either not suitable to be classified into other categories of financial assets due to their nature, or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

They are subsequently measured at fair value with changes in such fair value (i.e. gains or losses) recognised in other comprehensive income (except for impairment losses). When the financial asset is derecognised, the cumulative gain or loss pertaining to that asset previously recognised in other comprehensive income is reclassified into profit or loss.

Available-for-sale financial assets are included in current assets, where they are expected to be sold within 12 months after the end of the reporting period. All other available-for-sale financial assets are classified as non-current.

(v) Financial liabilities

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

SHIRE OF CORRIGIN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Financial Instruments (Continued)

Impairment

A financial asset is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events (a "loss event") having occurred, which will have an impact on the estimated future cash flows of the financial asset(s).

In the case of available-for-sale financial assets, a significant or prolonged decline in the market value of the instrument is considered a loss event. Impairment losses are recognised in profit or loss immediately. Also, any cumulative decline in fair value previously recognised in other comprehensive income is reclassified to profit or loss at this point.

In the case of financial assets carried at amortised cost, loss events may include: indications that the debtors or a group of debtors are experiencing significant financial difficulty, default or delinquency in interest or principal payments; indications that they will enter bankruptcy or other financial reorganisation; and changes in arrears or economic conditions that correlate with defaults.

For financial assets carried at amortised cost (including loans and receivables), a separate allowance account is used to reduce the carrying amount of financial assets impaired by credit losses. After having taken all possible measures of recovery, if management establishes that the carrying amount cannot be recovered by any means, at that point the written-off amounts are charged to the allowance account or the carrying amount of impaired financial assets is reduced directly if no impairment amount was previously recognised in the allowance account.

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expire or the asset is transferred to another party whereby the Shire no longer has any significant continual involvement in the risks and benefits associated with the asset.

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.

(i) Impairment of Assets

In accordance with Australian Accounting Standards the Shire's 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 assets such as roads, drains, public buildings and the like, value in use is represented by the depreciated replacement cost of the asset.

(j) 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.

SHIRE OF CORRIGIN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Other long-term employee benefits

Provision is made for employees' long service leave and annual leave entitlements not expected to be settled wholly within 12 months after the end of the annual reporting period in which the employees render the related service. Other long-term employee benefits are measured at the present value of the expected future payments to be made to employees. Expected future payments incorporate anticipated future wage and salary levels, durations of service and employee departures and are discounted at rates determined by reference to market yields at the end of the reporting period on government bonds that have maturity dates that approximate the terms of the obligations. 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.

(l) 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.

(m) 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.

(n) Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not legal ownership, are transferred to the Shire, are classified as finance leases.

Finance leases are capitalised recording an asset and a liability at the lower amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight line basis over the shorter of their estimated useful lives or the lease term.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

Lease incentives under operating leases are recognised as a liability and amortised on a straight line basis over the life of the lease term.

SHIRE OF CORRIGIN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) Investment in Associates

An associate is an entity over which the Shire has significant influence. Significant influence is the power to participate in the financial operating policy decisions of that entity but is not control or joint control of those policies. Investments in associates are accounted for in the financial statements by applying the equity method of accounting, whereby the investment is initially recognised at cost and adjusted thereafter for the post-acquisition change in the Shire's share of net assets of the associate. In addition, the Shire's share of the profit or loss of the associate is included in the Shire's profit or loss.

The carrying amount of the investment includes, where applicable, goodwill relating to the associate. Any discount on acquisition, whereby the Shire's share of the net fair value of the associate exceeds the cost of investment, is recognised in profit or loss in the period in which the investment is acquired.

Profits and losses resulting from transactions between the Shire and the associate are eliminated to the extent of the Shire's interest in the associate.

When the Shire's share of losses in an associate equals or exceeds its interest in the associate, the Shire discontinues recognising its share of further losses unless it has incurred legal or constructive obligations or made payments on behalf of the associate. When the associate subsequently makes profits, the Shire will resume recognising its share of those profits once its share of the profits equals the share of the losses not recognised.

(p) Interests in Joint Arrangements

Joint arrangements represent the contractual sharing of control between parties in a business venture where unanimous decisions about relevant activities are required.

Separate joint venture entities providing joint venturers with an interest to net assets are classified as a joint venture and accounted for using the equity method. Refer to note 1(o) for a description of the equity method of accounting.

Joint venture operations represent arrangements whereby joint operators maintain direct interests in each asset and exposure to each liability of the arrangement. The Shire's interests in the assets, liabilities, revenue and expenses of joint operations are included in the respective line items of the financial statements. Information about the joint ventures is set out in Note 16.

(q) Rates, Grants, Donations and Other Contributions

Rates, grants, donations and other contributions are recognised as revenues when the local government obtains control over the assets comprising the contributions.

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

Where contributions recognised as revenues during the reporting period were obtained on the condition that they be expended in a particular manner or used over a particular period, and those conditions were undischarged as at the reporting date, the nature of and amounts pertaining to those undischarged conditions are disclosed in Note 2(c). That note also discloses the amount of contributions recognised as revenues in a previous reporting period which were obtained in respect of the local government's operations for the current reporting period.

(r) 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.

SHIRE OF CORRIGIN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(s) Current and Non-Current Classification

In the determination of whether an asset or liability is current or non-current, consideration is given to the time when each asset or liability is expected to be settled. 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 even if not expected to be realised in the next 12 months except for land held for sale where it is held as non-current based on the Shire's intentions to release for sale.

(t) Rounding Off Figures

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

(u) 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 statement, 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.

(v) 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.

**SHIRE OF CORRIGIN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016**

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(w) New Accounting Standards and Interpretations for Application in Future Periods

The AASB has issued a number of new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods, some of which are relevant to the Shire.

Management's assessment of the new and amended pronouncements that are relevant to the Shire, applicable to future reporting periods and which have not yet been adopted are set out as follows:

Title	Issued / Compiled	Applicable ⁽¹⁾	Impact
(i) AASB 9 Financial Instruments (incorporating AASB 2014-7 and AASB 2014-8)	December 2014	1 January 2018	Nil – The objective of this Standard is to improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. Given the nature of the financial assets of the Shire, it is not anticipated the Standard will have any material effect.
(ii) AASB 15 Revenue from Contracts with Customers	December 2014	1 January 2018	<p>This Standard establishes principles for entities to apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer.</p> <p>The effect of this Standard will depend upon the nature of future transactions the Shire has with those third parties it has dealings with. It may or may not be significant.</p>
(iii) AASB 16 Leases	February 2016	1 January 2019	<p>Under AASB 16 there is no longer a distinction between finance and operating leases. Lessees will now bring to account a right-to-use asset and lease liability onto their statement of financial position for all leases. Effectively this means the vast majority of operating leases as defined by the current AASB 117 Leases which currently do not impact the statement of financial position will be required to be capitalised on the statement of financial position once AASB 16 is adopted.</p> <p>Currently, operating lease payments are expensed as incurred. This will cease and will be replaced by both depreciation and interest charges. Based on the current number of operating leases held by the Shire, the impact is not expected to be significant.</p>

SHIRE OF CORRIGIN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(w) New Accounting Standards and Interpretations for Application in Future Periods (Continued)

Title	Issued / Compiled	Applicable ⁽¹⁾	Impact
(iv) AASB 2014-3 Amendments to Australian Accounting Standards - Accounting for Acquisitions of Interests in Joint Operations [AASB 1 & AASB 11]	August 2014	1 January 2016	This Standard amends AASB 11: <i>Joint Arrangements</i> to require the acquirer of an interest (both initial and additional) in a joint operation in which the activity constitutes a business, as defined in AASB 3: <i>Business Combinations</i> , to apply all of the principles on business combinations accounting in AASB 3 and other Australian Accounting Standards except for those principles that conflict with the guidance in AASB 11; and disclose the information required by AASB 3 and other Australian Accounting Standards for business combinations. Since adoption of this Standard would impact only acquisitions of interests in joint operations on or after 1 January 2016, management believes it is impracticable at this stage to provide a reasonable estimate of such impact on the Shire's financial statements.
(v) AASB 2014-4 Amendments to Australian Accounting Standards - Clarification of Acceptable Methods of Depreciation and Amortisation [AASB 116 & 138]	August 2014	1 January 2016	This Standard amends AASB 116 and AASB 138 to establish the principle for the basis of depreciation and amortisation as being the expected pattern of consumption of the future economic benefits of an asset. It also clarifies the use of revenue-based methods to calculate the depreciation of an asset is not appropriate nor is revenue generally an appropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. Given the Shire currently uses the expected pattern of consumption of the future economic benefits of an asset as the basis of calculation of depreciation, it is not expected to have a significant impact.
(vi) AASB 2014-5 Amendments to Australian Accounting Standards arising from AASB 15	December 2014	1 January 2017	Consequential changes to various Standards arising from the issuance of AASB 15. It will require changes to reflect the impact of AASB 15.

**SHIRE OF CORRIGIN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016**

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(w) New Accounting Standards and Interpretations for Application in Future Periods (Continued)

Title	Issued / Compiled	Applicable ⁽¹⁾	Impact
(vii) AASB 2015-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101 [AASB 7, 101, 134 & 1049]	January 2015	1 January 2016	<p>This Standard amends AASB 101 to provide clarification regarding the disclosure requirements in AASB 101. Specifically, the Standard proposes narrow-focus amendments to address some of the concerns expressed about existing presentation and disclosure requirements and to ensure entities are able to use judgement when applying a Standard in determining what information to disclose in their financial statements.</p> <p>This Standard also makes editorial and consequential amendments as a result of amendments to the Standards listed in the title column.</p> <p>It is not anticipated it will have any significant impact on disclosures as they currently exist and any changes will relate to presentation.</p>
(viii) AASB 2015-6 Amendments to Australian Accounting Standards - Extending Related Party Disclosures to Not-for-Profit Public Sector Entities [AASB 10, 124 & 1049]	March 2015	1 July 2016	<p>The objective of this Standard is to extend the scope of AASB 124 <i>Related Party Disclosures</i> to include not-for-profit sector entities.</p> <p>The Standard is expected to have a significant disclosure impact on the financial report of the Shire as both Elected Members and Senior Management will be deemed to be Key Management Personnel and resultant disclosures will be necessary.</p>

Notes:

⁽¹⁾ Applicable to reporting periods commencing on or after the given date.

**SHIRE OF CORRIGIN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016**

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(x) Adoption of New and Revised Accounting Standards

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

These new and revised standards were as follows:

- (i) AASB 2015-3 Amendments to Australian Accounting Standards arising from the withdrawal of AASB 1031 Materiality
- (ii) AASB 2015-7 Amendments to Australian Accounting Standards - Fair Value Disclosures of Not-for-Profit Public Sector Entities

SHIRE OF CORRIGIN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016

2. REVENUE AND EXPENSES (Continued)

(b) Statement of Objective

In order to discharge its responsibilities to the community, the Shire has developed a set of operational and financial objectives. These objectives have been established both on an overall basis, reflected by the Shire's Community Vision, and for each of its broad activities/programs.

COMMUNITY VISION

The Shire will endeavour to provide the community services and facilities to meet the needs of the members of the community and enable them to enjoy a pleasant and healthy way of life. Shire operations as disclosed in these financial statements encompass the following service orientated activities/programs.

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

GOVERNANCE

Objective:

To provide a decision making process for the efficient allocation of scarce resources.

Activities:

Includes the activities of members of council and the administrative support available to the council for the provision of governance of the district. Other costs relate to the task of assisting elected members and ratepayers on matters which do not concern specific council services.

GENERAL PURPOSE FUNDING

Objective:

To collect revenue to allow for the provision of services.

Activities:

Rates, general purpose government grants and interest revenue.

LAW, ORDER, PUBLIC SAFETY

Objective:

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

Activities:

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

HEALTH

Objective:

To provide an operational framework for environmental and community health.

Activities:

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

EDUCATION AND WELFARE

Objective:

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

Activities:

Maintenance of child minding centre, playgroup centre, senior citizen centre and aged care centre. Provision and maintenance of home and community care programs and youth services.

HOUSING

Objective:

To provide and maintain elderly residents housing.

Activities:

Provision and maintenance of elderly residents housing.

SHIRE OF CORRIGIN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016

2. REVENUE AND EXPENSES (Continued)

(b) Statement of Objective (Continued)

COMMUNITY AMENITIES

Objective:

To provide services required by the community.

Activities:

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

RECREATION AND CULTURE

Objective:

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

Activities:

Maintenance of public halls, civic centres, aquatic centre, beaches, recreation centres and various sporting facilities. Provision and maintenance of parks, gardens and playgrounds. Operation of library, museum and other cultural facilities.

TRANSPORT

Objective:

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

Activities:

Construction and maintenance of roads, streets, footpaths, depots, cycle ways, parking facilities and

ECONOMIC SERVICES

Objective:

To help promote the shire and its economic wellbeing.

Activities:

Tourism and area promotion including the maintenance and operation of a caravan park. Provision of rural services including weed control, vermin control and standpipes. Building Control.

OTHER PROPERTY AND SERVICES

Objective:

To monitor and control Shire's overheads operating accounts.

Activities:

Private works operation, plant repair and operation costs and engineering operation costs.

SHIRE OF CORRIGIN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016

2. REVENUE AND EXPENSES (Continued)

(c) Conditions Over Grants/Contributions

Grant/Contribution	Function/ Activity	Opening Balance ⁽¹⁾ 1/07/14 \$	Received ⁽²⁾ 2014/15 \$	Expended ⁽³⁾ 2014/15 \$	Closing Balance ⁽¹⁾ 30/06/15 \$	Received ⁽²⁾ 2015/16 \$	Expended ⁽³⁾ 2015/16 \$	Closing Balance 30/06/16 \$
Royalties for regions	General Purpose Funding	531,106	900,000	(1,099,513)	331,593	0	(331,593)	0
Resource Centre	Education & Welfare	0	17,308	(7,790)	9,518	0	(9,518)	0
Workforce Planning Funding	General Purpose Funding	25,000	0	(25,000)	0	0	0	0
Tabacco Grant Funding	Health	5,000	0	(5,000)	0	0	0	0
Age-Friendly Community Funding	Education & Welfare	0	10,000	0	10,000	0	(10,000)	0
CSRFF - CREC Funding	Recreation	0	477,273	(202,355)	274,918	159,091	(434,009)	0
RDAF - CREC Funding	Recreation	0	225,000	(225,000)	0	225,000	(225,000)	0
Lotterywest Funding - CREC	Recreation	0	363,636	0	363,636	0	(363,636)	0
Total		<u>561,106</u>	<u>1,993,217</u>	<u>(1,564,658)</u>	<u>989,665</u>	<u>384,091</u>	<u>(1,373,756)</u>	<u>0</u>

Notes:

(1) - Grants/contributions recognised as revenue in a previous reporting period which were not expended at the close of the previous reporting period.

(2) - New grants/contributions which were recognised as revenues during the reporting period and which had not yet been fully expended in the manner specified by the contributor.

(3) - Grants/contributions which had been recognised as revenues in a previous reporting period or received in the current reporting period and which were expended in the current reporting period in the manner specified by the contributor.

	2016	2015
Transfer to Reserves	\$ -	\$ 331,593
Muni funds Restricted in Note 3	\$ -	\$ 658,072
	<u>\$ -</u>	<u>\$ 989,665</u>

SHIRE OF CORRIGIN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016

	Note	2016 \$	2015 \$
3. CASH AND CASH EQUIVALENTS			
Unrestricted		826,070	1,634,014
Restricted		<u>1,299,013</u>	<u>3,523,504</u>
		<u><u>2,125,083</u></u>	<u><u>5,157,518</u></u>
The following restrictions have been imposed by regulations or other externally imposed requirements:			
Employee Entitlement Reserve	11	118,443	115,738
Community Bus Reserve	11	12,166	11,888
Staff Housing Reserve	11	70,009	84,670
Office Equipment Reserve	11	899	878
Plant Replacement Reserve	11	411,301	780,333
Swimming Pool Reserve	11	967	945
Roadworks Reserve	11	548,652	747,375
Land Subdivision Reserve	11	47,899	46,805
Townscape Reserve	11	2,438	2,382
Medical Reserve	11	4,334	4,235
LGCHP Housing Reserve	11	9,620	9,400
Community Development Reserve	11	164	577,439
Rockview Land Reserve	11	2,528	2,470
Royalties for Regions Reserve	11	0	331,593
Senior Citizens Units Reserve	11	0	53,936
Town Hall Reserve	11	69,558	58,183
Child Care Reserve	11	35	4,178
CREC Loan Reserve	11	0	32,984
Unspent grants	2(c)	0	658,072
		<u><u>1,299,013</u></u>	<u><u>3,523,504</u></u>
4. TRADE AND OTHER RECEIVABLES			
Current			
Rates outstanding		77,767	58,006
Sundry debtors		218,801	78,135
ESL Receivable		128	4,367
Provision for Doubtful Debts		<u>(2,000)</u>	<u>(2,000)</u>
		<u><u>294,696</u></u>	<u><u>138,508</u></u>
Non-current			
Rates outstanding - pensioners		<u>7,530</u>	<u>7,530</u>
		<u><u>7,530</u></u>	<u><u>7,530</u></u>
5. INVENTORIES			
Current			
Fuel and materials		54,837	52,562
Land held for resale			
- Land and development costs		<u>50,000</u>	<u>50,000</u>
		<u><u>104,837</u></u>	<u><u>102,562</u></u>
Non-current			
Land held for resale			
- Land and development costs		<u>1,580,000</u>	<u>1,610,000</u>
		<u><u>1,580,000</u></u>	<u><u>1,610,000</u></u>

SHIRE OF CORRIGIN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016

	2016	2015
	\$	\$
6 (a). PROPERTY, PLANT AND EQUIPMENT		
Land and buildings		
Land - freehold at:		
- Independent Valuation 2014 - Level 2	<u>2,043,895</u>	<u>2,043,895</u>
	2,043,895	2,043,895
Land - vested in and under the control of Council at:		
- Independent Valuation 2016 - Level 3	<u>16,000</u>	<u>0</u>
	16,000	0
	<u>2,059,895</u>	<u>2,043,895</u>
Buildings - specialised at:		
- Independent Valuation 2014 - Level 2	13,835,682	13,835,682
- Additions after valuation cost	8,491,943	1,934,425
Less: accumulated depreciation	<u>(1,562,403)</u>	<u>(790,893)</u>
	20,765,222	14,979,214
	<u>20,765,222</u>	<u>14,979,214</u>
Total land and buildings	<u>22,825,117</u>	<u>17,023,109</u>
Furniture and equipment at:		
- Independent valuation 2016- level 3	231,644	0
- At Cost	0	770,090
Less accumulated depreciation	<u>0</u>	<u>(609,961)</u>
	231,644	160,129
Plant and equipment at:		
- Management valuation 2016 - level 3	59,652	0
- Management valuation 2013 - level 2	0	4,758,587
- Independent valuation 2016- level 2	3,404,576	0
- Independent valuation 2016- level 3	537,950	0
- Additions after valuation - cost	0	687,078
Less accumulated depreciation	<u>0</u>	<u>(1,171,805)</u>
	4,002,178	4,273,860
Work in Progress - CREC at:		
Work in Progress - CREC	<u>0</u>	<u>3,982,091</u>
	0	3,982,091
	<u>27,058,939</u>	<u>25,439,189</u>

The fair value of property, plant and equipment is determined at least every three years in accordance with the regulatory framework. Additions since the date of valuation are shown as cost, given they were acquired at arms length and any accumulated depreciation reflects the usage of service potential, it is considered the recorded written down value approximates fair value. At the end of each intervening period the valuation is reviewed and where appropriate the fair value is updated to reflect current market conditions. This process is considered to be in accordance with Local Government (Financial Management) Regulation 17A (2) which requires property, plant and equipment to be shown at fair value.

SHIRE OF CORRIGIN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016

6. PROPERTY, PLANT AND EQUIPMENT (Continued)

(b) 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.

	Balance at the Beginning of the Year \$	Additions \$	(Disposals) \$	Revaluation Increments/ (Decrements) Transferred to Revaluation \$	Revaluation (Losses)/ Reversals Through to Profit or Loss \$	Impairment (Losses)/ Reversals \$	Depreciation (Expense) \$	Transfers \$	Carrying Amount at the End of Year \$
Land - freehold	2,043,895	0	0	0	0	0	0	0	2,043,895
Land - vested in and under the control of Council	0	0	0	16,000	0	0	0	0	16,000
Total land	2,043,895	0	0	16,000	0	0	0	0	2,059,895
Buildings - specialised	14,979,214	2,581,430	0	0	0	0	(772,110)	3,976,688	20,765,222
Total buildings	14,979,214	2,581,430	0	0	0	0	(772,110)	3,976,688	20,765,222
Total land and buildings	17,023,109	2,581,430	0	16,000	0	0	(772,110)	3,976,688	22,825,117
Furniture and equipment	160,129	3,284	0	84,719	0	0	(21,891)	5,403	231,644
Plant and equipment	4,273,860	605,616	(89,401)	(270,894)	0	0	(517,003)	0	4,002,178
Work in Progress - CREC	3,982,091	0	0	0	0	0	0	(3,982,091)	0
Total property, plant and equipment	25,439,189	3,190,330	(89,401)	(170,175)	0	0	(1,311,004)	0	27,058,939

SHIRE OF CORRIGIN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016

6. PROPERTY, PLANT AND EQUIPMENT (Continued)

(c) Fair Value Measurements

Asset Class	Fair Value Hierarchy	Valuation Technique	Basis of valuation	Date of last Valuation	Inputs used
Land and buildings					
Land - freehold	2	Market approach using recent observable market data for similar properties	Independent Registered valuers	June 2014	Price per hectare.
Land - vested in and under the control of Council	3	Improvements to land valued using cost approach using depreciated replacement cost	Independent Registered valuers	June 2016	Improvements to land using construction costs and current condition (level 2), residual values and remaining useful life assessments (level 3) inputs.
Buildings - specialised	3	Improvements to land valued using cost approach using depreciated replacement cost	Independent Registered valuers	June 2014	Improvements to land using construction costs and current condition (level 2), residual values and remaining useful life assessments (level 3) inputs.
Furniture and equipment	3	Cost approach using depreciated replacement cost	Independent Registered valuers	June 2016	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs.
Plant and equipment					
Management Valuation / Independent Registered Valuers	3	Cost approach using depreciated replacement cost	Independent Registered valuers / Management Valuation	June 2016	Purchase costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs.
Independent Registered Valuers	2	Market approach using recent sale type observable market data for similar asset.	Independent Registered valuers	June 2016	Market Price per item.

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 CORRIGIN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016

	2016	2015
	\$	\$
7 (a). INFRASTRUCTURE		
Infrastructure - roads		
- Management valuation 2015 - level 3	104,366,041	104,366,041
- Additions after valuation - cost	3,174,999	1,655,699
Less accumulated depreciation	<u>(1,154,769)</u>	<u>0</u>
	106,386,271	106,021,740
Infrastructure - footpaths		
- Management valuation 2015 - level 3	373,801	373,801
Less accumulated depreciation	<u>(21,302)</u>	<u>0</u>
	352,499	373,801
Infrastructure - drainage		
- Management valuation 2015 - level 3	10,146,049	10,146,049
Less accumulated depreciation	<u>(335,545)</u>	<u>0</u>
	9,810,504	10,146,049
Infrastructure - parks and ovals		
- Management valuation 2015 - level 3	5,363,307	5,363,307
- Additions after valuation - cost	230,113	57,332
Less accumulated depreciation	<u>(366,792)</u>	<u>(11,354)</u>
	5,226,628	5,409,285
	<u>121,775,902</u>	<u>121,950,875</u>

The fair value of infrastructure is determined at least every three years in accordance with the regulatory framework. Additions since the date of valuation are shown as cost. Given they were acquired at arms length and any accumulated depreciation reflects the usage of service potential, it is considered the recorded written down value approximates fair value. At the end of each intervening 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 infrastructure to be shown at fair value.

SHIRE OF CORRIGIN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016

7. INFRASTRUCTURE (Continued)

(b) 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.

	Balance as at the Beginning of the Year	Additions	(Disposals)	Revaluation Increments/ (Decrements) Transferred to Revaluation	Revaluation (Loss)/ Reversal Transferred to Profit or Loss	Impairment (Losses)/ Reversals	Depreciation (Expense)	Transfers	Carrying Amount at the End of the Year
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Infrastructure - roads	106,021,740	1,519,300	0	0	0	0	(1,154,769)	0	106,386,271
Infrastructure - footpaths	373,801	0	0	0	0	0	(21,302)	0	352,499
Infrastructure - drainage	10,146,049	0	0	0	0	0	(335,545)	0	9,810,504
Infrastructure - parks and ovals	5,409,285	172,781	0	0	0	0	(355,438)	0	5,226,628
Total infrastructure	<u>121,950,875</u>	<u>1,692,081</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(1,867,054)</u>	<u>0</u>	<u>121,775,902</u>

**SHIRE OF CORRIGIN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016**

7. INFRASTRUCTURE (Continued)

(c) 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	Management Valuation	June 2015	Construction costs and current condition (level 2) residual values and remaining usefeul life assesments (Level 3) inputs
Infrastructure - footpaths	3	Cost approach using depreciated replacement cost	Management Valuation	June 2015	Construction costs and current condition (level 2) residual values and remaining usefeul life assesments (Level 3) inputs
Infrastructure - drainage	3	Cost approach using depreciated replacement cost	Management Valuation	June 2015	Construction costs and current condition (level 2) residual values and remaining usefeul life assesments (Level 3) inputs
Infrastructure - parks and ovals	3	Cost approach using depreciated replacement cost	Management Valuation	June 2015	Construction costs and current condition (level 2) residual values and remaining usefeul life assesments (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 CORRIGIN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
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	2016	2015
	\$	\$
8. TRADE AND OTHER PAYABLES		
Current		
Sundry creditors	42,751	22,899
Accrued interest on debentures	6,788	8,968
Accrued salaries and wages	53,053	34,861
ATO liabilities	152,303	129,033
Accrued Liabilities	101,942	108,488
	<u>356,837</u>	<u>304,249</u>

9. LONG-TERM BORROWINGS

Current

Secured by floating charge

 Debentures

	155,953	147,678
	<u>155,953</u>	<u>147,678</u>

Non-current

Secured by floating charge

 Debentures

	1,945,368	2,101,320
	<u>1,945,368</u>	<u>2,101,320</u>

Additional detail on borrowings is provided in Note 21.

10. PROVISIONS

	Provision for Annual Leave \$	Provision for Long Service Leave \$	Total \$
Opening balance at 1 July 2015			
Current provisions	235,486	207,808	443,294
Non-current provisions	0	26,889	26,889
	<u>235,486</u>	<u>234,697</u>	<u>470,183</u>
Additional provision	162,798	60,931	223,729
Amounts used	(148,156)	(18,995)	(167,151)
Increase in the discounted amount arising because of time and the effect of any change in the discounted rate	3,761	4,636	8,397
Balance at 30 June 2016	<u>253,889</u>	<u>281,269</u>	<u>535,158</u>
Comprises			
Current	253,889	243,684	497,573
Non-current	0	37,585	37,585
	<u>253,889</u>	<u>281,269</u>	<u>535,158</u>

SHIRE OF CORRIGIN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016

11. RESERVES - CASH BACKED

	Actual 2016 Opening Balance \$	Actual 2016 Transfer to \$	Actual 2016 Transfer (from) \$	Actual 2016 Closing Balance \$	Budget 2016 Opening Balance \$	Budget 2016 Transfer to \$	Budget 2016 Transfer (from) \$	Budget 2016 Closing Balance \$	Actual 2015 Opening Balance \$	Actual 2015 Transfer to \$	Actual 2015 Transfer (from) \$	Actual 2015 Closing Balance \$
Employee Entitlement Reserve	115,738	2,705	0	118,443	115,737	4,449	0	120,186	112,197	3,541	0	115,738
Community Bus Reserve	11,888	278	0	12,166	11,888	5,457	0	17,345	6,677	5,211	0	11,888
Staff Housing Reserve	84,670	1,955	(16,616)	70,009	84,670	3,255	(16,616)	71,309	122,733	3,872	(41,935)	84,670
Office Equipment Reserve	878	21	0	899	878	34	0	912	851	27	0	878
Plant Replacement Reserve	780,333	17,668	(386,700)	411,301	780,333	22,075	(386,700)	415,708	1,084,511	23,953	(328,131)	780,333
Swimming Pool Reserve	945	22	0	967	945	36	0	981	916	29	0	945
Roadworks Reserve	747,375	17,470	(216,193)	548,652	747,375	28,730	(216,193)	559,912	918,476	28,899	(200,000)	747,375
Land Subdivision Reserve	46,805	1,094	0	47,899	46,805	1,799	0	48,604	45,373	1,432	0	46,805
Townscape Reserve	2,382	56	0	2,438	2,382	92	0	2,474	2,309	73	0	2,382
Medical Reserve	4,235	99	0	4,334	4,235	163	(4,398)	0	123,759	3,907	(123,431)	4,235
LGCHP Housing Reserve	9,400	220	0	9,620	9,400	361	0	9,761	9,112	288	0	9,400
Community Development Reserve	577,439	7,313	(584,588)	164	577,439	6,770	(584,209)	0	1,045,726	31,713	(500,000)	577,439
Rockview Land Reserve	2,470	58	0	2,528	2,470	95	0	2,565	2,395	75	0	2,470
Royalties for Regions Reserve	331,593	3,362	(334,955)	0	331,593	3,888	(335,481)	0	808,395	23,198	(500,000)	331,593
Centenary Celebration Reserve	0	0	0	0	0	0	0	0	(85)	85	0	0
Senior Citizens Units Reserve	53,936	1,179	(55,115)	0	53,936	2,073	(56,010)	(1)	42,592	11,344	0	53,936
Town Hall Reserve	58,183	11,375	0	69,558	58,183	12,231	(15,000)	55,414	46,710	11,473	0	58,183
Child Care Reserve	4,178	92	(4,235)	35	4,178	160	(4,338)	0	4,054	124	0	4,178
CREC Loan Reserve	32,984	334	(33,318)	0	32,984	387	(33,372)	(1)	2,000,000	32,984	(2,000,000)	32,984
	<u>2,865,432</u>	<u>65,301</u>	<u>(1,631,720)</u>	<u>1,299,013</u>	<u>2,865,431</u>	<u>92,055</u>	<u>(1,652,317)</u>	<u>1,305,169</u>	<u>6,376,701</u>	<u>182,228</u>	<u>(3,693,497)</u>	<u>2,865,432</u>

All of the reserve accounts are supported by money held in financial institutions and match the amount shown as restricted cash in Note 3 to this financial report.

**SHIRE OF CORRIGIN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016**

11. RESERVES - CASH BACKED (CONTINUED)

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

Name of Reserve	Anticipated date of use	Purpose of the reserve
Employee Entitlement Reserve	As required	- To be used to fund Employee Leave Entitlement requirements.
Community Bus Reserve	30/06/2018	- to be used to fund to continual purchase of a community bus.
Staff Housing Reserve	30/06/2017	- to be used for the construction and maintenance of the staff housing.
Office Equipment Reserve	As required	- to be used for the purchase of office equipment.
Plant Replacement Reserve	As required	- to be used for the purchase of major plant items.
Swimming Pool Reserve	As required	- to be used for the construction and maintenance of the swimming pool.
Roadworks Reserve	30/06/2017	- to be used to fund the construction of roads within the Shire of Corrigin.
Land Subdivision Reserve	As required	- to be used to fund the installation of infrastructure in a land subdivision.
Townscape Reserve	As required	- to be used for the continual upgrade of facilities as per the townscape plan.
Medical Reserve	As required	- to be used for the continual upgrade of medical facilities within the Shire of Corrigin.
LGCHP Housing Reserve	As required	- to be used to fund the long term maintenance of the joint venture housing the Shire of Corrigin owns with Homeswest.
Community Development Reserve	As required	- to be used for the continual upgrade of various community facilities in Corrigin.
Rockview Land Reserve	As required	- to be used for the development of the Rockview Land Project.
Royalties for Regions Reserve	As required	- to be used to fund identified Royalties for Regions projects as adopted.
Financial Assistance Grant Reserve	As required	- to be used in accordance to the Local Government Grants Commission for funding of operating and capital requirements.
RDAF Grant Reserve	As required	- to be used in accordance with the RDAF funding agreement.
Centenary Celebration Reserve	As required	- To be used to fund future projects in conjunction of Corrigin Centenary Celebration.
Senior Citizens Units Reserve	As required	- to be used to fund the construction of Senior Citizen Units.
Town Hall Reserve	As required	- To be used for the maintenance and upgrade of the Corrigin Town Hall building, fixtures and fittings.
Child Care Reserve	As required	- To be used for the provision of child care facilities and services.
CREC Loan Reserve	As required	- To be use to fund the construction of the Corrigin Recreation and Events Centre.

SHIRE OF CORRIGIN
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FOR THE YEAR ENDED 30TH JUNE 2016

12. REVALUATION SURPLUS

	2016	2016	2016	2016	2016	2015	2015	2015	2015	2015
	Opening	Revaluation	Revaluation	Total	Closing	Opening	Revaluation	Revaluation	Total	Closing
	Balance	Increment	Decrement	Movement on	Balance	Balance	Increment	Decrement	Movement on	Balance
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Land and buildings	10,714,148	16,000	0	16,000	10,730,148	10,714,148	0	0	0	10,714,148
Furniture and equipment	0	84,719	0	84,719	84,719	0	0	0	0	0
Plant and equipment	578,660	0	(270,894)	(270,894)	307,766	578,660	0	0	0	578,660
Infrastructure - roads	90,376,519	0	0	0	90,376,519	0	90,376,519	0	90,376,519	90,376,519
Infrastructure - footpaths	61,789	0	0	0	61,789	0	61,789	0	61,789	61,789
Infrastructure - drainage	10,021,829	0	0	0	10,021,829	0	10,021,829	0	10,021,829	10,021,829
Infrastructure - parks and ovals	4,176,080	0	0	0	4,176,080	0	4,176,080	0	4,176,080	4,176,080
	115,929,025	100,719	(270,894)	(170,175)	115,758,850	11,292,808	104,636,217	0	104,636,217	115,929,025

Movements on revaluation of fixed assets 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 CORRIGIN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016

13. NOTES TO THE STATEMENT OF CASH FLOWS

(a) 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:

	2016	2016	2015
	\$	Budget	\$
		\$	
Cash and cash equivalents	<u>2,125,083</u>	<u>1,305,170</u>	<u>5,157,518</u>

(b) Reconciliation of Net Cash Provided By Operating Activities to Net Result

Net result	(1,258,906)	(127,063)	3,093,120
Non-cash flows in Net result:			
Depreciation	3,178,058	2,251,750	2,221,830
(Profit)/Loss on sale of asset	(21,282)	(20,313)	(50,217)
Changes in assets and liabilities:			
(Increase)/Decrease in receivables	(156,188)	241,169	(25,274)
(Increase)/Decrease in inventories	27,725	(257,547)	6,486
Increase/(Decrease) in payables	52,588	(721,701)	82,460
Increase/(Decrease) in provisions	64,975	0	75,746
Grants contributions for the development of assets	<u>(1,806,771)</u>	<u>(2,323,394)</u>	<u>(2,921,315)</u>
Net cash from operating activities	<u>80,199</u>	<u>(957,099)</u>	<u>2,482,836</u>

(c) Undrawn Borrowing Facilities

	2016	2015
	\$	\$
Credit Standby Arrangements		
Bank overdraft limit	100,000	100,000
Bank overdraft at balance date	0	0
Credit card limit	40,000	40,000
Credit card balance at balance date	<u>(844)</u>	<u>(7,283)</u>
Total amount of credit unused	<u>139,156</u>	<u>132,717</u>

Loan facilities

Loan facilities - current	155,953	147,678
Loan facilities - non-current	<u>1,945,368</u>	<u>2,101,320</u>
Total facilities in use at balance date	<u>2,101,321</u>	<u>2,248,998</u>

Unused loan facilities at balance date	<u>NIL</u>	<u>NIL</u>
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**SHIRE OF CORRIGIN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016**

14. CONTINGENT LIABILITIES

There are no known contingent Liabilities as at balance date.

15. CAPITAL AND LEASING COMMITMENTS	2016	2015
	\$	\$
(a) Operating Lease Commitments		
The Shire did not have any future operating lease commitments at the reporting date.		
(b) Capital Expenditure Commitments		
Contracted for:		
- capital expenditure projects	119,519	2,134,600
- plant & equipment purchases	0	414,860
Payable:		
- not later than one year	119,519	2,549,460

2016 Capital expenditure projects

The Shire of Corrigin has contracted Hydramet for the transfer pump upgrade to be supplied and installed in 2016/17.

The Shire of Corrigin has contracted playmaster for the supply and installation playground equipment located at the Corrigin Recreation and Events Centre in 2016/17.

2015 Capital expenditure projects

Capital expenditure projects relates to the contract with Perkins Pty Ltd for the construction of the Corrigin Recreation & Events Centre. Construction occurred over 2 financial years, with the amount of \$2,134,600 being the remaining balance on the contract, to be paid in 2015/16.

The Plant & Equipment relates to the purchase of a Prime Mover, Roller and Skidsteet which was budgeted in 14/15, which was paid in 2015/16.

SHIRE OF CORRIGIN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016

16. JOINT VENTURE ARRANGEMENTS

The Shire together with the Shires of Narembeen, Kulin and Kondinin have a joint venture arrangement with regard to the provision of an Environmental Health and Building Surveying Service. The only assets are a motor vehicle, Bendering Waste site and miscellaneous equipment.

	2016	2015
	\$	\$
Non-current assets		
Land and buildings	15,750	15,750
Less: accumulated depreciation	(1,506)	(755)
	<u>14,244</u>	<u>14,995</u>
Plant and machinery		
- Costs	0	62,663
- Management Valuation 2016 - Level 3	43,548	0
Less: accumulated depreciation	0	(15,838)
	<u>43,548</u>	<u>46,825</u>
Furniture and equipment	0	7,614
Less: accumulated depreciation	0	(7,614)
	<u>0</u>	<u>0</u>

17. TOTAL ASSETS CLASSIFIED BY FUNCTION AND ACTIVITY

	2016	2015
	\$	\$
Governance	141,155	135,914
General purpose funding	533,461	1,979,714
Law, order, public safety	661,941	689,020
Health	839,652	906,162
Education and welfare	1,862,125	1,982,085
Housing	3,742,597	3,833,217
Community amenities	1,523,776	1,522,297
Recreation and culture	15,845,416	14,232,057
Transport	120,664,669	120,877,720
Economic services	715,287	747,281
Other property and services	2,777,715	3,831,518
Unallocated	3,639,193	3,669,197
	<u>152,946,987</u>	<u>154,406,182</u>

SHIRE OF CORRIGIN
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	2016	2015	2014
18. FINANCIAL RATIOS			
Current ratio	1.37	2.41	1.05
Asset sustainability ratio	1.27	1.30	1.03
Debt service cover ratio	0.86	9.96	2.67
Operating surplus ratio	(1.05)	0.06	(0.48)
Own source revenue coverage ratio	0.40	0.45	0.49

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 sustainability ratio	$\frac{\text{capital renewal and replacement expenditure}}{\text{Depreciation expenses}}$
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	$\frac{\text{own source operating revenue}}{\text{operating expenses}}$

Notes:

- a) Information relating to the **asset consumption ratio** and the **asset renewal funding ratio** can be found at Supplementary Ratio Information on Page 59 of this document.
- b) For 2016, The Debt Service Cover and the Operating Surplus ratios as disclosed above were distorted by the early receipt of half of the allocation of the 2015-16 Financial Assistance Grants (FAGS) on 30 June 2015.

The early payment of the grant increased operating revenue in 2015 and decreased operating revenue in 2016 by \$876,529.

- c) For 2015, the Current, Debt Service Cover and the Operating Surplus ratios as disclosed above were distorted by an item of significant revenue relating to the early payment of 2015/16 Financial Assistance Grants (FAGS) of \$876,529 which was received prior to year end.
- d) For 2014, the Current, Debt Service Cover and the Operating Surplus ratios disclosed above were distorted by the change to the payment of FAGS during the year ended 30 June 2014 which saw the advance payment for the following year cease. This created a timing difference which resulted in an amount of some \$832,011 less revenue for the year.

Items (b) to (d) mentioned above are considered to be "one-off" and if recognised in the year to which the allocation related the calculations in the 2016, 2015 and 2014 columns above would be as follows:

	2016	2015	2014
Current ratio	1.37	1.28	2.40
Debt service cover ratio	4.31	6.48	7.28
Operating surplus ratio	(0.75)	(0.23)	(0.17)

SHIRE OF CORRIGIN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016

19. TRUST FUNDS

Funds held at balance date over which the Shire has no control and which are not included in the financial statements are as follows:

	1 July 2015 \$	Amounts Received \$	Amounts Paid (\$)	30 June 2016 \$
B.C.I.T.F	102	2,956	(1,901)	1,157
BRB	147	3,630	(3,734)	43
Bus Ticketing	262	2,945	(3,130)	77
Police Licensing	2,406	622,768	(624,984)	190
Single Persons Units - Bonds	308	0	0	308
Corrigin Community Development Fund	51,607	10,625	(27,629)	34,603
Friends of the Cemetery	2,510	0	0	2,510
Edna Stevenson Educational Trust	937,423	13,859	0	951,282
Corrigin Disaster Fund	10,929	0	0	10,929
Facility Bonds	1,375	2,800	(620)	3,555
Council Nomination Bonds	0	400	(350)	50
Kidsports	0	4,400	0	4,400
	<u>1,007,069</u>			<u>1,009,104</u>

20. DISPOSALS OF ASSETS - 2015/16 FINANCIAL YEAR

The following assets were disposed of during the year.

	Actual Net Book Value \$	Actual Sale Proceeds \$	Actual Profit \$	Actual Loss \$	Budget Net Book Value \$	Budget Sale Proceeds \$	Budget Profit \$	Budget Loss \$
Plant and Equipment								
Health								
EHO Vehicle	12,494	17,273	4,779	0	10,889	10,000	0	(889)
Transport								
Prime Mover - CR950	25,621	42,000	16,379	0	27,634	42,000	14,366	0
Roller - CR28	2,400	3,000	600	0	2,400	3,000	600	0
Other property and services								
Utility - CR123	29,208	23,636	0	(5,572)	31,678	30,000	0	(1,678)
Small Plant	0	0	0	0	0	0	200	0
Vehicle - 4CR	19,678	24,774	5,096	0	19,708	24,773	5,065	0
Granite Rise Land	0	0	0	0	47,351	50,000	2,649	0
	<u>89,401</u>	<u>110,683</u>	<u>26,854</u>	<u>(5,572)</u>	<u>139,660</u>	<u>159,773</u>	<u>22,880</u>	<u>(2,567)</u>

SHIRE OF CORRIGIN
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21. INFORMATION ON BORROWINGS

(a) Repayments - Debentures

Particulars	Principal	New	Principal		Principal		Interest	
	1 July		Loans	Repayments	Repayments	30 June 2016	Repayments	Repayments
	2015		Actual	Budget	Actual	Budget	Actual	Budget
	\$	\$	\$	\$	\$	\$	\$	\$
Community amenities								
Loan 101 - Land Subdivision	311,467	0	82,276	77,381	229,191	311,469	17,205	23,451
Recreation and culture								
Loan 102 - CREC	1,937,531	0	65,401	62,469	1,872,130	2,000,000	89,131	92,084
Other property and services								
	<u>2,248,998</u>	<u>0</u>	<u>147,677</u>	<u>139,850</u>	<u>2,101,321</u>	<u>2,311,469</u>	<u>106,336</u>	<u>115,535</u>

(b) New Debentures - 2015/16

The Shire did not take up any new debentures during the year ended 30 June 2016.

(c) Unspent Debentures

The Shire did not have any unspent debentures as at 30 June 2016.

(d) Overdraft

The shire established an overdraft facility of \$100,000 to assist with short term liquidity requirements. The balance of the bank overdraft at 1 July 2015 and 30 June 2016 was \$nil.

SHIRE OF CORRIGIN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
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22. RATING INFORMATION - 2015/16 FINANCIAL YEAR

RATE TYPE	Rate in \$	Number of Properties	Rateable Value \$	Rate Revenue \$	Interim Rates \$	Back Rates \$	Total Revenue \$	Budget Rate Revenue \$	Budget Interim Rate \$	Budget Back Rate \$	Budget Total Revenue \$
General Rate											
Gross rental value valuations											
GRV	0.0789	405	4,194,630	330,956	(490)	0	330,466	330,956	0	0	330,956
Unimproved value valuations											
UV	0.0163	339	119,637,500	1,954,877	(1,319)	0	1,953,558	1,954,877	0	0	1,954,877
Sub-Total		744	123,832,130	2,285,833	(1,809)	0	2,284,024	2,285,833	0	0	2,285,833
Minimum payment	Minimum \$										
Gross rental value valuations											
GRV	375	53	79,260	19,875	0	0	19,875	19,875	0	0	19,875
GRV - Corrigin	200	10	3,038	2,000	0	0	2,000	2,000	0	0	2,000
Unimproved value valuations											
UV	375	7	63,562	2,625	0	0	2,625	2,625	0	0	2,625
Sub-Total		70	145,860	24,500	0	0	24,500	24,500	0	0	24,500
		814	123,977,990	2,310,333	(1,809)	0	2,308,524	2,310,333	0	0	2,310,333
Discounts/concessions (refer note 26)							(98,622)				(85,511)
Total amount raised from general rate							2,209,902				2,224,822
Totals							<u>2,209,902</u>				<u>2,224,822</u>

SHIRE OF CORRIGIN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016

23. NET CURRENT ASSETS

Composition of net current assets

	2016 (30 June 2016 Carried Forward) \$	2016 (1 July 2015 Brought Forward) \$	2015 (30 June 2015 Carried Forward) \$
Surplus 1 July 15 brought forward	<u>321,193</u>	<u>1,735,611</u>	<u>1,743,141</u>
CURRENT ASSETS			
Cash and cash equivalents			
Unrestricted	826,070	1,634,014	1,634,014
Restricted	1,299,013	3,523,504	3,523,504
Receivables			
Rates outstanding	77,767	58,006	58,006
Sundry debtors	218,801	78,135	78,135
ESL Receivable	128	4,367	4,367
Provision for Doubtful Debts	(2,000)	(2,000)	(2,000)
Inventories			
Fuel and materials	54,837	52,562	52,562
Land held for resale - cost			
Land and Development cost	50,000	50,000	50,000
LESS: CURRENT LIABILITIES			
Trade and other payables			
Sundry creditors	(42,751)	(22,900)	(22,900)
Accrued interest on debentures	(6,788)	(8,968)	(8,968)
Accrued salaries and wages	(53,053)	(34,861)	(34,861)
ATO liabilities	(152,303)	(129,033)	(129,033)
Accrued Liabilities	(101,942)	(108,488)	(108,488)
Current portion of long term borrowings			
Secured by floating charge	(155,953)	(147,678)	(147,678)
Provisions			
Provision for annual leave	(253,889)	(235,486)	(235,486)
Provision for long service leave	(243,684)	(207,808)	(207,808)
Unadjusted net current assets	<u>1,514,253</u>	<u>4,503,366</u>	<u>4,503,366</u>
Adjustments			
Less: Reserves - restricted cash	(1,299,013)	(2,865,433)	(2,865,433)
Less: Land held for resale - cost			
Land and Development cost	(50,000)	(50,000)	(50,000)
Add: Current portion of long term borrowings			0
Secured by floating charge	155,953	147,678	147,678
Rate Pensioners	0	0 *	7,530
Adjusted net current assets - surplus	<u><u>321,193</u></u>	<u><u>1,735,611</u></u>	<u><u>1,743,141</u></u>

Difference

There is a difference between the surplus 1 July 2015 brought forward position used in the 2016 audited financial report and the surplus/(deficit) carried forward position as disclosed in the 2015 audited financial report due to rate pensioners (Non-current) which have been wrongly included in the calculation of Net Current Assets Position.

An* has been placed adjacent to the item that has changed.

**SHIRE OF CORRIGIN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016**

24. SPECIFIED AREA RATE - 2015/16 FINANCIAL YEAR

The Shire did not impose any specified Area Rates.

25. SERVICE CHARGES - 2015/16 FINANCIAL YEAR

The Shire did not impose any service charges.

**26. DISCOUNTS, INCENTIVES, CONCESSIONS, & WRITE-OFFS
- 2015/16 FINANCIAL YEAR**

Rates Discounts

Rate or Fee Discount Granted	Discount % or \$	Actual \$	Budget \$	Circumstances in which Discount is Granted
Rate Discount	5.00%	98,622	85,511	Rates paid within 35 days of the date of issue noted on the rate notice
		98,622	85,511	

Waivers or Concessions

Rate or Fee and Charge to which the Waiver or Concession is Granted	Type	Discount % or \$	Actual \$	Budget \$
Sundry Debtors	Write Off		65	0
Rate Assessment	Write Off		110	0
			175	0

**SHIRE OF CORRIGIN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016**

**26 DISCOUNTS, INCENTIVES, CONCESSIONS, & WRITE-OFFS (CONTINUED)
- 2015/16 FINANCIAL YEAR**

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
Facility & Equipment Hire	Community Information session	To assist with rural property owners	Council considers the support of this information session necessary to benefit the overall community, especially rural property owners.
Private Works, Machinery & Plant Hire fees	Corrigin Bowling Club	Support community groups	Council considers support of the Corrigin Bowling club an overall benefit to a large number of the community.
CWA Hire Fee	Corrigin IGA	Support fundraising ventures	Reduction of costs for the fundraising of the biggest morning tea.
Traders Permit Fees	Community Groups requiring permit fee	Support Community groups	Council considers support of these community groups necessary for the overall benefit of the community.

**SHIRE OF CORRIGIN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016**

27. INTEREST CHARGES AND INSTALMENTS - 2015/16 FINANCIAL YEAR

Instalment Options	Date Due	Instalment Plan Admin Charge \$	Instalment Plan Interest Rate %	Unpaid Rates Interest Rate %
Option One				
Single full payment	15-Oct-15	0	0.00%	11.00%
Option Two				
First Instalment	15-Oct-15	10	5.50%	11.00%
Second Instalment	14-Dec-15	10	5.50%	11.00%
Third Instalment	12-Feb-16	10	5.50%	11.00%
Fourth Instalment	12-Apr-16	10	5.50%	11.00%
			Revenue \$	Budgeted Revenue \$
Interest on unpaid rates			9,848	2,500
Interest on instalment plan			3,118	3,500
Charges on instalment plan			2,430	2,500
			<u>15,396</u>	<u>8,500</u>

SHIRE OF CORRIGIN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016

28. FEES & CHARGES	2016	2015
	\$	\$
General purpose funding	30,826	31,164
Law, order, public safety	23,115	9,692
Health	18,022	25,752
Education and welfare	32,197	31,175
Housing	89,088	94,656
Community amenities	168,269	159,510
Recreation and culture	40,299	33,739
Transport	29,344	33,151
Economic services	46,228	62,672
Other property and services	97,823	108,363
	<u>575,211</u>	<u>589,874</u>

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

29. GRANT REVENUE

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

By Nature or Type:	2016	2015
	\$	\$
Operating grants, subsidies and contributions		
Governance	702	1,027
General purpose funding	833,467	2,590,632
Law, order, public safety	35,483	31,001
Health	143,113	231,917
Education and welfare	115,219	135,842
Community amenities	52,246	64,523
Recreation and culture	64,967	433,113
Transport	142,100	185,897
Other property and services	25,602	77,338
	<u>1,412,899</u>	<u>3,751,291</u>
Non-operating grants, subsidies and contributions		
General purpose funding	0	900,000
Education and welfare	0	2,000
Recreation and culture	506,461	742,972
Transport	1,300,310	1,270,620
Other property and services	0	5,724
	<u>1,806,771</u>	<u>2,921,315</u>
	<u>3,219,670</u>	<u>6,672,606</u>

30. EMPLOYEE NUMBERS

The number of full-time equivalent employees at balance date

<u>31</u>	<u>32</u>
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31. ELECTED MEMBERS REMUNERATION

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

	2016	2016	2015
	\$	Budget	\$
		\$	
Meeting Fees	28,000	28,000	29,568
President's allowance	7,500	7,500	7,500
Deputy President's allowance	1,813	1,875	1,960
Travelling expenses	978	2,001	1,018
Telecommunications allowance	7,000	7,000	6,045
	<u>45,291</u>	<u>46,376</u>	<u>46,091</u>

**SHIRE OF CORRIGIN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016**

32. MAJOR LAND TRANSACTIONS

The Shire did not participate in any major land transactions during the 2015/16 financial year.

33. TRADING UNDERTAKINGS AND MAJOR TRADING UNDERTAKINGS

If the Shire did participate in any trading undertakings or major trading undertakings during the 2015/16 financial year.

SHIRE OF CORRIGIN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016

34. FINANCIAL RISK MANAGEMENT

The Shire's activities expose it to a variety of financial risks including, credit risk, liquidity risk and interest rate risk. The Shire's overall risk management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Shire.

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 Shire held the following financial instruments at balance date:

	Carrying Value		Fair Value	
	2016	2015	2016	2015
	\$	\$	\$	\$
Financial assets				
Cash and cash equivalents	2,125,083	5,157,518	2,125,083	5,157,518
Receivables	302,226	146,038	302,226	146,038
	<u>2,427,309</u>	<u>5,303,556</u>	<u>2,427,309</u>	<u>5,303,556</u>
Financial liabilities				
Payables	356,837	304,249	356,837	304,249
Borrowings	2,101,321	2,248,998	2,372,719	2,382,345
	<u>2,458,158</u>	<u>2,553,247</u>	<u>2,729,556</u>	<u>2,686,594</u>

Fair value is determined as follows:

- Cash and cash equivalents, receivables, payables - estimated to the carrying value which approximates net market value.
- Borrowings, estimated future cash flows discounted by the current market interest rates applicable to assets and liabilities with similar risk profiles.

**SHIRE OF CORRIGIN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016**

34. FINANCIAL RISK MANAGEMENT (Continued)
(a) Cash and Cash Equivalents

The Shire's objective is to maximise its return on cash whilst maintaining an adequate level of liquidity and preserving capital. The finance area manages the cash portfolio with the assistance of independent advisers (where applicable). Council has an investment policy and the policy is subject to review by Council. An Investment Report is provided to Council on a monthly basis setting out the make-up and performance of the portfolio.

Cash are also subject to interest rate risk - the risk that movements in interest rates could affect returns.

Another risk associated with cash is credit risk – the risk that a contracting entity will not complete its obligations under a financial instrument resulting in a financial loss to the Shire.

The Shire manages these risks by diversifying its portfolio and only investing in investments authorised by *Local Government (Financial Management) Regulation 19C*. Council also seeks advice from independent advisers (where considered necessary) before placing any cash

	2016	2015
	\$	\$
Impact of a 1% ⁽¹⁾ movement in interest rates on cash		
- Equity	21,251	51,575
- Statement of Comprehensive Income	21,251	51,575

Notes:

⁽¹⁾ Sensitivity percentages based on management's expectation of future possible market movements.

**SHIRE OF CORRIGIN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016**

34. FINANCIAL RISK MANAGEMENT (Continued)
(b) Receivables

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

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

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

The Shire makes suitable provision for doubtful receivables as required and carries out credit checks on most non-rate debtors.

There are no material receivables that have been subject to a re-negotiation of repayment terms.

The profile of the Shire's credit risk at balance date was:

	2016	2015
Percentage of rates and annual charges		
- Current	0%	0%
- Overdue	100%	100%
Percentage of other receivables		
- Current	78%	92%
- Overdue	22%	8%

SHIRE OF CORRIGIN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016

34. FINANCIAL RISK MANAGEMENT (Continued)

(c) Payables
Borrowings

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

The contractual undiscounted cash flows of the Shire's Payables and Borrowings are set out in the Liquidity Sensitivity Table below:

	Due within 1 year \$	Due between 1 & 5 years \$	Due after 5 years \$	Total contractual cash flows \$	Carrying values \$
<u>2016</u>					
Payables	356,837	0	0	356,837	356,837
Borrowings	254,972	768,838	2,009,896	3,033,706	2,101,321
	<u>611,809</u>	<u>768,838</u>	<u>2,009,896</u>	<u>3,390,543</u>	<u>2,458,158</u>
<u>2015</u>					
Payables	304,249	0	0	304,249	304,249
Borrowings	254,972	869,257	2,009,176	3,133,405	2,248,998
	<u>559,221</u>	<u>869,257</u>	<u>2,009,176</u>	<u>3,437,654</u>	<u>2,553,247</u>

**SHIRE OF CORRIGIN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016**

34. FINANCIAL RISK MANAGEMENT (Continued)

**(c) Payables
Borrowings (continued)**

Borrowings are also 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 following tables set out the carrying amount, by maturity, of the financial instruments exposed to interest rate risk:

	<u><1 year</u>	<u>>1<2 years</u>	<u>>2<3 years</u>	<u>>3<4 years</u>	<u>>4<5 years</u>	<u>>5 years</u>	<u>Total</u>	<u>Weighted Average Effective Interest Rate</u>
	\$	\$	\$	\$	\$	\$	\$	%
<u>Year ended 30 June 2016</u>								
Borrowings								
Fixed rate								
Debentures	0	0	229,191	0	0	1,872,130	2,101,321	5.44%
Weighted average Effective interest rate	0.00%	0.00%	6.23%	0.00%	6.23%	4.64%		
<u>Year ended 30 June 2015</u>								
Borrowings								
Fixed rate								
Debentures	0	0	0	311,467	0	1,937,531	2,248,998	5.44%
Weighted average Effective interest rate	0.00%	0.00%	0.00%	6.23%	0.00%	4.64%		

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INDEPENDENT AUDITOR'S REPORT TO THE ELECTORS OF THE SHIRE OF CORRIGIN

REPORT ON THE FINANCIAL REPORT

We have audited the accompanying financial report of the Shire of Corrigin, which comprises the statement of financial position as at 30 June 2016, statement of comprehensive income by nature or type, statement of comprehensive income by program, statement of changes in equity, statement of cash flows and the rate setting statement for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the statement by Chief Executive Officer.

Management's Responsibility for the Financial Report

Management is responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards, the Local Government Act 1995 (as amended) and the Local Government (Financial Management) Regulations 1996 (as amended) and for such internal control as Management determines is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Shire's preparation and fair presentation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Shire's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Council, as well as evaluating the overall presentation of the financial report.

We believe the audit evidence we obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial report of the Shire of Corrigin is in accordance with the Local Government Act 1995 (as amended) and the Local Government (Financial Management) Regulations 1996 (as amended), including:

- a) giving a true and fair view of the Shire's financial position as at 30 June 2016 and of its financial performance and its cash flows for the year ended on that date; and
- b) complying with Australian Accounting Standards (including Australian Accounting Interpretations).

**INDEPENDENT AUDITOR'S REPORT
TO THE ELECTORS OF THE SHIRE OF CORRIGIN (CONTINUED)**

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

During the course of the audit we became aware of one instance where the Council did not comply with the Local Government (Financial Management) Regulations 1996 (as amended):

Rate Notice

The rate notice did not include a brief statement that "Rebates to pensioners and seniors are funded by the government of WA" as required by Local Government (Financial Management) Regulation 56(4)(ha).

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

- a) There are no matters that in our opinion indicate significant adverse trends in the financial position or the financial management practices of the Shire.
- b) Except as noted above, no other matters indicating non-compliance with Part 6 of the Local Government Act 1995 (as amended), the Local Government (Financial Management) Regulations 1996 (as amended) or applicable financial controls of any other written law were noted during the course of our audit.
- c) In relation to the Supplementary Ratio Information presented at page 59 of this report, we have reviewed the calculations of the Asset Consumption Ratio as presented and nothing has come to our attention to suggest it is not:
 - i. reasonably calculated; and
 - ii. based on verifiable information.

The Asset Renewal Funding Ratio was not calculated and no review was carried out.

- d) All necessary information and explanations were obtained by us.
- e) All audit procedures were satisfactorily completed in conducting our audit.

MOORE STEPHENS
CHARTERED ACCOUNTANTS



GREG GODWIN
PARTNER

Date: 9 December 2016
Perth, WA

**SHIRE OF CORRIGIN
SUPPLEMENTARY RATIO INFORMATION
FOR THE YEAR ENDED 30TH JUNE 2016**

RATIO INFORMATION

The following information relates to those ratios which only require attestation they have been checked and are supported by verifiable information. It does not form part of the audited financial report.

	2016	2015	2014
Asset consumption ratio	0.98	0.98	0.64
Asset renewal funding ratio	*	*	*

The above ratios are calculated as follows:

Asset consumption ratio	<u>depreciated replacement costs of assets</u> current replacement cost of depreciable assets
Asset renewal funding ratio	<u>NPV of planning capital renewal over 10 years</u> NPV of required capital expenditure over 10 years

* Council are unable to provide an Asset Renewal Funding ratio for 2014, 2015 and 2016 as the information required was not available.