



# Audit and Risk Management Committee Meeting

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## Minutes

Tuesday 17 December 2019

## **TERMS OF REFERENCE**

### **Regulation 16 of the Local Government (Audit) Regulations 1996 states that:**

"An audit committee —

- a) is to provide guidance and assistance to the local government —
  - i. as to the carrying out of its functions in relation to audits carried out under Part 7 of the Act; and
  - ii. as to the development of a process to be used to select and appoint a person to be an auditor; and
- b) may provide guidance and assistance to the local government as to —
  - i. matters to be audited; and
  - ii. the scope of audits; and
  - iii. its functions under Part 6 of the Act; and
  - iv. the carrying out of its functions relating to other audits and other matters related to financial management; and
- 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."

### **1.0 INTRODUCTION**

The Council of the Shire of Corrigin (hereinafter called the "Council") hereby establishes a committee under the powers given in Section 5.8 and Section 7.1 A of the Local Government Act 1995, Local Government Amendment Act 2004 and Audit Regulations, such committee to be known as the Audit and Risk Management Committee, (hereinafter called the "Committee"). The Council appoints to the Committee those persons whose names appear in Section 4.0 below.

Membership of the Committee shall, unless otherwise specified, be for a term ceasing at the date of the Local Government election in the year the Shire's local government elections are held, after which time the Council may appoint members for a further term. The Committee shall act for and on behalf of Council in accordance with provisions of the Local Government Act 1995, the Local Government Amendment Act 2004 and the Local Government (Audit) Amendment Regulations 2005, local laws and policies of the Shire of Corrigin and this Instrument.

### **2.0 NAME**

The name of the Committee shall be the Audit and Risk Management Committee.

### **3.0 ROLE**

The Committee's role is to report to Council and provide appropriate advice and recommendations on matters relevant to its objectives in order to facilitate decision-making by Council in relation to the discharge of its responsibilities.

### **4.0 OBJECTIVES OF THE COMMITTEE**

- 4.1 To provide guidance and assistance to the Council in:
  - a) carrying out its audit functions under Part 7 of the Local Government Act;
  - b) the development of a process to be used to select and appoint an auditor;
  - c) determining the scope and content of the external and internal audit and advising on the general financial management of the Shire;
  - d) overseeing the audit process and meeting with the external auditor after each visit to discuss management issues and monitoring administration's actions on, and responses to, any significant matters raised by the auditor;

- e) evaluating and making recommendations to Council on internal and external audit reports prior to them being presented to Council;
  - f) receiving and verifying the annual Local Government Statutory Compliance Return;
  - g) review reports provided by the CEO on the Shire's systems and procedures in relation to:
    - i. risk management;
    - ii. internal control; and
    - iii. legislative compliance;
  - h) at least once every 3 years and report to Council the results of that review. Ref: Functions of Audit Committees (Audit Regulations).
- 4.2 To advise Council on significant high level strategic risk management issues related to the Shire of Corrigin including issues involving:
- a) the community;
  - b) the workforce;
  - c) vehicles and plant;
  - d) buildings and similar property;
  - e) revenue streams;
  - f) legal liability;
  - g) electronically stored information;
  - h) environmental impact;
  - i) fraud; and
  - j) reputation.

## **5.0 MEMBERSHIP**

The Committee shall consist of all Councillors. Additionally up to two independent consultants with expertise in financial or legal matters will be called upon as required to provide additional independent external advice to the Committee. The external independent persons will have senior business, legal or financial management/reporting knowledge and experience, and be conversant with the financial and other reporting requirements.

Appointments of external consultants shall be made by the CEO following a decision of Council and the allocation of sufficient funds to provide consultation fees using relevant professional fee schedules. No member of staff including the CEO is to be a member of the Committee, but the CEO may participate as Council's principal advisor, unless expressly excluded by resolution of the Committee.

## **6.0 PRESIDING MEMBER**

The President will take the role of Presiding Member and Deputy President the role of Deputy Presiding Member to conduct its business. The Presiding Member shall ensure that minutes of the proceedings are kept and that business is conducted in accordance with the Shire of Corrigin Standing Orders (Local Law). The Local Government Act 1995 places responsibility for speaking on behalf of Council with the President, or the CEO if the President agrees. The Presiding Member if different from the President is to refrain from speaking publicly on behalf of the committee or Council, or to issue any form of written material purporting to speak on behalf of the committee or Council without the prior approval of the President.

## **7.0 CONDUCT OF MEETINGS**

The Committee shall meet at least three times per year. A schedule of meetings will be developed and agreed to by the members. As an indicative guide, meetings would be arranged to coincide with relevant Council reporting deadlines, for example in February to discuss the Statutory Compliance Return, in July to discuss the year's financial performance and to discuss the annual audit program and in November to discuss the Annual Financial Report. Additional meetings shall be convened at the discretion of the Presiding Member.

Any three members of the Committee collectively or the internal or external auditor themselves may request the Presiding Member to convene a meeting. From a time management point of view, urgent matters which may arise should be referred directly to Council through the bi-monthly meetings or to a Special Council meeting.

- 7.1 Notice of meetings shall be given to members at least 3 days prior to each meeting.
- 7.2 The Presiding Member shall ensure that detailed minutes of all meetings are kept and shall, not later than 5 days after each meeting, provide Council with a copy of such minutes. Council shall provide secretarial and administrative support to the Committee.
- 7.3 All members of the Committee shall have one vote. If the vote of the members present is equally divided, the person presiding must cast a second vote.
- 7.4 The Chief Executive Officer should attend all meetings, except when the Committee chooses to meet in camera with the exclusion of the CEO.
- 7.5 Representatives of the external auditor should be invited to attend at the discretion of the Committee but must attend meetings either in person or by telephone link up considering the draft annual financial report and results of the external audit.
- 7.6 The internal auditor or representative shall be invited to attend meetings, at the discretion of the Committee, to consider internal audit matters.

## **8.0 QUORUM**

Quorum for a meeting shall be at least 50% of the number of officers, whether vacant or not. A decision of the Committee does not have effect unless a simple majority has made it.

## **9.0 DELEGATED POWERS**

The Committee has no delegated powers under the Local Government Act and is to advise and make recommendations to Council only. The Audit and Risk Management Committee is a formally appointed committee of Council and is responsible to that body. The Audit and Risk Management Committee does not have executive powers or authority to implement actions in areas over which management has responsibility and does not have any delegated financial responsibility. The Committee does not have any management functions and is therefore independent of management.

The following guidelines are to provide further direction from Council for the operation of the Committee:

### **9.1 *The External Audit***

The Committee shall:

- Develop the process of appointment of the external auditor and recommend a suitable Auditor for appointment by Council. Prior to appointment, discuss the scope of the audit and any additional procedures required from the external auditor. Invite the external auditor to attend audit committee meetings to discuss the audit results and consider the implications of the external audit findings.
- Inquire of the auditor if there have been any significant disagreements with management and whether they have been resolved.
- Monitor management responses to the auditor's findings and recommendations.
- Review the progress by management in implementing audit recommendations and provide assistance on matters of conflict.
- Provide a report and recommendations to Council on the outcome of the external audit.

### **9.2 *Co-ordination of Auditors***

The Committee shall:

- Oversee the work of the internal audit function to facilitate co-ordination with the external auditor.
- Meet periodically with the Chief Executive Officer, senior management staff and internal and external auditors to understand the organisation's control environment and processes.

### **9.3 Duties and Responsibilities**

The following duties and responsibilities of the Committee will include:

- i. To review the scope of the internal audit plan and program and the effectiveness of the function. This review should consider whether, over a period of years the internal audit plan systematically addresses:
  - internal controls over significant areas of risk, including non-financial management control systems;
  - internal controls over revenue, expenditure, assets and liability processes;
  - the efficiency, effectiveness and economy of significant Council programs; and
  - compliance with regulations, policies, best practice guidelines, instructions and contractual arrangements.
- ii. Review the appropriateness of special internal audit assignments undertaken by internal audit at the request of Council or Chief Executive Officer.
- iii. Review the level of resources allocated to internal audit and the scope of its authority.
- iv. Review reports of internal audit and the extent to which Council and management react to matters raised by internal audit, by monitoring the implementation of recommendations made by internal audit.
- v. Facilitate liaison between the internal and external auditor to promote compatibility, to the extent appropriate, between their audit programs.
- vi. Critically analyse and follow up any internal or external audit report that raises significant issues relating to risk management, internal control, financial reporting and other accountability or governance issues, and any other matters relevant under the Committee's terms of reference.
- vii. Review management's response to, and actions taken as a result of the issues raised.
- viii. Monitor the risk exposure of Council by determining if management has appropriate risk management processes and adequate management information systems.
- ix. Monitor ethical standards and related party transactions by determining whether the systems of control are adequate.
- x. Review Council's draft annual financial report, focusing on:
  - accounting policies and practices;
  - changes to accounting policies and practices;
  - the process used in making significant accounting estimates;
  - significant adjustments to the financial report (if any) arising from the audit process;
  - compliance with accounting standards and other reporting requirements;
  - significant variances from prior years.
- xi. Recommend adoption of the annual financial report to Council. Review any significant changes that may arise subsequent to any such recommendation but before the financial report is signed.
- xii. Discuss with the external auditor the scope of the audit and the planning of the audit.
- xiii. Discuss with the external auditor issues arising from the audit, including any management letter issued by the auditor and the resolution of such matters.
- xiv. Review tendering arrangements and advise Council.
- xv. Review the annual performance statement and recommend its adoption to Council.
- xvi. Review issues relating to national competition policy, financial reporting by Council business units and comparative performance indicators.
- xvii. Identify and refer specific projects or investigations deemed necessary through the Chief Executive Officer, the internal auditor and the Council if appropriate. Oversee any subsequent investigation, including overseeing of the investigation of any suspected cases of fraud within the organisation.
- xviii. Monitor the progress of any major lawsuits facing the Council.
- xix. Address issues brought to the attention of the Committee, including responding to requests from Council for advice that are within the parameters of the Committee's terms of reference.
- xx. Report to Council after each meeting, in the form of minutes or otherwise, and as necessary and provide an annual report to Council summarising the activities undertaken during the year.

- xxi. The Committee in conjunction with Council and the Chief Executive Officer should develop the Committee's performance indicators.
- xxii. The Committee, through the Chief Executive Officer and following authorisation from the Council, and within the scope of its responsibilities, may seek information or obtain expert advice on matters of concern.
- xxiii. Advise Council on significant risk management issues related to the Shire of Corrigin including major issues involving:
  - The Community;
  - The Workforce;
  - Vehicles and Plant;
  - Buildings and Similar Property;
  - Revenue Streams;
  - Legal Liability;
  - Electronically Stored Information;
  - Environmental Impact;
  - Fraud; and
  - Reputation.
- xxiv. Review reports on the appropriateness and effectiveness of the Shire's systems and procedures in relation to:
  - risk management;
  - internal control; and
  - legislative compliance and report to Council.

#### **9.4 Reporting Powers**

The Committee:

- Shall report to Council and provide recommendations on matters pertaining to its terms of reference by assisting elected members in the discharge of their responsibilities for oversight and corporate governance of the local government.
- Does not have executive powers or authority to implement actions in areas that management has responsibility.
- Is independent of the roles of the Chief Executive Officer and his senior staff as it does not have any management functions.
- Does not have any role pertaining to matters normally addressed by the Local Emergency Management Committee and Council in relation to financial management responsibilities in relation to budgets, financial decisions and expenditure priorities.
- Is a separate activity and does not have any role in relation to day-to-day financial management issues or any executive role or power.
- Shall after every meeting forward the minutes of that meeting to the next Ordinary meeting of the Council, including a report explaining any specific recommendations and key outcomes.
- Shall report annually to the Council summarising the activities of the Committee during the previous financial year.

#### **10.0 TERMINATION OF COMMITTEE**

Termination of the Committee shall be:

- a) in accordance with the Local Government Act 1995; or
- b) at the direction of the Council.

#### **11.0 AMENDMENT TO THE INSTRUMENT OF APPOINTMENT AND DELEGATION**

This document may be altered at any time by the Council.

#### **12.0 COMMITTEE DECISIONS**

The Committee recommendations are advisory only and shall not be binding on Council

## 1. DECLARATION OF OPENING

The President will take the role of Presiding Member and Deputy President the role of Deputy Presiding Member to conduct its business.  
President Des Hickey opened the meeting at 10.01am

## 2. ATTENDANCE/APOLOGIES/LEAVE OF ABSENCE

Shire President  
Deputy Shire President

Cr. D L Hickey  
Cr. M A Weguelin  
Cr. F R Gilmore  
Cr. S G Hardingham  
Cr. M B Dickinson

Chief Executive Officer  
Deputy Chief Executive Officer  
Executive Support Officer  
Moore Stephens

N A Manton  
K A Caley  
K L Biglin  
Greg Godwin (by  
telephone)  
Steven Hoar

Office of the Auditor General

### APOLOGIES

### LEAVE OF ABSENCE

## 3. DECLARATIONS OF INTEREST

## 4. CONFIRMATION AND RECEIPT OF MINUTES

That the minutes of the Shire of Corrigin Audit and Risk Management Committee meeting held in the Council Chambers on 23 July 2019 (Attachment 4.1) be confirmed as a true and correct record.

### COMMITTEE'S RESOLUTION

**Moved: Cr Mason**

**Seconded: Cr Gilmore**

*That the minutes of the Shire of Corrigin Audit and Risk Management Committee meeting held in the Council Chambers on 23 July 2019 (Attachment 4.1) be confirmed as a true and correct record.*

**Carried 5/0**

## 5. MEETING WITH AUDITOR

Mr Greg Godwin, partner Moore Stephens and Mr Steven Hoar from Office of the Auditor General, in their capacity as the Shire of Corrigin Auditors will meet with the Audit and Risk Management Committee to discuss the Annual Financial Report.

Steven Hoar

- First year that OAG are signing off
- Waiting for signing of the end of financial year report
- The report will then be put forward for an unqualified audit opinion

Greg Godwin

- Detailed working document
- Reported on regulatory financial ratios and asset sustainability. This report highlighted the Shire to be operating at a surplus.
- The Shire will have three months to submit a copy of the financial report to the Minister and then will be required to publish it to the company website.

Natalie Manton

- Explained a significant decrease in the number of hours that the shire is held liable in relation to outstanding leave of staff.
- Incumbent auditor fee invitation
- Thanked Kylie Caley and Catherine Ospina-Godoy for their efforts in completing the audit requirements.

## **6. REPORTS**



## 7. MATTERS REQUIRING A COMMITTEE DECISION

### 7.1 DRAFT ANNUAL REPORT AND FINANCIAL STATEMENTS FOR YEAR ENDING 30 JUNE 2019

Applicant:	Shire of Corrigin
Date:	6/12/2019
Reporting Officer:	Kylie Caley, Deputy Chief Executive Officer
Disclosure of Interest:	NIL
File Ref:	FM.0045
Attachment Ref:	

#### SUMMARY

The Shire of Corrigin Audit and Risk Management Committee are requested to recommend that Council endorse the 2018/2019 Annual Report and Financial Statements for the period ending 30 June 2019.

#### BACKGROUND

The Shire of Corrigin is required to prepare an Annual Report and Audited Financial Statement each year including the following information:

- President's Report.
- CEO Report.
- Overview of the plan for the future including major initiatives that are proposed to commence or to continue in the next financial year.
- Financial report for the financial year.
- Information in relation to the payments made to employees.
- Auditor's report for the financial year.
- Report on the Disability Services Act 1993.
- Details of complaints made during the year.

The *Local Government (Audit) Regulations 1996* sets out the requirements for the preparation of a report by Council's auditor. An auditor's report is to be forwarded to the President, CEO and the Minister within 30 days of completing the audit. The report is to give the auditor's opinion on:

- the financial position of the local government, and
- the results of the operations of the local government.

The report is to include:

- any material matters that indicate significant adverse trends in the financial position of the local government;
- any matters indicating non-compliance with Part 6 of *the Local Government Act 1995*, the *Local Government (Financial Management) Regulations 1996* or applicable financial controls in any other written law;
- details of whether information and explanations were obtained by the auditor;
- a report on the conduct of the report;
- the opinion of the auditor as to whether or not certain financial ratios are supported by verifiable information and reasonable assumptions.

Where it is considered by the auditor appropriate to do so, the auditor is to prepare a management report to accompany the auditor's report and to forward a copy of the management report to the President, CEO and Minister.

Representatives from Moore Stephenson behalf of the Office of the Auditor General, visited the administration offices in May 2019 to conduct an interim audit and again in October 2019 to conduct the final audit.

The CEO received the auditor's report and management letter regarding the 2018/19 Annual Financial Report from Moore Stephens on 12 December 2019. The CEO has responded to issues raised in the management report.

In accordance with s5.53 of the *Local Government Act 1995* a local government is required to prepare and accept an annual report for each financial year, no later than 31 December after that financial year.

If the auditor's report is not available in time for the annual report for a financial year to be accepted by 31 December after that financial year, the annual report is to be accepted by the local government no later than two months after the auditor's report becomes available.

#### **COMMENT**

Council's appointed auditor, Office of the Auditor General completed the final audit of the Shire of Corrigin finances and operations in December 2019. A copy of the Auditor's Report and Financial Statements for the 2018/19 financial year is included as Attachment to this item.

The CEO is required to give local public notice of the availability of the annual report as soon as practicable after the report has been accepted by the local government. The annual report along with the Auditor's Report for 2018/19 is required to be adopted by Council prior to advertising a date for the annual meeting of electors.

A general electors meeting is to be held on a day selected by the local government but not more than 56 days after the local government accepts the annual report. In order to comply with this requirement an annual meeting of electors would need to be held prior to 10 February 2020. It is proposed that the Electors meeting be held on Monday 3 February 2020 commencing at 6.30pm.

Representatives from Main Roads Heavy Vehicles team have been invited to give a presentation on recent changes to the heavy vehicles permits, Restricted Access Permits and road owner letters to increase the number of people attending the annual electors meeting.

A copy of the annual financial report of a local government is to be submitted to the Departmental CEO within 30 days of the receipt by the local government.

Mr Greg Godwin, partner Moore Stephens and Mr Steven Hoar from Office of the Auditor General, in his capacity as the Shire of Corrigin Auditor will meet with Audit and Risk Management Committee on 17 December 2019 to provide an overview of the 2018/19 annual financial report and address issues raised in the audit and management reports.

#### **STATUTORY ENVIRONMENT**

*Local Government Act 1995*

*Local Government (Audit Regulations) 1996*

*Local Government (Administration Regulations) 1996*

*Local Government (Financial Management) Regulations 1996*

Local Government Act 1995

5.27. Electors' general meetings

- (1) A general meeting of the electors of a district is to be held once every financial year.
- (2) A general meeting is to be held on a day selected by the local government but not more than 56 days after the local government accepts the annual report for the previous financial year.
- (3) The matters to be discussed at general electors' meetings are to be those prescribed.

5.54. Acceptance of annual reports

- (1) Subject to subsection (2), the annual report for a financial year is to be accepted\* by the local government no later than 31 December after that financial year.  
\* Absolute majority required.
- (2) If the auditor's report is not available in time for the annual report for a financial year to be accepted by 31 December after that financial year, the annual report is to be accepted by the local government no later than 2 months after the auditor's report becomes available

7.12A. Duties of local government with respect to audits

- (1) A local government is to do everything in its power to —
  - (a) assist the auditor of the local government to conduct an audit and carry out his or her other duties under this Act in respect of the local government; and
  - (b) ensure that audits are conducted successfully and expeditiously.
- (2) Without limiting the generality of subsection (1), a local government is to meet with the auditor of the local government at least once in every year.
- (3) A local government is to examine the report of the auditor prepared under section 7.9(1), and any report prepared under section 7.9(3) forwarded to it, and is to —
  - (a) determine if any matters raised by the report, or reports, require action to be taken by the local government; and
  - (b) ensure that appropriate action is taken in respect of those matters.
- (4) A local government is to —
  - (a) prepare a report on any actions under subsection (3) in respect of an audit conducted in respect of a financial year; and
  - (b) forward a copy of that report to the Minister, by the end of the next financial year, or 6 months after the last report prepared under section 7.9 is received by the local government, whichever is the latest in time.

**POLICY IMPLICATIONS**

8.11 – Audit and Risk Management Committee

8.12 – Appointment of an Auditor, Scope of Works and Notification of Appointments

**FINANCIAL IMPLICATIONS**

The costs associated with providing the 2018/19 audit were provided in the 2018/19 and 2019/20 budget.

## COMMUNITY AND STRATEGIC OBJECTIVES

Shire of Corrigin Strategic Community Plan 2017-2027 and Corporate Business Plan 2018-2022:

**Objective: Leadership**

**Strong Governance and leadership**

### Outcome 4.1 - A strategically focussed dynamic Council serving the community

Strategic Community Plan		Corporate Business Plan	
Outcome	Strategies	Action No.	Actions
4.1.1	Provide leadership, communication and active engagement with the community	4.1.1.1	Elected members provide strategic leadership for the benefit of the community.
4.1.3	Maintain accountability and financial responsibility to ensure the stability of the Shire	4.1.3.1	Council maintain financial stability
		4.1.3.3	Provide Council adequate and appropriate financial information on a timely basis

### VOTING REQUIREMENT

Absolute Majority

### COMMITTEE'S RESOLUTION

**Moved: Cr Weguelin**

**Seconded: Cr Mason**

*That the Audit and Risk Management Committee recommend to Council to:*

- 1) Accept the Annual Report and Audited Financial Statement; auditors report and management report for the 2018/19 financial year as presented in the Attachment;*
- 2) Hold a General Meeting of Electors on Monday 3 February 2020 commencing at 6.30pm at the Corrigin Resource Centre.*

**Carried 5/0**

**SHIRE OF CORRIGIN**  
**FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2019**

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**COMMUNITY VISION**

Strengthening our community now to grow and prosper into the future

**Principal place of business:**  
Shire of Corrigin  
9 Lynch Street  
Corrigin WA 6375

**SHIRE OF CORRIGIN  
FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2019**

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

**STATEMENT BY CHIEF EXECUTIVE OFFICER**

The attached financial report of the Shire of Corrigin for the financial year ended 30 June 2019 is based on proper accounts and records to present fairly the financial position of the Shire of Corrigin at 30 June 2019 and the results of the operations for the financial year then ended in accordance with the Local Government Act 1995 and, to the extent that they are not inconsistent with the Act, the Australian Accounting Standards.

Signed on the [redacted] day of [redacted] 2019

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Chief Executive Officer

**Natalie Manton**  
Name of Chief Executive Officer

SHIRE OF CORRIGIN  
STATEMENT OF COMPREHENSIVE INCOME  
BY NATURE OR TYPE  
FOR THE YEAR ENDED 30TH JUNE 2019

	NOTE	2019 Actual \$	2019 Budget \$	Restated 2018 Actual \$
<b>Revenue</b>				
Rates	25(a)	2,561,546	2,564,993	2,509,517
Operating grants, subsidies and contributions	2(a)	2,391,843	1,322,487	2,272,490
Fees and charges	2(a)	657,438	599,608	556,429
Interest earnings	2(a)	74,902	45,100	50,701
Other revenue	2(a)	3,943,603	31,190	2,063,534
		<b>9,629,332</b>	<b>4,563,378</b>	<b>7,452,671</b>
<b>Expenses</b>				
Employee costs		(2,039,676)	(2,238,250)	(1,976,293)
Materials and contracts		(4,237,952)	(6,497,767)	(4,333,289)
Utility charges		(252,595)	(215,571)	(278,527)
Depreciation on non-current assets	10(d)	(252,595)	(215,571)	(278,527)
Interest expenses	2(b)	(2,964,279)	(3,666,283)	(3,207,892)
Insurance expenses		(81,020)	(92,677)	(94,345)
Other expenditure		(221,968)	(230,901)	(229,149)
		<b>(58,490)</b>	<b>(80,491)</b>	<b>(112,370)</b>
		<b>(9,855,980)</b>	<b>(13,021,940)</b>	<b>(10,231,865)</b>
		<b>(226,648)</b>	<b>(8,458,562)</b>	<b>(2,779,194)</b>
Non-operating grants, subsidies and contributions	2(a)			
Profit on asset disposals	10(a)	526,918	6,230,098	1,314,957
(Loss) on asset disposals	10(a)	111,425	100,848	17,708
Fair value adjustments to financial assets at fair value through profit or loss	7(b)	(29,784)	(118,941)	(42,905)
		<b>70,068</b>	<b>0</b>	<b>0</b>
		<b>678,627</b>	<b>6,212,005</b>	<b>1,289,760</b>
<b>Net result for the period</b>				
		<b>451,979</b>	<b>(2,246,557)</b>	<b>(1,489,434)</b>
<b>Other comprehensive income</b>				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Changes in asset revaluation surplus	11	0	0	3,341,006
<b>Total other comprehensive income / (loss) for the period</b>				
		<b>0</b>	<b>0</b>	<b>3,341,006</b>
<b>Total comprehensive income/(Loss) for the period</b>				
		<b>451,979</b>	<b>(2,246,557)</b>	<b>1,851,572</b>

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 2019

	NOTE	2019 Actual \$	2019 Budget \$	Restated 2018 Actual \$
<b>Revenue</b>				
	2(a)			
Governance		2,297	650	1,520
General purpose funding		4,511,947	3,509,170	4,320,375
Law, order, public safety		40,799	8,730	51,318
Health		189,943	204,357	253,941
Education and welfare		153,964	144,402	148,506
Housing		136,266	145,844	92,040
Community amenities		218,720	222,175	214,885
Recreation and culture		50,080	53,805	58,554
Transport		4,080,441	127,445	2,142,420
Economic services		42,707	37,600	30,265
Other property and services		202,168	109,200	138,847
		<b>9,629,332</b>	<b>4,563,378</b>	<b>7,452,671</b>
<b>Expenses</b>				
	2(b)			
Governance		(607,320)	(707,832)	(653,578)
General purpose funding		(27,561)	(77,830)	(52,587)
Law, order, public safety		(121,139)	(130,843)	(128,353)
Health		(555,875)	(591,990)	(473,578)
Education and welfare		(283,774)	(313,914)	(308,353)
Housing		(120,675)	(213,880)	(134,513)
Community amenities		(552,402)	(517,998)	(508,504)
Recreation and culture		(1,497,126)	(1,499,911)	(1,494,006)
Transport		(5,738,211)	(8,419,492)	(6,003,019)
Economic services		(266,200)	(331,975)	(285,051)
Other property and services		(4,677)	(123,598)	(95,978)
		<b>(9,774,960)</b>	<b>(12,929,263)</b>	<b>(10,137,520)</b>
<b>Finance Costs</b>				
	2(b)			
Community amenities		(1,517)	(11,657)	(5,452)
Recreation and culture		(79,503)	(81,020)	(88,893)
		<b>(81,020)</b>	<b>(92,677)</b>	<b>(94,345)</b>
		<b>(226,648)</b>	<b>(8,458,562)</b>	<b>(2,779,194)</b>
Non-operating grants, subsidies and contributions	2(a)	526,918	6,230,098	1,314,957
Profit on disposal of assets	10(a)	111,425	100,848	17,708
(Loss) on disposal of assets	10(a)	(29,784)	(118,941)	(42,905)
Fair value adjustments to financial assets at fair value through profit or loss	7(b)	70,068	0	0
		<b>678,627</b>	<b>6,212,005</b>	<b>1,289,760</b>
<b>Net result for the period</b>		<b>451,979</b>	<b>(2,246,557)</b>	<b>(1,489,434)</b>
<b>Other comprehensive income</b>				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Changes in asset revaluation surplus	11	0	0	3,341,006
<b>Total other comprehensive income / (loss) for the period</b>		<b>0</b>	<b>0</b>	<b>3,341,006</b>
<b>Total comprehensive income/(loss) for the period</b>		<b>451,979</b>	<b>(2,246,557)</b>	<b>1,851,572</b>

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



SHIRE OF CORRIGIN  
STATEMENT OF FINANCIAL POSITION  
AS AT 30TH JUNE 2019

	NOTE	2019 \$	Restated 2018 \$	Restated 1 July 2017 \$
<b>CURRENT ASSETS</b>				
Cash and cash equivalents	3	3,434,026	2,086,905	2,736,430
Trade receivables	5	200,537	799,979	601,967
Other financial assets at amortised cost	7(a)	586,704	0	0
Inventories	6	142,537	250,508	105,130
<b>TOTAL CURRENT ASSETS</b>		<b>4,363,804</b>	<b>3,137,392</b>	<b>3,443,527</b>
<b>NON-CURRENT ASSETS</b>				
Trade receivables	5	7,620	9,831	7,530
Financial assets at fair value through profit and loss	7(b)	70,068	0	0
Inventories	6	1,540,000	1,570,000	1,570,000
Property, plant and equipment	8	26,275,852	27,347,522	28,226,034
Infrastructure	9	121,646,221	121,936,405	118,962,327
<b>TOTAL NON-CURRENT ASSETS</b>		<b>149,539,761</b>	<b>150,863,758</b>	<b>148,765,891</b>
<b>TOTAL ASSETS</b>		<b>153,903,565</b>	<b>154,001,150</b>	<b>152,209,418</b>
<b>CURRENT LIABILITIES</b>				
Trade and other payables	12	171,785	500,430	328,301
Borrowings	13(b)	78,572	123,743	164,702
Employee related provisions	14	337,242	443,070	507,049
<b>TOTAL CURRENT LIABILITIES</b>		<b>587,599</b>	<b>1,067,243</b>	<b>1,000,052</b>
<b>NON-CURRENT LIABILITIES</b>				
Borrowings	13(b)	1,578,356	1,656,923	1,780,665
Employee related provisions	14	58,432	49,785	53,074
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>1,636,788</b>	<b>1,706,708</b>	<b>1,833,739</b>
<b>TOTAL LIABILITIES</b>		<b>2,224,387</b>	<b>2,773,951</b>	<b>2,833,791</b>
<b>NET ASSETS</b>		<b>151,679,178</b>	<b>151,227,199</b>	<b>149,375,627</b>
<b>EQUITY</b>				
Retained surplus		32,086,650	32,258,820	33,795,031
Reserves - cash backed	4	2,044,734	1,420,585	1,373,808
Revaluation surplus	11	117,547,794	117,547,794	114,206,788
<b>TOTAL EQUITY</b>		<b>151,679,178</b>	<b>151,227,199</b>	<b>149,375,627</b>

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 2019

	NOTE	RESTATED RETAINED SURPLUS \$	RESERVES CASH BACKED \$	REVALUATION SURPLUS \$	RESTATED TOTAL EQUITY \$
<b>Balance as at 1 July 2017 - Restated</b>		<b>33,795,031</b>	<b>1,373,808</b>	<b>114,206,788</b>	<b>149,375,627</b>
Comprehensive income					
Net result for the period - restated		(1,489,434)	0	0	(1,489,434)
Other comprehensive income	11	0	0	3,341,006	3,341,006
Total comprehensive income/(loss)		(1,489,434)	0	3,341,006	1,851,572
Transfers from/(to) reserves		(46,777)	46,777	0	0
<b>Balance as at 30 June 2018 - Restated</b>		<b>32,258,820</b>	<b>1,420,585</b>	<b>117,547,794</b>	<b>151,227,199</b>
Comprehensive income					
Net result for the period		451,979	0	0	451,979
Total comprehensive income		451,979	0	0	451,979
Transfers from/(to) reserves		(624,149)	624,149	0	0
<b>Balance as at 30 June 2019</b>		<b>32,086,650</b>	<b>2,044,734</b>	<b>117,547,794</b>	<b>151,679,178</b>

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 2019

	NOTE	2019 Actual \$	2019 Budget \$	2018 Actual \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
<b>Receipts</b>				
Rates		2,513,757	2,532,525	2,470,746
Operating grants, subsidies and contributions		2,865,976	1,722,487	2,244,198
Fees and charges		689,905	632,076	586,917
Interest received		74,902	45,100	50,701
Goods and services tax received		735,940	150,000	277,487
Other revenue		3,943,603	57,798	2,063,534
		<u>10,824,083</u>	<u>5,139,986</u>	<u>7,693,583</u>
<b>Payments</b>				
Employee costs		(2,114,934)	(2,238,250)	(2,065,510)
Materials and contracts		(4,450,550)	(6,286,263)	(4,180,847)
Utility charges		(252,595)	(215,571)	(278,527)
Interest expenses		(81,020)	(92,677)	(96,832)
Insurance paid		(221,968)	(230,901)	(229,148)
Goods and services tax paid		(593,097)	0	(572,480)
Other expenditure		(58,490)	(80,492)	(112,370)
		<u>(7,772,654)</u>	<u>(9,144,154)</u>	<u>(7,535,714)</u>
<b>Net cash provided by (used in) operating activities</b>	15	<u>3,051,429</u>	<u>(4,004,168)</u>	<u>157,869</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Payments for purchase of property, plant & equipment		(274,719)	(346,500)	(280,523)
Payments for construction of infrastructure		(1,558,620)	(1,667,853)	(1,724,834)
Payments for financial assets at amortised cost		(586,704)	0	0
Non-operating grants, subsidies and contributions		526,918	6,230,098	1,314,957
Proceeds from sale of property, plant & equipment		295,279	331,000	47,708
Proceeds from sale of infrastructure		17,276	0	0
<b>Net cash provided by (used in) investment activities</b>		<u>(1,580,570)</u>	<u>4,546,745</u>	<u>(642,692)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Repayment of borrowings		(123,738)	(123,743)	(164,702)
<b>Net cash provided by (used in) financing activities</b>		<u>(123,738)</u>	<u>(123,743)</u>	<u>(164,702)</u>
<b>Net increase (decrease) in cash held</b>		<u>1,347,121</u>	<u>418,834</u>	<u>(649,525)</u>
Cash at beginning of year		2,086,905	2,086,905	2,736,430
<b>Cash and cash equivalents at the end of the year</b>	15	<u>3,434,026</u>	<u>2,505,739</u>	<u>2,086,905</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 2019

	NOTE	2019 Actual	2019 Budget	Restated 2018 Actual
		\$	\$	\$
<b>OPERATING ACTIVITIES</b>				
Net current assets at start of financial year - surplus/(deficit)	26 (b)	743,302	976,981	1,174,369
		743,302	976,981	1,174,369
<b>Revenue from operating activities (excluding rates)</b>				
Governance		2,297	650	1,520
General purpose funding		1,982,868	976,644	1,841,347
Law, order, public safety		40,799	8,730	51,318
Health		220,278	223,901	253,941
Education and welfare		153,964	144,402	148,506
Housing		136,266	145,844	92,040
Community amenities		218,720	222,175	214,885
Recreation and culture		50,080	53,805	58,554
Transport		4,161,531	208,749	2,146,470
Economic services		42,707	37,600	30,265
Other property and services		202,171	109,200	152,504
		7,211,681	2,131,701	4,991,350
<b>Expenditure from operating activities</b>				
Governance		(607,320)	(707,832)	(653,578)
General purpose funding		(27,561)	(77,830)	(52,587)
Law, order, public safety		(121,139)	(130,843)	(128,353)
Health		(555,875)	(591,990)	(473,578)
Education and welfare		(283,774)	(313,914)	(308,353)
Housing		(120,675)	(213,880)	(131,613)
Community amenities		(553,919)	(529,655)	(513,956)
Recreation and culture		(1,576,629)	(1,580,931)	(1,603,358)
Transport		(5,767,995)	(8,533,140)	(6,028,022)
Economic services		(266,200)	(331,975)	(285,051)
Other property and services		(4,671)	(128,891)	(96,321)
		(9,885,758)	(13,140,881)	(10,274,770)
Non-cash amounts excluded from operating activities	26(a)	2,893,495	3,684,376	3,227,496
<b>Amount attributable to operating activities</b>		962,720	(6,347,823)	(881,555)
<b>INVESTING ACTIVITIES</b>				
Non-operating grants, subsidies and contributions		526,918	6,230,098	1,314,957
Proceeds from disposal of assets	10(a)	312,555	331,000	47,708
Purchase of property, plant and equipment	8(a)	(274,719)	(346,501)	(280,523)
Purchase and construction of infrastructure	9(a)	(1,558,620)	(1,667,853)	(1,724,834)
<b>Amount attributable to investing activities</b>		(993,866)	4,546,744	(642,692)
<b>FINANCING ACTIVITIES</b>				
Repayment of borrowings	13(b)	(123,738)	(123,743)	(164,702)
Transfers to reserves (restricted assets)	4	(624,149)	(607,705)	(104,077)
Transfers from reserves (restricted assets)	4	0	0	57,300
<b>Amount attributable to financing activities</b>		(747,887)	(731,447)	(211,479)
<b>Surplus/(deficit) before imposition of general rates</b>		(779,033)	(2,532,526)	(1,735,726)
<b>Total amount raised from general rates</b>	25	2,529,079	2,532,526	2,479,028
<b>Surplus/(deficit) after imposition of general rates</b>	26(b)	1,750,046	0	743,302

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

## 1. BASIS OF PREPARATION

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

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

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

### 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 28 to these financial statements.

SHIRE OF CORRIGIN  
 NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
 FOR THE YEAR ENDED 30TH JUNE 2019

2. REVENUE AND EXPENSES

(a) Revenue

Grant Revenue

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

	2019 Actual \$	2019 Budget \$	2018 Actual \$
<b>Operating grants, subsidies and contributions</b>			
Governance	854	500	840
General purpose funding	1,869,622	893,778	1,754,377
Law, order, public safety	32,283	0	43,046
Health	165,845	180,312	229,606
Education and welfare	123,894	108,852	115,689
Housing	1,045	500	568
Recreation and culture	7,230	5,000	4,554
Transport	161,363	101,545	90,600
Other property and services	29,707	32,000	33,210
	<b>2,391,843</b>	<b>1,322,487</b>	<b>2,272,490</b>
<b>Non-operating grants, subsidies and contributions</b>			
Law, order, public safety	9,548	27,687	148,537
Education and welfare	0	0	23,123
Recreation and culture	0	100	18,224
Transport	512,725	6,202,311	1,121,521
Economic services	4,645	0	3,552
	<b>526,918</b>	<b>6,230,098</b>	<b>1,314,957</b>
<b>Total grants, subsidies and contributions</b>	<b>2,918,761</b>	<b>7,552,585</b>	<b>3,587,447</b>

**SIGNIFICANT ACCOUNTING POLICIES**

**Grants, donations and other contributions**

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

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

**Grants, donations and other contributions (Continued)**

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 24. 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.



SHIRE OF CORRIGIN  
 NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
 FOR THE YEAR ENDED 30TH JUNE 2019

2. REVENUE AND EXPENSES (Continued)

(a) Revenue (Continued)	2019 Actual	2019 Budget	2018 Actual
	\$	\$	\$
<b>Significant revenue</b>			
WANDRRA Event AGRN 743	3,911,142	0	1,983,738

In 2019 and 2018, the Shire received reimbursement from WANDRRA for repairs on roads following the flood damage in 2017. This has been disclosed under "Other Revenue" in the statement of comprehensive income by nature and type and "Transport" in the statement of comprehensive income by program.

**Other revenue**

Reimbursements and recoveries	3,916,155	7,940	2,026,612
Other	27,448	23,250	36,922
	3,943,603	31,190	2,063,534

**Fees and Charges**

General purpose funding	5,877	5,300	5,788
Law, order, public safety	8,516	8,730	8,273
Health	23,828	24,045	23,460
Education and welfare	25,663	30,050	26,817
Housing	135,222	145,344	104,299
Community amenities	218,720	222,175	214,885
Recreation and culture	39,450	44,804	46,216
Transport	25,513	24,200	24,139
Economic services	42,037	32,760	29,607
Other property and services	132,612	62,200	72,945
	657,438	599,608	556,429

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

**Interest earnings**

Reserve accounts interest	37,440	30,600	31,204
Rates instalment and penalty interest (refer Note 25(d))	24,132	13,000	18,068
Other interest earnings	13,330	1,500	1,429
	74,902	45,100	50,701

**SIGNIFICANT ACCOUNTING POLICIES**

**Interest earnings**

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

**Interest earnings (Continued)**

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

(b) Expenses

(b) Expenses	2019 Actual	2019 Budget	2018 Actual
	\$	\$	\$
<b>Significant expense</b>			
WANDRRA Event AGRN 743	3,000,419	0	2,798,580

In 2019 and 2018, the Shire undertook significant repairs due to the flood damage in 2017. This has been disclosed under "Materials and contracts" in the statement of comprehensive income by nature and type and "Transport" in the statement of comprehensive income by program.

**Auditors remuneration**

- Audit of the Annual Financial Report - New Auditor	45,000	20,000	0
- Audit of the Annual Financial Report - Previous Auditor	0	0	20,326
- Other services - Previous Auditor	3,500	30,000	18,200
	48,500	50,000	38,526

**Interest expenses (finance costs)**

Borrowings (refer Note 13(b))	81,020	92,677	94,345
	81,020	92,677	94,345

### 3. CASH AND CASH EQUIVALENTS

	NOTE	2019	2018
		\$	\$
Cash at bank and on hand		3,434,026	2,086,905
		<u>3,434,026</u>	<u>2,086,905</u>
Financial assets at amortised cost	7(a)	586,704	0
Total cash, cash equivalents and all term deposits		<u>4,020,730</u>	<u>2,086,905</u>
<b>Comprises:</b>			
- Unrestricted cash and cash equivalents		1,933,947	666,320
- Restricted cash and cash equivalents		2,086,783	1,420,585
		<u>4,020,730</u>	<u>2,086,905</u>
The following restrictions have been imposed by regulations or other externally imposed requirements:			
<b>Reserve accounts</b>			
Employee entitlement reserve	4	140,748	134,308
Community Bus Reserve	4	45,064	43,005
Staff Housing Reserve	4	298,279	220,610
Office Equipment Reserve	4	1,536	1,468
Plant Replacement Reserve	4	1,010,153	540,312
Swimming Pool Reserve	4	20,562	538
Roadworks Reserve	4	251,650	240,121
Land Subdivision Reserve	4	52,602	50,179
Townscape Reserve	4	2,676	2,553
Medical Reserve	4	4,760	4,540
LGCHP Long Term Maintenance Reserve	4	3,947	3,767
Community Development Reserve	4	179	172
Rockview Land Reserve	4	4,895	4,672
Senior Citizens Units	4	42,424	40,487
Town Hall Reserve	4	97,569	93,113
Child Care Reserve	4	41	39
Bendering Tip	4	47,649	40,701
Recreation & Events Centre	4	20,000	0
		<u>2,044,734</u>	<u>1,420,585</u>
<b>Other restricted cash and cash equivalents</b>			
Unspent grants/contributions	24	30,000	0
Bonds & Deposits	12	12,049	0
<b>Total restricted cash and cash equivalents</b>		<u>2,086,783</u>	<u>1,420,585</u>

#### SIGNIFICANT ACCOUNTING POLICIES

##### Cash and cash equivalents

Cash and cash equivalents include cash on hand, cash at bank, deposits available on demand with banks and other short term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash

##### Cash and cash equivalents (Continued)

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 2019

4. RESERVES - CASH BACKED

	2019		2019		2019		2019		2019		2018		2018	
	Actual	Actual	Actual	Actual	Budget	Budget	Budget	Budget	Actual	Actual	Actual	Actual	Actual	Actual
	Opening	Transfer	to	(from)	Opening	Transfer	to	(from)	Opening	Transfer	to	Opening	Transfer	Closing
	Balance			Balance	Balance			Balance	Balance			Balance		Balance
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
(a) Employee entitlement reserve	134,308	6,440	0	140,748	134,308	2,900	0	137,208	131,328	2,980	0	134,308	0	134,308
(b) Community Bus Reserve	43,005	2,059	0	45,064	43,005	925	0	43,930	22,462	20,543	0	43,005	0	43,005
(c) Staff Housing Reserve	220,610	77,669	0	298,279	220,610	71,855	0	292,465	215,715	4,895	0	220,610	0	220,610
(d) Office Equipment Reserve	1,468	68	0	1,536	1,468	30	0	1,498	25,921	547	(25,000)	1,468	0	1,468
(e) Plant Replacement Reserve	540,312	469,841	0	1,010,153	540,312	476,600	0	1,016,912	528,322	11,990	0	540,312	0	540,312
(f) Swimming Pool Reserve	538	20,024	0	20,562	538	20,010	0	20,548	25,991	547	(26,000)	538	0	538
(g) Roadworks Reserve	240,121	11,529	0	251,650	240,121	5,200	0	245,321	234,793	5,328	0	240,121	0	240,121
(h) Land Subdivision Reserve	50,179	2,423	0	52,602	50,179	1,100	0	51,279	49,066	1,113	0	50,179	0	50,179
(i) Townscape Reserve	2,553	123	0	2,676	2,553	55	0	2,608	2,497	56	0	2,553	0	2,553
(j) Medical Reserve	4,540	220	0	4,760	4,540	100	0	4,640	4,440	100	0	4,540	0	4,540
(k) LGCHP Long Term Maintenance Reserve	3,767	180	0	3,947	3,767	80	0	3,847	9,854	213	(6,300)	3,767	0	3,767
(l) Community Development Reserve	172	7	0	179	172	3	0	175	168	4	0	172	0	172
(m) Rockview Land Reserve	4,672	223	0	4,895	4,672	100	0	4,772	3,589	1,083	0	4,672	0	4,672
(n) Senior Citizens Units	40,487	1,937	0	42,424	40,487	870	0	41,357	20,000	20,487	0	40,487	0	40,487
(o) Town Hall Reserve	93,113	4,456	0	97,569	93,113	2,001	0	95,114	81,253	11,860	0	93,113	0	93,113
(p) Child Care Reserve	39	2	0	41	39	1	0	40	36	3	0	39	0	39
(q) Bendinger Tip	40,701	6,948	0	47,649	40,701	5,875	0	46,576	18,373	22,328	0	40,701	0	40,701
(r) Recreation & Events Centre	0	20,000	0	20,000	0	20,000	0	20,000	0	0	0	0	0	0
	1,420,585	624,149	0	2,044,734	1,420,585	607,705	0	2,028,290	1,373,808	104,077	(57,300)	1,420,585	0	1,420,585

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.

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:

Anticipated date of use	Purpose of the reserve
Ongoing	To be used to fund employee entitlement requirements.
Ongoing	To be used to fund the continual purchase of a community bus.
Ongoing	To be used for the construction and maintenance of staff housing.
Ongoing	To be used for the purchase of office equipment.
Ongoing	To be used for the purchase of major plant items.
Ongoing	To be used for the construction and maintenance of the swimming pool facility.
Ongoing	To be used for the construction of verge/footpaths within the Shire of Corrigin.
Ongoing	To be used to fund the construction of development land for sub division that benefits the community.
Ongoing	To be used for the continual upgrade of townscape facilities.
Ongoing	To be used for the continual upgrade of medical facilities within the Shire of Corrigin.
Ongoing	To fund the long term maintenance of the joint venture housing.
Ongoing	To be used for the continual upgrade of various community facilities in Corrigin.
Ongoing	To be used to fund the development of the Rockview land project.
Ongoing	To be used for the construction of aged care accommodation and facilities within Corrigin.
Ongoing	To be used for the planning, maintenance and upgrade of the Corrigin Town Hall Building.
Ongoing	To be used for the construction and maintenance of Child Care Facilities.
Ongoing	To be used for the continual upgrade and expansion of the Bendinger Tip Site.
Ongoing	To be used for the planning, maintenance and upgrade of the recreation and events centre.



## 5. TRADE RECEIVABLES

### Current

Rates receivable	
Sundry receivables	
GST receivable	
Accrued Income/Payments in advance	
Allowance for impairment of receivables	

### Non-current

Pensioner's rates and ESL deferred	
------------------------------------	--

	2019	2018
	\$	\$
	135,726	118,192
	43,914	522,093
	20,897	163,738
	0	39,346
	0	(43,390)
	<b>200,537</b>	<b>799,979</b>
	<b>7,620</b>	<b>9,831</b>
	<b>7,620</b>	<b>9,831</b>

## SIGNIFICANT ACCOUNTING POLICIES

### Trade and other receivables

Trade and other receivables include amounts due from ratepayers for unpaid rates and service charges and other amounts due from third parties for goods sold and services performed in the ordinary course of business.

Trade receivables are recognised at original invoice amount less any allowances for uncollectible amounts (i.e. impairment). The carrying amount of net trade receivables is equivalent to fair value as it is due for settlement within 30 days.

### Impairment and risk exposure

Information about the impairment of trade receivables and their exposure to credit risk and interest rate risk can be found in Note 27.

### Previous accounting policy: Impairment of trade receivables

In the prior year, the impairment of trade receivables was assessed based on the incurred loss model. Individual receivables which were known to be uncollectible were written off by reducing the carrying amount directly. The other receivables were assessed collectively to determine whether there was objective evidence that an impairment had been incurred but not yet identified. For these receivables the estimated impairment losses were recognised in a separate provision for impairment.

### Classification and subsequent measurement

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

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

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

## 6. INVENTORIES

### Current

Fuels, Oils & Materials on Hand  
 Land held for resale - cost  
     Cost of acquisition

### Non-current

Land held for resale - cost  
     Cost of acquisition

	2019	2018
	\$	\$
	82,537	220,508
	60,000	30,000
	<b>142,537</b>	<b>250,508</b>
	1,540,000	1,570,000
	<b>1,540,000</b>	<b>1,570,000</b>
	1,820,508	1,675,130
	(137,971)	0
	0	(30,000)
	0	175,378
	<b>1,682,537</b>	<b>1,820,508</b>

The following movements in inventories occurred during the year:

**Carrying amount at 1 July** Inventories  
 expensed during the year  
 Disposed of land held for sale during the year  
 Additions to inventory  
**Carrying amount at 30 June**

### SIGNIFICANT ACCOUNTING POLICIES

#### General

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

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

#### Land held for resale

Land held for development and resale 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.

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

## 7. OTHER FINANCIAL ASSETS

### (a) Current assets

Other financial assets at amortised cost

	2019	2018
	\$	\$
	586,704	0
	<u>586,704</u>	<u>0</u>

### Other financial assets at amortised cost

- Financial assets at amortised cost - term deposits

	586,704	0
	<u>586,704</u>	<u>0</u>

### (b) Non-current assets

Financial assets at fair value through profit and loss

	70,068	0
	<u>70,068</u>	<u>0</u>

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

- *Unlisted equity investments*

Local Government House Trust

	70,068	0
	<u>70,068</u>	<u>0</u>

During the year, the following gains/(losses) were recognised in profit and loss:

Fair value gains/(losses) on equity investments at fair value through profit and loss are recognised in other gains/(losses) and classified as other property and services

	70,068	0
	<u>70,068</u>	<u>0</u>

### SIGNIFICANT ACCOUNTING POLICIES

#### Other financial assets at amortised cost

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

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

Term deposits with original terms of three months or more were classified as cash and cash equivalents in the 2019 financial report. However, they have now been reclassified as financial assets at amortised cost

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

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

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

### SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Impairment and risk

Information regarding impairment and exposure to risk can be found at Note 27.

#### Previous accounting policy: available for sale financial assets

Available-for-sale financial assets were non-derivative financial assets that were either not suitable to be classified as 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.

#### Previous accounting policy: Loans and receivables

Non-derivative financial assets with fixed or determinable payments that were not quoted in an active market and are solely payments of principal and interest were classified as loans and receivables and are subsequently measured at amortised cost, using the effective interest rate method.

## 8. PROPERTY, PLANT AND EQUIPMENT

### (a) Movements in Carrying Amounts

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

	Restated	Land - vested in and under control of Council	Restated	Buildings - specialised	Restated	Total land and buildings	Restated	Furniture and Equipment	Restated	Plant and Equipment	Restated	Total property, plant and equipment
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Balance at 1 July 2017 - Restated</b>	2,107,404	643,210	2,750,614	21,694,062	21,694,062	24,444,676	172,092	3,609,266	28,226,034			
Additions	0	0	0	168,985	168,985	168,985	43,872	67,666	280,523			
(Disposals) - Restated	0	0	0	0	0	0	(343)	(22,103)	(22,446)			
Depreciation (expense) - Restated	0	0	0	(763,759)	(763,759)	(763,759)	(7,290)	(365,540)	(1,136,589)			
<b>Carrying amount at 30 June 2018 - Restated</b>	2,107,404	643,210	2,750,614	21,099,288	21,099,288	23,849,902	208,331	3,289,289	27,347,522			
<b>Comprises:</b>												
Gross Carrying amount as at 30 June 2018- Restated	2,107,404	643,210	2,750,614	21,865,947	21,865,947	24,616,561	225,290	4,000,908	28,842,759			
Accumulated depreciation at 30 June 2018- Restated	0	0	0	(766,659)	(766,659)	(766,659)	(16,959)	(711,619)	(1,495,237)			
<b>Carrying amount at 30 June 2018 - Restated</b>	2,107,404	643,210	2,750,614	21,099,288	21,099,288	23,849,902	208,331	3,289,289	27,347,522			
Additions	0	0	0	80,087	80,087	80,087	5,413	189,219	274,719			
(Disposals)	0	0	0	0	0	0	(304)	(213,334)	(213,638)			
Depreciation (expense)	0	0	0	(767,707)	(767,707)	(767,707)	(23,951)	(341,093)	(1,132,751)			
<b>Carrying amount at 30 June 2019</b>	2,107,404	643,210	2,750,614	20,411,668	20,411,668	23,162,282	189,489	2,924,081	26,275,852			
<b>Comprises:</b>												
Gross carrying amount at 30 June 2019	2,107,404	643,210	2,750,614	21,946,035	21,946,035	24,696,649	229,803	3,830,561	28,757,013			
Accumulated depreciation at 30 June 2019	0	0	0	(1,534,367)	(1,534,367)	(1,534,367)	(40,314)	(906,480)	(2,481,161)			
<b>Carrying amount at 30 June 2019</b>	2,107,404	643,210	2,750,614	20,411,668	20,411,668	23,162,282	189,489	2,924,081	26,275,852			



**SHIRE OF CORRIGIN**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2019**

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

(b) Fair Value Measurements

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

**SHIRE OF CORRIGIN  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
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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.



## 9. INFRASTRUCTURE

### (a) Movements in Carrying Amounts

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

	Restated				Restated	
	Infrastructure - Roads	Infrastructure - Footpaths	Infrastructure - Drainage	Infrastructure - Parks and Ovals	Infrastructure Other	Total Infrastructure
<b>Balance at 1 July 2017 - Restated</b>	\$ 103,901,494	\$ 396,706	\$ 9,474,669	\$ 5,189,458	\$ 0	\$ 118,962,327
Additions	1,200,890	150,514	0	373,430	0	1,724,834
(Disposals) - Restated	0	0	0	(20,459)	0	(20,459)
Revaluation increments / (decrements) transferred to revaluation surplus	(138,279)	216,741	2,045,796	1,216,748	0	3,341,006
Depreciation (expense) - Restated	(1,347,918)	(25,041)	(335,834)	(362,510)	0	(2,071,303)
Transfers	133,267	0	0	(133,267)	0	0
<b>Carrying amount at 30 June 2018- Restated</b>	<b>103,749,454</b>	<b>738,920</b>	<b>11,184,631</b>	<b>6,263,400</b>	<b>0</b>	<b>121,936,405</b>
<b>Comprises:</b>						
Gross Carrying amount as at 30 June 2018-Restated	103,749,454	738,920	11,184,631	6,263,400	0	121,936,405
Accumulated depreciation at 30 June 2018	0	0	0	0	0	0
<b>Carrying amount at 30 June 2018- Restated</b>	<b>103,749,454</b>	<b>738,920</b>	<b>11,184,631</b>	<b>6,263,400</b>	<b>0</b>	<b>121,936,405</b>
Additions	1,446,465	90,394	0	7,562	14,199	1,558,620
(Disposals)	0	0	0	(13,916)	(3,360)	(17,276)
Depreciation (expense)	(1,068,294)	(21,651)	(339,313)	(150,126)	(252,145)	(1,831,528)
Transfers	0	0	0	(4,129,262)	4,129,262	0
<b>Carrying amount at 30 June 2019</b>	<b>104,127,625</b>	<b>807,663</b>	<b>10,845,318</b>	<b>1,977,658</b>	<b>3,887,956</b>	<b>121,646,221</b>
<b>Comprises:</b>						
Gross carrying amount at 30 June 2019	105,195,920	829,313	11,184,631	2,103,928	4,138,904	123,452,697
Accumulated depreciation at 30 June 2019	(1,068,295)	(21,650)	(339,313)	(126,270)	(250,948)	(1,806,476)
<b>Carrying amount at 30 June 2019</b>	<b>104,127,625</b>	<b>807,663</b>	<b>10,845,318</b>	<b>1,977,658</b>	<b>3,887,956</b>	<b>121,646,221</b>

SHIRE OF CORRIGIN  
 NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
 FOR THE YEAR ENDED 30TH JUNE 2019

**9. INFRASTRUCTURE (Continued)**

(b) Fair Value Measurements

Asset Class	Fair Value Hierarchy	Valuation Technique	Basis of Valuation	Date of Last Valuation	Inputs Used
Infrastructure - Roads	3	Cost approach using depreciated replacement cost	Independent Registered Valuers	June 2018	Construction costs and current condition (level 2) residual values and remaining useful life assessment (level 3) Inputs
Infrastructure - Footpaths	3	Cost approach using depreciated replacement cost	Independent Registered Valuers	June 2018	Construction costs and current condition (level 2) residual values and remaining useful life assessment (level 3) Inputs
Infrastructure - Drainage	3	Cost approach using depreciated replacement cost	Independent Registered Valuers	June 2018	Construction costs and current condition (level 2) residual values and remaining useful life assessment (level 3) Inputs
Infrastructure - Parks and Ovals	3	Cost approach using depreciated replacement cost	Independent Registered Valuers	June 2018	Construction costs and current condition (level 2) residual values and remaining useful life assessment (level 3) Inputs
Infrastructure- Other	3	Cost approach using depreciated replacement cost	Independent Registered Valuers	June 2018	Construction costs and current condition (level 2) residual values and remaining useful life assessment (level 3) Inputs

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

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

## 10 PROPERTY, PLANT AND EQUIPMENT (INCLUDING INFRASTRUCTURE)

### SIGNIFICANT ACCOUNTING POLICIES

#### Fixed assets

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

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

All assets are initially recognised at cost where the fair value of the asset at date of acquisition is equal to or above \$5,000. All assets are subsequently revalued in accordance with the mandatory measurement framework.

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, are recognised at cost and disclosed as being at fair value as management believes cost approximates fair value. They are subject to subsequent revaluation at the next anniversary date in accordance with the mandatory measurement framework.

#### Revaluation

The fair value of fixed assets is determined at least every three years and no more than five years in accordance with the regulatory framework. At the end of each period the valuation is reviewed and where appropriate the fair value is updated to reflect current market conditions. This process is considered to be in accordance with *Local Government (Financial Management) Regulation 17A (2)* which requires property, plant and equipment to be shown at fair value.

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

### AUSTRALIAN ACCOUNTING STANDARDS - INCONSISTENCY

#### Land under control

In accordance with *Local Government (Financial Management) Regulation 16(a)(ii)*, 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.

#### 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 2019

10. PROPERTY, PLANT AND EQUIPMENT (INCLUDING INFRASTRUCTURE) (Continued)

(a) Disposals of Assets

	2019				2019				Restated 2018		Restated 2018	
	Actual	Actual	2019	2019	Budget	Budget	2018	2018	Actual	Actual	2018	2018
	Net Book	Sale	Actual	Actual	Net Book	Net Book	Actual	Actual	Net Book	Sale	Actual	Actual
	Value	Proceeds	Profit	Loss	Value	Proceeds	Profit	Loss	Value	Proceeds	Profit	Loss
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Land - freehold land	0	0	0	0	0	0	0	0	30,000	43,658	13,658	0
Furniture and Equipment	304	304	0	0	0	0	0	0	345	0	0	(343)
Plant and Equipment	213,334	294,975	111,425	(29,784)	349,093	331,000	100,848	(118,941)	22,103	4,050	4,050	(22,103)
Infrastructure - Parks and Ovals	13,916	13,916	0	0	0	0	0	0	20,459	0	0	(20,459)
Infrastructure Other	3,360	3,360	0	0	0	0	0	0	0	0	0	0
	230,914	312,555	111,425	(29,784)	349,093	331,000	100,848	(118,941)	72,905	47,708	17,708	(42,905)

The following assets were disposed of during the year.

	2019		2019	
	Actual	Actual	2019	2019
	Net Book	Sale	Actual	Actual
	Value	Proceeds	Profit	Loss
<b>Plant and Equipment</b>				
<b>Health</b>				
2016 SUBARU FORESTER 2.0D-L MANUAL SILVER -CR4	12,611	15,363	2,752	0
2015 TOYOTA RAV4 GXL	17,131	21,118	3,987	0
2014 TOYOTA KLUGER AWD GXL PETROL CR1000	271	23,864	23,593	0
<b>Other property and services</b>				
2017 TOYOTA FORTUNER 1CR	40,618	38,218	0	(2,399)
CATERPILLAR D4E DOZER CR20	11,355	24,627	13,272	0
2010 CATERPILLAR SKID STEER LOADERV	15,326	17,442	2,116	0
PROMARK WOODCHIPPER WITH PETROL MOTOR	2,028	1,882	0	(146)
GRADER CR282	2,007	12,196	10,189	0
VOLVO L90F 4WD LOADER CR8	63,490	110,935	47,445	0
UTILITY - TOYOTA HILUX 2WD TURBO DIESEL CR168	3,200	10,909	7,709	0
MEY MOWER	397	759	362	0
2006 CATERPILLAR PF-3000C COMPACTOR	44,901	17,662	0	(27,239)
	213,334	294,975	111,425	(29,784)
<b>Furniture &amp; Equipment</b>				
<b>Health</b>				
Doctors Surgery - Pooled Assets under \$2,000	(120)	(120)	0	0
<b>Education &amp; Welfare</b>				
Resource Centre Electronic Binder	514	514	0	0
<b>Recreation &amp; Culture</b>				
CWA - Pooled Assets under \$2,000	(80)	(90)	0	0
	304	304	0	0
<b>Parks &amp; Ovals</b>				
<b>Recreation &amp; Culture</b>				
CREC Playground	2,400	2,400	0	0
Tennis Precinct Retaining Wall	3,681	3,681	0	0
Walton Street Playgrounf Fencing	4,154	4,154	0	0
Rotary Park Playgrounf Retaining Wall	3,681	3,681	0	0
	13,916	13,916	0	0
<b>Other Infrastructure</b>				
<b>Transport</b>				
AIRSTRIIP PILOT ACTIVATED LANDING SYSTEM UNDER \$5K	3,360	3,360	0	0
	3,360	3,360	0	0
	230,914	312,555	111,425	(29,784)

Hide

Hide

(b) Fully Depreciated Assets in Use

Hide

The Shire had no fully depreciated assets in use for year ended 30 June 2019.

Hide

(c) Temporarily Idle Assets

Hide

The Shire had no temporarily idle assets for the year ended 30 June 2019.

Hide

SHIRE OF CORRIGIN  
 NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
 FOR THE YEAR ENDED 30TH JUNE 2019

10. PROPERTY, PLANT AND EQUIPMENT (INCLUDING INFRASTRUCTURE) (Continued)

Restated

(d) Depreciation

	2019 Actual	2019 Budget	2018 Actual
	\$	\$	\$
Buildings - specialised	767,707	755,364	763,759
Furniture and Equipment	23,951	21,152	7,290
Plant and Equipment	341,093	373,867	365,540
Infrastructure - Roads	1,068,294	1,716,899	1,347,918
Infrastructure - Footpaths	21,651	36,498	25,041
Infrastructure - Drainage	339,313	328,050	335,834
Infrastructure - Parks and Ovals	150,126	353,544	362,510
Infrastructure Other	252,145	80,909	0
	<b>2,964,279</b>	<b>3,666,283</b>	<b>3,207,892</b>

Revision of useful lives of plant and equipment

As part of the preparation of the Budget 2019-2020 and 10 year plant replacement program useful life of all plant and equipment was reviewed and amended accordingly.

SIGNIFICANT ACCOUNTING POLICIES

Depreciation

The depreciable amount of all fixed assets including buildings but excluding freehold land and vested land, are depreciated on a straight-line basis over the individual asset's useful life from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful life of the improvements.

The assets residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the statement of comprehensive income in the period in which they arise.

Depreciation rates

Typical estimated useful lives for the different asset classes for the current and prior years are included in the table below:

Asset Class	Useful life
Buildings	30 to 50 years
Furniture and equipment	10 years
Plant and equipment	5 to 15 years
- Heavy	15 years
- Light	7.5 years
Infrastructure Parks & Ovals	30 to 50 years
Infrastructure Other	30 to 50 years
Sealed roads and streets	not depreciated
Clearing and earthworks	not depreciated
Construction/roadbase	50 years
Original surfacings and major resurfacing	
- bituminous seals	20 years
- asphalt surfaces	25 years
Gravel roads	
Gravel sheet	15 years
Formed Roads ( Unsealed)	
Footpaths - slab	40 years
Sewerage piping	100 years
Water supply piping and drainage systems	75 years

Depreciation (Continued)

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

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

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

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11. REVALUATION SURPLUS

	2019		2019		2019		2018		2018		2018	
	Opening Balance	Revaluation Increment	Revaluation (Decrement)	Total Movement on Revaluation	Closing Balance	Opening Balance	Revaluation Increment	Revaluation (Decrement)	Total Movement on Revaluation	Closing Balance	Revaluation Increment	Revaluation (Decrement)
Revaluation surplus - Buildings - specialised	12,600,700	0	0	0	12,600,700	12,600,700	0	0	0	12,600,700	0	0
Revaluation surplus - Furniture and Equipment	84,719	0	0	0	84,719	84,719	0	0	0	84,719	0	0
Revaluation surplus - Plant and Equipment	307,766	0	0	0	307,766	307,766	0	0	0	307,766	0	0
Revaluation surplus - Infrastructure - Roads	86,815,626	0	0	0	86,815,626	86,953,905	0	(138,279)	(138,279)	86,815,626	0	0
Revaluation surplus - Infrastructure - Footpaths	278,530	0	0	0	278,530	61,789	216,741	0	216,741	278,530	0	0
Revaluation surplus - Infrastructure - Drainage	12,067,625	0	0	0	12,067,625	10,021,829	2,045,796	0	2,045,796	12,067,625	0	0
Revaluation surplus - Infrastructure - Parks and Ovals	5,392,828	0	0	0	5,392,828	4,176,080	1,216,748	0	1,216,748	5,392,828	0	0
	117,547,794	0	0	0	117,547,794	114,206,788	3,479,285	(138,279)	3,341,006	117,547,794	3,479,285	(138,279)

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



## 12. TRADE AND OTHER PAYABLES

### Current

Sundry creditors
Accrued salaries and wages
ATO liabilities
Accrued Interest on Borrowings
Accrued Expenses
Bonds and Deposits

	2019	2018
	\$	\$
	47,738	426,371
	56,228	36,408
	5,976	3,873
	1,947	1,947
	47,847	31,831
	12,049	0
	<u>171,785</u>	<u>500,430</u>

### SIGNIFICANT ACCOUNTING POLICIES

#### Trade and other payables

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

#### Trade and other payables (Continued)

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.

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**13. INFORMATION ON BORROWINGS**

	2019	2018
(a) Borrowings	\$	\$
Current	78,572	123,743
Non-current	1,578,356	1,656,923
	<u>1,656,928</u>	<u>1,780,666</u>

(b) Repayments - Borrowings

Particulars	Loan Number	Institution	Interest Rate	30 June 2019		30 June 2019		30 June 2019		30 June 2019		30 June 2019		30 June 2018		30 June 2018	
				Actual Principal	Actual New Loans	Actual Principal repayments	Actual Interest repayments	Budget Principal	Budget Interest	Budget Principal repayments	Budget Interest	Actual Principal	Actual Interest	Actual Principal repayments	Actual Interest	Actual Principal	Actual Interest
Community amenities Land Subdivision	101	WATC	6.23%	48,692	0	48,692	1,517	0	48,693	1,517	48,693	141,709	93,017	141,709	7,920	48,692	
Recreation and culture Corrigin Recreation Centre	102	WATC	4.64%	1,731,974	0	75,046	79,503	1,656,928	1,731,974	91,160	1,656,924	1,803,659	71,685	1,803,659	86,425	1,731,974	
				<u>1,780,666</u>	<u>0</u>	<u>123,738</u>	<u>81,020</u>	<u>1,656,928</u>	<u>1,780,667</u>	<u>92,677</u>	<u>1,656,924</u>	<u>1,945,368</u>	<u>164,702</u>	<u>1,945,368</u>	<u>94,345</u>	<u>1,780,666</u>	
				<u>1,780,666</u>	<u>0</u>	<u>123,738</u>	<u>81,020</u>	<u>1,656,928</u>	<u>1,780,667</u>	<u>92,677</u>	<u>1,656,924</u>	<u>1,945,368</u>	<u>164,702</u>	<u>1,945,368</u>	<u>94,345</u>	<u>1,780,666</u>	





### 13. INFORMATION ON BORROWINGS (Continued)

	2019	2018
	\$	\$
<b>(c) Undrawn Borrowing Facilities</b>		
<b>Credit Standby Arrangements</b>		
Bank overdraft limit	100,000	1,500,000
Bank overdraft at balance date	0	0
Credit card limit	20,000	20,000
Credit card balance at balance date	(333)	(1,642)
<b>Total amount of credit unused</b>	<b>119,667</b>	<b>1,518,358</b>
<b>Loan facilities</b>		
Loan facilities - current	78,572	123,743
Loan facilities - non-current	1,578,356	1,656,923
<b>Total facilities in use at balance date</b>	<b>1,656,928</b>	<b>1,780,666</b>

#### SIGNIFICANT ACCOUNTING POLICIES

##### Financial liabilities

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

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

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

##### Borrowing costs

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

##### Risk

Information regarding exposure to risk can be found at Note 27.

## 14. EMPLOYEE RELATED PROVISIONS

### Employee Related Provisions

#### Opening balance at 1 July 2018

Current provisions

Non-current provisions

Additional provision

Amounts used

#### Balance at 30 June 2019

#### Comprises

Current

Non-current

	Provision for Annual Leave	Provision for Long Service Leave	Total
	\$	\$	\$
Opening balance at 1 July 2018			
Current provisions	293,027	150,043	443,070
Non-current provisions	0	49,785	49,785
	<b>293,027</b>	<b>199,828</b>	<b>492,855</b>
Additional provision	29,051	50,508	79,558
Amounts used	(121,012)	(55,728)	(176,739)
Balance at 30 June 2019	<b>201,066</b>	<b>194,608</b>	<b>395,674</b>
Comprises			
Current	201,066	136,176	337,242
Non-current	0	58,432	58,432
	<b>201,066</b>	<b>194,608</b>	<b>395,674</b>

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

Less than 12 months after the reporting date

More than 12 months from reporting date

Expected reimbursements from other shires

	2019	2018
	\$	\$
Less than 12 months after the reporting date	337,242	443,070
More than 12 months from reporting date	45,701	22,860
Expected reimbursements from other shires	12,731	26,925
	<b>395,674</b>	<b>492,855</b>

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

### SIGNIFICANT ACCOUNTING POLICIES

#### Employee benefits

##### Short-term employee benefits

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

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

##### Other long-term employee benefits

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

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

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

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

#### Provisions

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

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

## 15. NOTES TO THE STATEMENT OF CASH FLOWS

### Reconciliation of Cash

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

	2019 Actual	2019 Budget	Restated 2018 Actual
	\$	\$	\$
Cash and cash equivalents	3,434,026	2,505,739	2,086,905
<b>Reconciliation of Net Cash Provided By Operating Activities to Net Result</b>			
Net result	451,979	(2,246,557)	(1,489,434)
Non-cash flows in Net result:			
Fair value adjustments to financial assets at fair value through profit or loss	(70,068)	0	0
Depreciation	2,964,279	3,666,283	3,207,892
(Profit)/loss on sale of asset	(81,641)	18,093	25,197
Changes in assets and liabilities:			
(Increase)/decrease in receivables	601,653	550,000	(200,311)
(Increase)/decrease in inventories	137,971	420,000	(175,382)
Increase/(decrease) in payables	(328,645)	(181,888)	172,129
Increase/(decrease) in provisions	(97,181)	0	(67,265)
Grants contributions for the development of assets	(526,918)	(6,230,099)	(1,314,957)
Net cash from operating activities	3,051,429	(4,004,168)	157,869

## 16. TOTAL ASSETS CLASSIFIED BY FUNCTION AND ACTIVITY

	2019	Restated 2018
	\$	\$
Governance	68,651	5,711
General purpose funding	2,119,344	788,667
Law, order, public safety	241,523	453,865
Health	1,261,916	1,285,900
Education and welfare	1,037,943	1,072,535
Housing	4,228,198	4,267,473
Community amenities	3,041,685	3,132,485
Recreation and culture	13,667,043	13,624,381
Transport	120,528,175	119,285,000
Economic services	1,377,015	1,034,062
Other property and services	6,332,070	5,536,780
Unallocated	0	3,514,291
	<u>153,903,564</u>	<u>154,001,150</u>

## 17. RELATED PARTY TRANSACTIONS

### Elected Members Remuneration

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

	2019 Actual	2019 Budget	2018 Actual
	\$	\$	\$
Meeting Fees	28,318	28,318	27,188
President's Allowance	7,500	7,500	7,500
Deputy President's Allowance	1,875	1,875	2,000
Travelling Expenses	896	1,000	896
Telecommunications Allowance	7,000	7,000	6,682
	<u>45,589</u>	<u>45,693</u>	<u>44,266</u>

### Key Management Personnel (KMP) Compensation Disclosure

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

	2019 Actual	2018 Actual
	\$	\$
Short-term employee benefits	252,524	246,063
Post-employment benefits	31,666	19,538
Other long-term benefits	5,534	0
Termination benefits	0	13,835
	<u>289,724</u>	<u>279,436</u>

#### *Short-term employee benefits*

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

#### *Post-employment benefits*

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

#### *Other long-term benefits*

These amounts represent long service benefits accruing during the year.

#### *Termination benefits*

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

## 17. RELATED PARTY TRANSACTIONS (Continued)

### Transactions with related parties

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

No outstanding balances or provisions for doubtful debts or guaranties exist in relation to related parties at year end.

The following transactions occurred with related parties:

	2019 Actual	2018 Actual
	\$	\$
Sale of goods and services	4,371	0
Purchase of goods and services	17,959	1,515

### Related Parties

The Shire's main related parties are as follows:

#### *i. Key management personnel*

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

#### *ii. Other Related Parties*

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

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

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

18. JOINT ARRANGEMENTS

The Shire together with the Shires of Kondinin, Lake Grace, Narembeen and Kulin have a joint operation arrangement with regard to the provision of an environmental health service. The only asset is a motor vehicle. The Shire's one third share of this asset is included in Property, Plant and Equipment.

**Non-current assets**

Light vehicles-Management Valuation 2016  
 Less accumulated depreciation

	2019	2018
	\$	\$
	61,304	61,304
	(37,547)	(26,153)
	23,757	35,151

**SIGNIFICANT ACCOUNTING POLICIES**

**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.

**Interests in joint arrangements (Continued)**

Joint 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.



## **19 MAJOR LAND TRANSACTIONS**

Council had no major land transactions during the 2018/2019 financial year.

## **20. TRADING UNDERTAKINGS AND MAJOR TRADING UNDERTAKINGS**

Council had no trading undertakings or major trading undertakings during the 2018/2019 financial year.

## **21. CONTINGENT LIABILITIES**

The Shire had no contingent liabilities as at 30 June 2019.

## **22. CAPITAL AND LEASE COMMITMENTS**

The Shire did not have any capital and lease commitments as at 30 June 2019.

## **23. EVENTS OCCURRING AFTER THE END OF THE REPORTING PERIOD**

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Shire.

**24. CONDITIONS OVER GRANTS/CONTRIBUTIONS**

Grant/Contribution	Opening Balance (1) 1/07/17		Received (2) 2017/18		Expended (3) 2017/18		Closing Balance (1) 30/06/18		Received (2) 2018/19		Expended (3) 2018/19		Closing Balance 30/06/19	
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Education and welfare</b>														
CRC Traineeship Grant	0	0	0	0	0	0	0	0	30,000	0	0	0	30,000	
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>30,000</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>30,000</b>	

**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.



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25. RATING INFORMATION (Continued)

(b) Specified Area Rate

The Shire did not raise specified area rates for the year ended 30th June 2019.

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

Rates Discounts

Rate or Fee Discount Granted	Discount %	Discount \$	2019 Actual \$	2019 Budget \$	2018 Actual \$
Early Payment Discount	2.00%	41,000	41,000	35,958	41,220
			41,000	35,958	41,220

## 25. RATING INFORMATION (Continued)

### (d) Interest Charges & Instalments

Instalment Options	Date Due	Instalment Plan	Instalment Plan	Unpaid Rates
		Admin Charge	Interest Rate	Interest Rate
		\$	%	%
<b>Option One</b>	15 Oct 2018		0%	11%
<b>Option Two</b>	15 Oct 2018	0	5.5%	11%
	14 Dec 2018	10	5.5%	11%
	14 Feb 2019	10	5.5%	11%
	15 Apr 2019	10	5.5%	11%

	2019 Actual	2019 Budget	2018 Actual
	\$	\$	\$
Interest on unpaid rates	19,476	8,500	13,819
Interest on instalment plan	4,656	4,500	4,249
Charges on instalment plan	3,270	2,800	2,880
	<b>27,402</b>	<b>15,800</b>	<b>20,948</b>

## 26. RATE SETTING STATEMENT INFORMATION

	2018/19 (30 June 2019 Carried Forward) \$	2018/19 Budget June 2019 Carried Forward) \$	Restated 2018/19 (30 July 2018 Brought Forward) \$
Note			
<b>(a) Non-cash amounts excluded from operating activities</b>			
<p>The following non-cash revenue or expenditure has been excluded from amounts attributable to operating activities within the Rate Setting Statement in accordance with <i>Financial Management Regulation 32</i>.</p>			
<b>Adjustments to operating activities</b>			
Less: Profit on asset disposals	10(a)	(111,425)	(100,848)
Movement in pensioner deferred rates (non-current)		2,210	0
Movement in employee benefit provisions (non-current)		8,647	0
Add: Loss on disposal of assets	10(a)	29,784	118,941
Add: Depreciation on assets	10(d)	2,964,279	3,666,283
<b>Non cash amounts excluded from operating activities</b>		<b>2,893,495</b>	<b>3,684,376</b>
<b>(b) Surplus/(deficit) after imposition of general rates</b>			
<p>The following current assets and liabilities have been excluded from the net current assets used in the Rate Setting Statement in accordance with <i>Financial Management Regulation 32</i> to agree to the surplus/(deficit) after imposition of general rates.</p>			
<b>Adjustments to net current assets</b>			
Less: Reserves - restricted cash	3	(2,044,734)	(2,028,290)
Less: Land Held for Resale		(60,000)	0
Add: Borrowings	13(a)	78,572	123,743
<b>Total adjustments to net current assets</b>		<b>(2,026,162)</b>	<b>(1,904,547)</b>
<b>Net current assets used in the Rate Setting Statement</b>			
Total current assets		4,363,811	2,360,037
Less: Total current liabilities		(587,603)	(455,490)
Less: Total adjustments to net current assets		(2,026,162)	(1,904,547)
<b>Net current assets used in the Rate Setting Statement</b>		<b>1,750,046</b>	<b>0</b>
			3,137,392
			(1,067,248)
			(1,326,842)
			743,302

## 27. FINANCIAL RISK MANAGEMENT

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

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

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

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

### (a) Interest rate risk

#### Cash and cash equivalents

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

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

	Weighted Average Interest Rate	Carrying Amounts	Fixed Interest Rate	Variable Interest Rate	Non Interest Bearing
	%	\$	\$	\$	\$
<b>2019</b>					
Cash and cash equivalents	1.25%	3,434,026	2,358,028	1,075,098	900
Financial assets at amortised cost - term deposits	2.00%	586,704	586,704	0	0
<b>2018</b>					
Cash and cash equivalents	2.60%	2,086,405	665,417	1,420,088	900

#### Sensitivity

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

	2019	2018
	\$	\$
Impact of a 1% movement in interest rates on profit and loss and equity*	34,340	20,864

\* Holding all other variables constant

#### Borrowings

Borrowings are subject to interest rate risk - the risk that movements in interest rates could adversely affect funding costs. The Shire manages this risk by borrowing long term and fixing the interest rate to the situation considered the most advantageous at the time of negotiation. The Shire does not consider there to be any interest rate risk in relation to borrowings. Details of interest rates applicable to each borrowing may be found at Note 13(b).

## 27. FINANCIAL RISK MANAGEMENT (Continued)

### (b) Credit risk

#### Trade Receivables

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

Credit risk on rates and annual charges is minimised by the ability of the Shire to recover these debts as a secured charge over the land, that is, the land can be sold to recover the debt. The Shire is also able to charge interest on overdue rates and annual charges 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 applies the AASB 9 simplified approach to measuring expected credit losses using a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, rates receivable are separated from other trade receivables due to the difference in payment terms and security for rates receivable.

The expected loss rates are based on the payment profiles of rates and fees and charges over a period of 36 months before 1 July 2018 or 30 June 2019 respectively and the corresponding historical losses experienced within this period. Historical credit loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors such as the ability of ratepayers and residents to settle the receivables. Housing prices and unemployment rates have been identified as the most relevant factor in repayment rates, and accordingly adjustments are made to the expected credit loss rate based on these factors. There are no material receivables that have been subject to a re-negotiation of repayment terms.

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

	Current	More than 1 year past due	More than 2 years past due	More than 3 years past due	Total
<b>30 June 2019</b>					
Rates receivable					
Expected credit loss	0.00%	0.00%	0.00%	0.00%	
Gross carrying amount	3,012	67,770	37,967	34,597	143,346
Loss allowance	0	0	0	0	0
<b>01 July 2018</b>					
Rates receivable					
Expected credit loss	0.00%	0.00%	0.00%	0.00%	
Gross carrying amount	2,097	65,140	21,380	39,406	128,023
Loss allowance	0	0	0	0	0



**27. FINANCIAL RISK MANAGEMENT (Continued)**

**(b) Credit Risk (Continued)**

The loss allowance as at 30 June 2019 and 1 July 2018 (on adoption of AASB 9) was determined as follows for sundry receivables.

	Current	More than 30 days past due	More than 60 days past due	More than 90 days past due	Total
<b>30 June 2019</b>					
Sundry Receivables					
Expected credit loss	0.00%	0.00%	0.00%	0.00%	
Gross carrying amount	40,475	830	2,365	244	43,914
Loss allowance	0	0	0	0	0

There is no material expected credit loss for Sundry Debts and no provision made in the financials.

**01 July 2018**

Sundry Receivables					
Expected credit loss	8.27%	12.49%	0.13%	12.49%	
Gross carrying amount	518,166	1,425	76	2,426	522,093
Loss allowance	42,899	178	10	303	43,390

## 27. FINANCIAL RISK MANAGEMENT (Continued)

### (c) Liquidity risk

#### Payables and borrowings

Payables and borrowings are both subject to liquidity risk – that is the risk that insufficient funds may be on hand to meet payment obligations as and when they fall due. The Shire manages this risk by monitoring its cash flow requirements and liquidity levels and maintaining an adequate cash buffer. Payment terms can be extended and overdraft facilities drawn upon if required and disclosed in Note 13(c).

The contractual undiscounted cash flows of the Shire's payables and borrowings are set out in the liquidity table below. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	Due within 1 year	Due between 1 & 5 years	Due after 5 years	Total contractual cash flows	Carrying values
	\$	\$	\$	\$	\$
<b>2019</b>					
Payables	171,785	0	0	171,785	171,785
Borrowings	154,553	618,210	1,545,526	2,318,289	1,656,928
	326,338	618,210	1,545,526	2,490,074	1,828,713
<b>2018</b>					
Payables	500,430	0	0	500,430	500,430
Borrowings	204,763	618,210	1,700,078	2,523,051	1,780,666
	705,193	618,210	1,700,078	3,023,481	2,281,096

## 28. TRUST FUNDS

Funds held at balance date which are required to be held in trust and which are not included in the financial statements are as follows:

	1 July 2018	Amounts Received	Amounts Paid	Reclassified to restricted cash (Note 3)	30 June 2019
	\$	\$	\$		\$
B.C.I.T.F	0	342	(242)	(100)	0
Building Services Levy	0	802	(789)	(13)	0
Single Units Bonds	6,560	0	0	(6,560)	0
Animal Trap	60	0	0	(60)	0
Facility Bonds	4,200	8,640	(7,524)	(5,316)	0
Kidsports	2,690	0	(2,690)	0	0
Bus Ticketing	234	1,272	(1,506)	0	0
Police Licensing	24,961	514,144	(534,713)	0	4,392
Corrigin Community Development Fund	39,518	22,415	(11,698)	0	50,235
Friends of Cemetery	2,510	0	0	0	2,510
Edna Stevenson Educational Trust	938,537	9,287	(7,573)	0	940,251
Corrigin Disaster Fund	10,929	0	0	0	10,929
Bendering Tip	0	16,707	0	0	16,707
	1,030,199	573,609	(566,734)	(12,049)	1,025,024

*All bonds and deposits transferred have now been included in Restricted Cash at Note 3 and shown as a Current liability at Note 12.*

## 29. INITIAL APPLICATION OF AUSTRALIAN ACCOUNTING STANDARDS

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

Whilst many reflected consequential changes associated with the amendment of existing standards, the only new standard with material application is AASB 9 *Financial Instruments*.

### AASB 9 Financial Instruments

AASB 9 *Financial Instruments* replaces AASB 139 *Financial Instruments: Recognition and Measurement* for annual reporting periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Shire applied AASB 9 prospectively, with an initial application date of 1 July 2018. The adoption of AASB 9 has resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. In accordance with AASB 9.7.2.15, the Shire has not restated the comparative information which continues to be reported under AASB 139. In 2018/19 Council reports that no differences arose from the adoption of AASB 9 so there has been no recognition in accumulated surplus/(deficit).

There was no effect of adopting AASB 9 as at 1 July 2018 for the following reasons:-

- No additional remeasurement needed to be done for the expected credit losses under AASB 9.
- The Shire does not have any available-for-sale financial assets.

#### (a) Classification and measurement

The classification and measurement requirements of AASB 9 did not have a significant impact on the Shire. The following are the changes in the classification of the Shire's financial assets:

- Trade receivables classified as trade receivables and other receivables as at 30 June 2018 are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. These are classified and measured as Financial assets at amortised cost beginning 1 July 2018.

AASB 139 category	AASB 139 value	AASB 9 category amortised cost	Fair value through OCI	Fair value through P/L
Financial Assets	\$	\$	\$	\$
Trade receivables (Note 5)	606,726	606,726	0	0
	606,726	606,726	0	0

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

**(b) Impairment**

In summary, upon adoption of AASB 9, the Shire had the following required (or elected) reclassification as at 1 July 2018

The adoption of AASB 9 has fundamentally changed the Shire's accounting for impairment losses for financial assets by replacing AASB 139's incurred loss approach with a forward-looking expected credit loss (ECL) approach. AASB 9 requires the Shire to recognise an allowance for ECLs for all financial assets not held at fair value through P/L. Upon adoption, the Shire did not recognise any additional impairment on the Shire's trade receivables as historical data indicates that any expected credit loss would be immaterial.

Set out below is the reconciliation of the ending impairment allowances in accordance with AASB 139 to the opening loss allowances determined, in accordance with AASB 9:

	<b>Impairment under AASB 139 as at 30 June 2018</b>	<b>Remeasurement</b>	<b>ECL under AASB 9 as at 01 July 2018</b>
	\$	\$	\$
Loans and receivables under AASB 139 / Financial assets at amortised cost under			
AASB 9	43,390	0	43,390
	43,390	0	43,390

### 30. CHANGE IN ACCOUNTING POLICY

Balances relating to the 2018 comparative period have been amended due to a change in accounting policy. These amendments have been adjusted as shown below and, in accordance with the requirements of AASB101, a statement of financial position as at the beginning of the earliest comparative period has been included (refer statement of financial position column labelled as at 1 July 2017).

On the 26 June 2018 Paragraph 17A (5) was inserted into Local Government (Financial Management) Regulations 1996. The regulation stated an asset is to be excluded from the assets of a local government if the fair value of the asset at the date of acquisition by the local government is under \$5 000.

Australian Accounting Standard AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors, requires this amendment to the asset values to be treated as a change in accounting policy. The standard requires balances to be adjusted retrospectively, unless it is impracticable to determine the period-specific or cumulative effects of the change.

The Shire has applied this change retrospectively, adjusting the Financial report opening balances as at 1 July 2017. Assets with a fair value at the date of acquisition of under \$5,000 and purchased prior to 30 June 2018 have been excluded from the assets of the Shire.

The impacts of the changes in the accounting policy on the prior year comparatives are disclosed below.

2017 Statement of Financial Position	2017 Original Balance	2017 Increase/ (Decrease)	2017 Restated Balance
	\$	\$	\$
<b>Non Current Assets</b>			
Property, Plant & Equipment	28,430,206	(204,172)	28,226,034
Infrastructure	119,030,768	(68,441)	118,962,327
<b>Equity</b>			
Retained Surplus	34,067,644	(272,613)	33,795,031
<b>Financial Ratios</b>			
Asset Consumption Ratio	0.85	0.10	0.95
	2018 Original Balance	2018 Increase/ (Decrease)	2018 Restated Balance
	\$	\$	\$
<b>Non Current Assets</b>			
Property, Plant & Equipment	27,545,279	(197,757)	27,347,522
Infrastructure	122,025,305	(88,900)	121,936,405
<b>Equity</b>			
Retained Surplus	32,545,477	(286,657)	32,258,820
<b>Statement of Comprehensive Income</b>			
<b>By Nature or Type</b>			
Depreciation	3,236,753	(28,861)	3,207,892
(Loss) on Asset Disposals	0	(42,905)	(42,905)
Net Result for the period	(1,475,390)	(14,044)	(1,489,434)
<b>By program</b>			
<b>Expenses</b>			
Governance	(654,198)	620	(653,578)
General purpose funding	(52,587)	0	(52,587)
Law, order, public safety	(128,353)	0	(128,353)
Health	(477,323)	3,745	(473,578)
Education and welfare	(312,030)	3,677	(308,353)
Housing	(135,117)	604	(134,513)
Community amenities	(508,504)	0	(508,504)
Recreation and culture	(1,496,514)	2,508	(1,494,006)
Transport	(6,003,019)	0	(6,003,019)
Economic services	(285,952)	901	(285,051)
Other property and services	(112,782)	16,804	(95,978)
	(10,166,379)	28,859	(10,137,520)

SHIRE OF CORRIGIN  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2019  
**30. CHANGE IN ACCOUNTING POLICY (Continued)**

	2018 Original Balance	2018 Increase/ (Decrease)	2018 Restated Balance
	\$	\$	\$
<b>Rate Setting Statement</b>			
<b>Expenditure from operating activities:</b>			
Governance	(654,198)	620	(653,578)
General Purpose Funding	(52,587)	0	(52,587)
Law, Order and Public Safety	(128,353)	0	(128,353)
Health	(477,323)	3,745	(473,578)
Education and Welfare	(312,030)	3,677	(308,353)
Housing	(135,117)	3,504	(131,613)
Community Amenities	(513,956)	0	(513,956)
Recreation and Culture	(1,585,408)	(17,950)	(1,603,358)
Transport	(6,003,019)	(25,003)	(6,028,022)
Economic Services	(285,952)	901	(285,051)
Other Property and Services	(112,782)	16,461	(96,321)
	<u>(10,260,725)</u>	<u>(14,045)</u>	<u>(10,274,770)</u>
Non Cash Items excluded from Operating Activities	3,241,541	(14,045)	3,227,496
Amount attributable to operating activities	<u>3,241,541</u>	<u>(14,045)</u>	<u>3,227,496</u>
<b>Rate Setting Statement Information</b>			
Add: Depreciation on Assets	(3,236,753)	28,861	(3,207,892)
<b>Financial Ratios</b>			
Asset Sustainability Ratio	0.50	0.09	0.59
Operating surplus Ratio	(0.54)	(0.42)	(0.96)
<b>Note 8 - Property, Plant and Equipment</b>			
Opening Balance as at 1 July 2017	28,430,206	(204,172)	28,226,034
Additions for the year ended 30 June 2018	280,523	0	280,523
Disposals for the year ended 30 June 2018	0	(22,446)	(22,446)
Depreciation for the year ended 30 June 2018	(1,165,450)	28,861	(1,136,589)
Closing balance at 30 June 2018	<u>27,545,279</u>	<u>(197,757)</u>	<u>27,347,522</u>
<b>Note 9 - Infrastructure</b>			
Opening Balance as at 1 July 2017	119,030,768	(68,441)	118,962,327
Additions for the year ended 30 June 2018	1,724,834	0	1,724,834
Disposals for the year ended 30 June 2018	0	(20,459)	(20,459)
Revaluation increments/(decrements transferred to revaluation surplus)	3,341,006	0	3,341,006
Depreciation for the year ended 30 June 2018	(2,071,303)	0	(2,071,303)
Closing balance at 30 June 2018	<u>122,025,305</u>	<u>(88,900)</u>	<u>121,936,405</u>

SHIRE OF CORRIGIN  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2019  
**30. CHANGE IN ACCOUNTING POLICY (Continued)**

	2018 Original Balance	2018 Increase/ (Decrease)	2018 Restated Balance
	\$	\$	\$
<b>Note 10d - Fixed Assets Depreciation</b>			
Buildings - specialised	769,226	(5,467)	763,759
Furniture and Equipment	24,400	(17,110)	7,290
Plant and Equipment	371,824	(6,284)	365,540
Infrastructure - Roads	1,347,918	0	1,347,918
Infrastructure - Footpaths	25,041	0	25,041
Infrastructure - Drainage	335,834	0	335,834
Infrastruture - Parks and Ovals	362,510	0	362,510
	3,236,753	(28,861)	3,207,892
<b>Note 15 - Notes to Statement of Cash Flows</b>			
Net Result	(1,475,390)	(14,044)	(1,489,434)
Non-cash flows in Net result:			
Depreciation	3,236,753	(28,861)	3,207,892
(Profit) / Loss on Disposal of Assets	(17,708)	42,905	25,197
<b>Note 16 - Total Assets Classified by Function &amp; Activity</b>			
Governance	5,711	0	5,711
General purpose funding	794,341	(5,674)	788,667
Law, order, public safety	456,265	(2,400)	453,865
Health	1,316,699	(30,799)	1,285,900
Education and welfare	1,083,734	(11,199)	1,072,535
Housing	4,265,228	2,245	4,267,473
Community amenities	3,136,771	(4,286)	3,132,485
Recreation and culture	13,737,938	(113,557)	13,624,381
Transport	119,388,561	(103,561)	119,285,000
Economic services	1,040,661	(6,599)	1,034,062
Other property and services	5,547,605	(10,825)	5,536,780
Unallocated	3,514,292	0	3,514,292
	154,287,806	(286,656)	154,001,150



### 31. NEW ACCOUNTING STANDARDS AND INTERPRETATIONS FOR APPLICATION IN FUTURE YEARS

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.

This note explains management's assessment of the new and amended pronouncements that are relevant to the Shire, the impact of the adoption of AASB 15 *Revenue from Contracts with Customers*, AASB 16 *Leases* and AASB 1058 *Income for Not-for-Profit Entities*. These standards are applicable to future reporting periods and have not yet been adopted.

#### (a) Revenue from Contracts with Customers

The Shire will adopt AASB 15 *Revenue from Contracts with Customers* (issued December 2014) on 1 July 2019 resulting in changes in accounting policies. In accordance with the transition provisions AASB 15, the Shire will adopt the new rules retrospectively with the cumulative effect of initially applying these rules recognised on 1 July 2019. In summary the following adjustments are expected to be made to the amounts recognised in the Statement of Financial Position at the date of initial application (1 July 2019):

		AASB 118 amount		AASB 15 carrying carrying amount
	Note	30 June 2019	Reclassification	01 July 2019
		\$	\$	\$
<b>Contract liabilities - current</b>				
Unspent grants, contributions and reimbursements		0	30,000	30,000
Adjustment to retained surplus from adoption of AASB 15	31( e)	0	(30,000)	(30,000)

#### (b) Leases

The Shire does not have any operating leases as at 30 June 2019, therefore AASB 16 will not have any impact as at 1 July 2019.

#### (c) Income For Not-For-Profit Entities

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

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

		AASB 1004 carrying amount		AASB 1058 carrying amount
	Note	30 June 2019	Reclassification	01 July 2019
		\$	\$	\$
Trade and other payables		171,785	15,911	155,874
Adjustment to retained surplus from adoption of AASB 1058	31( e)	0	(15,911)	0

**31 NEW ACCOUNTING STANDARDS AND INTERPRETATIONS FOR APPLICATION IN FUTURE YEARS (Continued)****(d) Income For Not-For-Profit Entities (Continued)**

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

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

Volunteer Services in relation to the Corrigin Pioneer Museum will not be recognised in revenue and expenditure as the fair value of the services cannot be reliably estimated.

**(e) Impact of changes to Retained Surplus**

The impact on the Shire of the changes as at 1 July 2019 is as follows:

	Note	Adjustments	2019
			\$
Retained surplus - 30 June 2019			32,086,650
Adjustment to retained surplus from adoption of AASB 15	31(a)	(30,000)	
Adjustment to retained surplus from adoption of AASB 16	31(b)	0	
Adjustment to retained surplus from adoption of AASB 1058	31(c)	(15,911)	(45,911)
Retained surplus - 01 July 2019			32,040,739

## 32. OTHER SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

### b) Current and non-current classification

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

### c) Rounding off figures

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

### d) Comparative figures

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

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

### e) Budget comparative figures

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

### f) Superannuation

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

### g) Fair value of assets and liabilities

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

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

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

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

### h) Fair value hierarchy

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

#### Level 1

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

#### Level 2

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

#### Level 3

Measurements based on unobservable inputs for the asset or liability.

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

#### Valuation techniques

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

#### Market approach

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

#### Income approach

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

#### Cost approach

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

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

#### i) Impairment of assets

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

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

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

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

### 33. ACTIVITIES/PROGRAMS

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

PROGRAM NAME AND OBJECTIVES	ACTIVITIES
<b>GOVERNANCE</b> To provide a decision making process for the efficient allocation of scarce resources	Administration and operation of facilities and services to members of council; other costs that relate to the tasks of assisting elected members and ratepayers on matters which do not concern specific Council services.
<b>GENERAL PURPOSE FUNDING</b> To collect revenue to allow for the provision of services	Rates, general purpose government grants and interest revenue
<b>LAW, ORDER, PUBLIC SAFETY</b> To collect revenue to allow for the provision of services	Supervision and enforcement of various Acts, regulations and by-laws relating to fire prevention, animal control and other aspects of public safety including emergency services
<b>HEALTH</b> To provide an operational framework for environmental and community health	Inspection of food outlets and their control, provision of meat inspection services, noise control and waste disposal compliance. Administration of the RoeROC health scheme and provision of various medical facilities.
<b>EDUCATION AND WELFARE</b> Provide services to the elderly, children, youth and disadvantaged	Maintenance of the child minding and playgroup facility. Assistance with the occasional Day care centre and playgroup as well as donations to other voluntary services. Provision and/or support of community care programs and youth services and provision of services provided by the Community Resource Centre
<b>HOUSING</b> To provide and maintain staff and rental housing	Provision and maintenance of staff, aged, rental and joint venture housing
<b>COMMUNITY AMENITIES</b> To provide services required by the community	Rubbish collection services, operation of rubbish disposal sites, litter control, administration of town planning schemes. Administration and maintenance of cemetery and public conveniences and Shire water drainage and community bus.
<b>RECREATION AND CULTURE</b> To establish and effectively manage infrastructure and resources which will help the social wellbeing of the community	Maintenance of public halls, aquatic centres, recreation centres and various sporting facilities. Provision and maintenance of parks, gardens, reserves and playgrounds. Provision of library services and the support of other heritage and cultural facilities and services.
<b>TRANSPORT</b> To provide safe, effective and efficient transport services to the community.	Construction and maintenance of roads, streets, footpaths, depots, airstrip, bridges and traffic control. Cleaning of streets and maintenance of street trees, street lighting, etc. Provision of police licensing services.
<b>ECONOMIC SERVICES</b> To help promote the shire and its economic wellbeing.	The regulation and provision of tourism, area promotion, building control and noxious weeds.
<b>OTHER PROPERTY AND SERVICES</b> To monitor and control council's overhead operating accounts	Private works, plant repair and operation costs, public works overheads and administration costs.

### 34. FINANCIAL RATIOS

	2019 Actual	Restated	Restated
		2018 Actual	2017 Actual
Current ratio	5.24	1.84	2.38
Asset consumption ratio	0.97	0.72	0.95*
Asset renewal funding ratio	0.59	0.84	N/A**
Asset sustainability ratio	0.21	0.59*	0.96
Debt service cover ratio	14.51	2.09	9.28
Operating surplus ratio	(0.01)	(0.96)*	(0.32)
Own source revenue coverage ratio	0.74	0.51	0.41

The above ratios are calculated as follows:

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

\* Restated

\*\* The Council are unable to provide an Asset Renewal Funding ratio for 2017 as the information was not available



## **INDEPENDENT AUDITOR'S REPORT**

**To the Councillors of the Shire of Corrigin**

**Report on the Audit of the Financial Report**

### ***Opinion***

I have audited the annual financial report of the Shire of Corrigin which comprises the Statement of Financial Position as at 30 June 2019, the Statement of Comprehensive Income by Nature or Type, Statement of Comprehensive Income by Program, Statement of Changes in Equity, Statement of Cash Flows and Rate Setting Statement for the year then ended, and notes comprising a summary of significant accounting policies and other explanatory information, and the Statement by the Chief Executive Officer.

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

- (i) is based on proper accounts and records; and
- (ii) fairly represents, in all material respects, the results of the operations of the Shire for the year ended 30 June 2019 and its financial position at the end of that period in accordance with the *Local Government Act 1995* (the Act) and, to the extent that they are not inconsistent with the Act, Australian Accounting Standards.

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

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

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

I draw attention to Note 1 to the financial report, which describes the basis of accounting. The financial report has been prepared for the purpose of fulfilling the Shire's financial reporting responsibilities under the Act. Regulation 16 of the Local Government (Financial Management) Regulations 1996 (Regulations), does not allow a local government to recognise some categories of land, including land under roads, as assets in the annual financial report. My opinion is not modified in respect of this matter.

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

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

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

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

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

As part of an audit in accordance with Australian Auditing Standards, I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the CEO.
- Conclude on the appropriateness of the CEO's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Shire's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report, as we cannot predict future events or conditions that may have an impact.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

I communicate with the Council and the CEO regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

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

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

- (i) In my opinion, the following material matters indicate significant adverse trends in the financial position of the Shire:

- a. The asset sustainability ratio as reported in Note 34 of the annual financial report has been below the Department of Local Government, Sport and Cultural Industries' standard for the last two financial years.
  - b. The operating surplus ratio as reported in Note 34 of the annual financial report has been below the Department of Local Government, Sport and Cultural Industries' standard for the last three financial years.
- (ii) All required information and explanations were obtained by me.
  - (iii) All audit procedures were satisfactorily completed.
  - (iv) In my opinion, the asset consumption ratio and the asset renewal funding ratio included in the annual financial report were supported by verifiable information and reasonable assumptions.

**Other Matter**

The financial report of the Shire for the year ended 30 June 2018 was audited by another auditor who expressed an unmodified opinion on that financial report. The financial ratios for 2017 and 2018 in Note 34 of the audited financial report were included in the supplementary information and/or audited financial report for those years.

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

This auditor's report relates to the annual financial report of the Shire of Corrigin for the year ended 30 June 2019 included on the Shire's website. The Shire's management is responsible for the integrity of the Shire's website. This audit does not provide assurance on the integrity of the Shire's website. The auditor's report refers only to the financial report described above. It does not provide an opinion on any other information which may have been hyperlinked to/from this financial report. If users of the financial report are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited financial report to confirm the information contained in this website version of the financial report.

DON CUNNINGHAME  
ASSISTANT AUDITOR GENERAL FINANCIAL AUDIT  
FOR WESTERN AUSTRALIA  
Delegate of the Auditor General for Western Australia  
Perth, Western Australia  
December 2019



**Audit Concluding Memorandum**

**Shire of Corrigin  
Year Ended 30 June 2019**

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# 1. Executive Summary

## Introduction

Moore Stephens has been engaged by the Office of the Auditor General for Western Australia (OAG) to perform an audit of the Shire of Corrigin's (the Shire) annual financial report for the year ended 30 June 2019.

The key purpose of this memorandum is to promote effective communication between the auditor and those charged with governance regarding the completion of the current year's audit.

We request management and the Audit Committee to review this document to help ensure:

- the Shire concurs with the matters raised, and
- there are no further significant considerations or matters that could impact the audit and the financial report.

This document is strictly confidential and although it has been made available to management and those charged with governance to facilitate discussions, it may not be taken as altering our responsibilities to the Shire arising under our audit contract with the OAG.

The contents of this document should not be disclosed to third parties without our prior written consent.

## Audit Status and Report

We are pleased to advise we have substantially completed our audit of the Shire's financial report for the year ended 30 June 2019.

We intend to recommend to the Auditor General that she issue an unqualified opinion on the Shire's financial report.

However, in accordance with the Local Government (Audit) Regulations 1996 we also report that in our opinion the following matters indicate a significant adverse trend in the financial position of the Shire:

- a) The Operating Surplus Ratio has been below the DLGSCI standard for the past 3 years as reported in the financial report.
- b) The Asset Sustainability Ratio has been below the DLGSCI standard for the past 2 years as reported in the financial report.

## Key Audit Risks or Focus Areas

We identified key audit risks or audit focus areas as part of our risk assessment procedures undertaken throughout the audit.

We are pleased to advise we have satisfactorily completed our audit procedures designed to address those risks and met our audit objectives. Particulars of the key audit risks and results of the relevant procedures performed are detailed in Section 2 of this memorandum.

## Summary of Audit Differences

We did not identify any non-trivial uncorrected audit differences.

## 1. Executive Summary (continued)

### Internal Controls Relevant to Audit

We noted the following matters during our interim visit which were included in our interim management letter: -

- a) Fixed assets with a fair value under \$5,000 at the date of acquisition has not been removed from the register.
- b) Non-financial staff have access to the Synergy accounting software and access to the modules in the software are not restricted based on their staff's position.
- c) Fixed assets reconciliation between the fixed assets register and the general ledger had not been prepared between 30 June 2018 and 31 March 2019.
- d) The totals of the trust sub ledgers in the trial balance did not reconcile to the trust bank balances.
- e) Reserves bank accounts reconciliations was not prepared every month.
- f) No evidence of review on the reconciliations between the general ledger and the borrowings schedule.
- g) Automated journal entries are printed but are not being reviewed by a senior staff member. In addition, there are no supporting documents attached to automated journal entries.

All the above matters have been resolved adequately.

We noted the following matter during our final visit:-

- a) Labour hours were entered into the general ledger using pay run date rather than the actual dates worked.

### Other Key Matters

We confirm we have had no issues in relation to our independence as auditor of the Shire, irregularities and illegal acts, non-compliance with laws and regulations, appropriateness of accounting policies and liaison with management.

We have also provided a brief summary of the new accounting standards that may impact the Shire in the future periods for your due considerations at Appendix 1.

## 2. Key Audit Risks and Focus Areas

As part of our risk assessment, we identified key audit risks based on our extensive knowledge of the Shire, the industry and issues faced by regional local governments. This risk assessment process is designed to ensure that we focus our audit work on the areas of highest risk.

This risk assessment and our responses have been updated throughout the engagement to ensure that all areas of material risk are addressed by our audit.

Set out below is an overview of what we have identified as the key audit risks and focus areas for the audit of the Shire's financial report for the year ended 30 June 2019. The table below also includes our audit procedures performed to address these risks together with the outcomes.

RISK AREAS	AUDIT PROCEDURES TO ADDRESS RISK	CONCLUSIONS
<b>PROPERTY, PLANT AND EQUIPMENT AND INFRASTRUCTURE</b>		
<p>The Shire has significant property, plant and equipment and infrastructure balances.</p> <p>As at 30 June 2019, the Shire reported a total fixed assets of \$148m.</p>	<p>The following is a broad outline of our approach:</p> <p><b>Property, Plant and Equipment and Infrastructure</b></p> <ul style="list-style-type: none"> <li>Documented and tested key audit controls around Property, Plant and Equipment and Infrastructure balances.</li> <li>Assessed accounting policies associated with fair value assessments and ensured they are in accordance with accounting standards.</li> <li>Substantively tested a sample of additions and disposals of fixed assets.</li> <li>Reviewed impairment assessments.</li> <li>Reviewed fair value disclosures to ensure in accordance with AASB13 requirements.</li> <li>Ensured the Shire has complied with Local Government Financial Management Regulation 17A (5).</li> <li>Reviewed management assessment of the fixed assets listings with a value under \$5,000 at the date of acquisition and noted that a prior year adjustment needs to be accounted.</li> </ul> <p><b>Depreciation</b></p> <ul style="list-style-type: none"> <li>Understood and documented depreciation policies relevant to the various asset classes.</li> <li>Documented and tested key audit controls around the calculation of depreciation.</li> <li>Performed depreciation recalculations based on our sampling approach and ensured depreciation was in line with the Shire's policies.</li> <li>Performed substantive analytical procedures.</li> </ul>	<p>Based on work performed, we are satisfied the Shire's fixed assets are fairly stated and disclosed in the 2019 financial report.</p> <p>The prior year adjustments have resulted in a decrease in total assets and equity by \$273K as at 1 July 2017. The net result, total equity and total assets have decreased by \$14K during the year ended 30 June 2018.</p>



## 2. Key Audit Risks and Focus Areas (continued)

RISK AREAS	AUDIT PROCEDURES TO ADDRESS RISK	CONCLUSIONS
<b>EMPLOYEE BENEFIT PROVISIONS</b>		
<p>Provisions for annual leave and long service leave involve a degree of management estimation and uncertainty in their calculation in respect of inflation rates, discount factors, timing and probabilities of settlement. There is risk these liabilities may not be captured completely and recognised in accordance with AASB 119: Employee Benefits.</p> <p>As at 30 June 2019, the Shire reported a total provision of \$396K.</p>	<p>We documented and tested key audit controls and performed walkthroughs of the systems with a view to rely on the internal controls. We performed substantive tests of detail utilising our sampling methodology as well as year-end analytical review to the 2019 financial report. We also reviewed employee benefit provisions to ensure they are consistent with the payroll records and calculated in accordance with AASB119.</p>	<p>Based on work performed, we are satisfied the Shire's employee benefits provisions are fairly stated and disclosed in accordance with the methodology as well as year-end analytical review to the 2019 financial report. We also reviewed employee benefit provisions to ensure they are consistent with the payroll records and calculated in accordance with AASB119.</p>

RISK AREAS	AUDIT PROCEDURES TO ADDRESS RISK	CONCLUSIONS												
<b>REVENUE</b>														
<p>The Shire's main sources of revenue are:</p> <ul style="list-style-type: none"> <li>• Rates;</li> <li>• Government grants;</li> <li>• Interest and</li> <li>• Other fee for service revenue streams (WANDRAA reimbursement)</li> </ul> <p>Given the variety of revenue streams, there is a risk that revenue may not be recognised with relevant accounting standards.</p> <p>For the year ended 30 June 2019, the Shire has recognised:</p> <table border="1"> <tbody> <tr> <td>Rates</td> <td>\$2.6m</td> </tr> <tr> <td>Operating grants, subsidies and contributions</td> <td>\$2.4m</td> </tr> <tr> <td>Fees and charges</td> <td>\$657K</td> </tr> <tr> <td>Interest earnings</td> <td>\$75K</td> </tr> <tr> <td>Non- Operating grants, subsidies and contributions</td> <td>\$527K</td> </tr> <tr> <td>Other revenue</td> <td>\$3.9m</td> </tr> </tbody> </table>	Rates	\$2.6m	Operating grants, subsidies and contributions	\$2.4m	Fees and charges	\$657K	Interest earnings	\$75K	Non- Operating grants, subsidies and contributions	\$527K	Other revenue	\$3.9m	<p>We substantively tested grants and other revenues to third party documentation and vouched receipt of funds in accordance with our established sampling methodology. Also performed analytical review procedures.</p> <p>With respect to Rates, we performed substantive analytical procedures whereby we documented and evaluated the reliability of data from which our expectation of recorded amounts is developed, taking account of source, comparability, and nature and relevance of information available, and controls over preparation.</p> <p>In addition, we performed tests of detail on rates and fees and charges utilising our sampling methodology as well as year-end analytical review to add to the level of assurance obtained.</p> <p>In addition, we considered the impact AASB 15 and AASB 1058 will have on the local government industry and have assessed the comments regarding the impact in the financial report.</p> <p>We consider the nature, complexity and materiality of the revenue transactions in the process of identifying the risk of fraud in revenue.</p>	<p>Based on work performed, we are satisfied the Shire's revenue funds in accordance with our established sampling methodology. Also performed analytical review the 2019 financial report.</p>
Rates	\$2.6m													
Operating grants, subsidies and contributions	\$2.4m													
Fees and charges	\$657K													
Interest earnings	\$75K													
Non- Operating grants, subsidies and contributions	\$527K													
Other revenue	\$3.9m													

## 2. Key Audit Risks and Focus Areas (continued)

RISK AREAS	AUDIT PROCEDURES TO ADDRESS RISK	CONCLUSIONS
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### EXPENDITURE

Providing community based services forms a large part of a local government's operations. This takes the form of both operating and capital expenditure. For the year ended 30 June 2019, the Shire has recognised:

Employee costs	\$2.1m
Materials and contracts	\$4.2m
Utility charges	\$253K
Interest expenses	\$81K
Insurance expenses	\$222K
Other expenditure	\$58K
Depreciation	\$2.9m

For the testing of expenditure, we documented and tested key audit controls and performed walkthroughs of the systems with a view to rely on internal controls. We performed substantive tests of detail based on our sampling methodology as well as year-end analytical review to add to the level of assurance obtained.

Based on work performed, we are satisfied that the Shire's expenditure is fairly stated and disclosed in the 2019 financial report.

Specific attention was paid to credit cards, particularly in light of history and our experience of the industry.

### MANAGEMENT OVERRIDE OF CONTROLS

Management is involved in day to day operations and monitoring of the business, which gives them the ability to manipulate accounting records and manipulate financial disclosures by overriding controls in place. Due to the unpredictable way in which such override could occur, this leads to potential fraud risk.

The following procedures were performed:

- Reviewed journal entries and other adjustments for evidence of possible material misstatements due to fraud;
- Reviewed accounting estimates and application of accounting policies for evidence of bias or aggressive accounting practices; and
- For significant or unusual transactions, evaluated the business rationale (or the lack thereof) for evidence of fraudulent financial reporting or misappropriation of assets.

During our interim audit, we noted automated journal entries are not being reviewed by a senior staff member. In addition, there are no supporting documents attached to automated journal entries. This has now been addressed during our final audit visit.

Based on work performed, we are satisfied that the risk of fraud from management override has been reduced to an acceptable level.

### RELATED PARTY DISCLOSURE

This was a new area of disclosure for local governments commencing for the year ended 30 June 2017.

We reviewed the processes to ensure the required disclosures were adequately addressed and a robust system is in place for identifying related parties and any transactions or balances with them.

Based on work performed, we are satisfied that related party length basis.

Ensured related party transactions are on an arms'

transactions and balances are properly disclosed and at arms' length basis.

## 2. Key Audit Risks and Focus Areas (continued)





## 2. Key Audit Risks and Focus Areas (continued)

RISK AREAS	AUDIT PROCEDURES TO ADDRESS RISK	CONCLUSIONS
<b>SIGNIFICANT ADVERSE TRENDS</b>		
<p>Reporting of any material matters that indicate significant adverse trends in the financial position or the financial management practices of the Shire relating to the requirements of Local Government (Audit) Regulation 10(3)(a).</p>	<p>We used the statutory ratios disclosed and compared them against industry benchmarks and previously reported ratios. We also assessed how the ratios impact the operations of the Shire. In addition, we considered whether any breakdowns in systems or procedures highlighted or were indicative of a significant adverse trend in the financial management practices of the Shire.</p>	<p>We noted an indication of an adverse trend in the financial position of the Shire as follows:-</p> <ol style="list-style-type: none"> <li>1) The Operating Surplus Ratio has been below the DLGSCI standard for the past 3 years; and</li> <li>2) The Asset Sustainability Ratio has been below the DLGSCI standard for the past 2 years.</li> </ol>

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### 3. Summary of Audit Differences

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We are required by the auditing standards to communicate all differences (other than clearly trivial) that we noted during the audit.

There were no uncorrected misstatements noted during the year.

## 4. Internal Controls Relevant to Audit

As part of our planned audit approach, we have evaluated the Shire's system of internal controls primarily to enable us to determine the appropriate nature and extent of our procedures.

This, however, does not constitute a comprehensive review. Accordingly, the Audit Committee may wish to discuss with management any matters they may have raised with respect to particular systems, which may necessitate a more comprehensive review.

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.

We advise we noted one significant deficiency in internal controls during our interim audit visit:

- Automated journal entries are not being reviewed by a senior staff member. In addition, there are no supporting documents attached to automated journal entries.

This matter has now been addressed after our interim audit visit.

## 5. Matters for Next Year/Future Consideration

The following items should be considered for next year:-

- The Shire should continue to encourage staff not to accumulate any annual leave.
- Labour hours should be posted into the general ledger at the actual days worked not on the pay run dates.
- Application of ASSB 15 "Revenue from Contracts with Customers" and AASB 1058 "Income of Not-for-Profit Entities".

## 6. Other Key Matters

In accordance with Auditing Standards, we are required to communicate a number of matters with those charged with governance which is covered in the table below.

Matters Considered	Outcome
Ethics and Independence	<p>We have obtained independence declarations from all staff engaged in the audit. We also have policies and procedures in place</p> <p>We confirm that to the best of our knowledge, we met the relevant ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (the Code) that are relevant to my audit of the financial report.</p> <p>We have further considered the safeguards the Moore Stephens Australia network has in place and we are not aware of any services being provided that would compromise our independence as external auditor.</p>
Fraud and Compliance with Laws and Regulations	<p>We have enquired with the Management regarding the existence of fraud and/or non-compliance with laws and regulations. We have also reviewed the general ledger and minutes for evidence of these.</p> <p>Based on the confirmation obtained from the Management and work performed we are confident that the risk of fraud in relation to financial reporting and non-compliance with laws and regulations is low and have not identified any reportable matters for your attention.</p>
Appropriateness of Accounting Policies	<p>Based on the work performed, we are satisfied that accounting policies used for the preparation of financial report are acceptable financial reporting framework and in accordance with the requirements of the Act, the Regulations and, to the extent that they are not inconsistent with the Act, Australian Accounting Standards.</p>
Appropriateness of the Use of Going Concern Basis of Accounting	<p>Based on the audit evidence obtained up to the date of our auditor's report, we are not aware of material uncertainty exists related to events or conditions that may cast significant doubt on the Shire's ability to continue as a going concern.</p>
Liaison with Management	<p>We had no disagreements with management about significant audit, accounting or disclosures matters.</p> <p>There were no difficulties encountered in dealing with management related to the performance of the audit.</p>
New Accounting Standards for Future Periods	<p>Please refer Appendix 1 of this document.</p>

## Appendix 1: Recent Regulatory and Technical Developments

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

The new and amended pronouncements that are relevant to the Shire are set out as follows:

Title	Issued / Complied	Applicable <sup>(1)</sup>	Objective
AASB 15 Revenue from Contracts with Customers	December 2014	1 January 2019	<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>
AASB 16 Leases	February 2016	1 January 2019	<p>Under this Standard 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.</p>
AASB 1058 Income of Not-for-Profit Entities (incorporating AASB 2016-7 and AASB 2016-8)	December 2016	1 January 2019	<p>These standards are likely to have a significant impact on the income recognition for NFP's. Key areas for consideration are:</p> <ul style="list-style-type: none"> <li>- Assets received below fair value;</li> <li>- Transfers received to acquire or construct non-financial assets;</li> <li>- Grants received;</li> <li>- Prepaid rates;</li> <li>- Leases entered into at below market rates; and</li> <li>- Volunteer services.</li> </ul>
Local Government (Financial Management Regulation 17A(5))	June 2018	July 2018	<p>This amendment states from 1 July 2018, assets acquired for less than \$5,000 must be excluded from the fixed asset register.</p>
Local Government (Financial Management Regulation 17A(4)(b))	June 2018	July 2018	<p>A local government must revalue an asset of the local government within a period of at least 3 years but no more than 5 years after the day on which</p> <p style="text-align: right;"><b>the asset was last valued or revalued.</b></p>

Notes: <sup>(1)</sup> Applicable to reporting periods commencing on or after the given date.

The expected impact of these standards, if any, on the Shire's financial statements in future periods has been assessed by management and disclosed in the 2019 annual financial report.

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Serious about Success



17 December 2019

Moore Stephens  
2 The Esplanade  
Perth WA 6000

Dear Sir/ Madam

### Representation Letter in Respect of The Shire of Corrigin's Annual Financial Report for the Year Ended 30 June 2019

This representation letter is provided in connection with your audit of the Shire of Corrigin's annual financial report for the year ended 30 June 2019 for the purpose of expressing an opinion as to whether the annual financial report is fairly presented in accordance with the *Local Government Act 1995* (the Act), the *Local Government (Financial Management) Regulations 1996* and, to the extent that they are not inconsistent with the Act, Australian Accounting Standards.

We submit the following representations for the year ended 30 June 2019 after making appropriate enquiries and according to the best of our knowledge and belief. This representation covers all material items in each of the categories listed below.

#### 1. GENERAL

- a) We have fulfilled our responsibilities for the preparation and fair presentation of the annual financial report in accordance with the *Local Government Act 1995* (the Act), the *Local Government (Financial Management) Regulations 1996* and, to the extent that they are not inconsistent with the Act, Australian Accounting Standards.
- b) We have advised you of all material estimates, professional judgement or other variables used in the presentation of the financial report.
- c) There have been no changes in accounting policies or application of those policies that would have a material effect on the financial report, except as disclosed in Note 30 of the financial report.
- d) The prior period comparative information in the financial report has been restated.
- e) Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. We confirm the disclosures related to accounting estimates are complete and appropriate.
- f) We have established and maintained an adequate internal control structure and adequate financial records as we have determined are necessary to facilitate the preparation of the financial report that is free from material misstatement, whether due to fraud or error.
- g) We have provided you with



- i. Access to all information of which we are aware that is relevant to the preparation of the financial report, such as records, documentation and other matters.
  - ii. Additional information that you have requested for the purpose of the audit.
  - iii. Unrestricted access to persons within the Shire from whom you determined it necessary to obtain audit evidence.
- h) All transactions have been recorded in the accounting and other records and are reflected in the financial report.
- i) All internal audit reports and reports resulting from other management reviews, including legal issues and legal opinions which have the capacity to be relevant to the fair presentation of the financial report including, where relevant, minutes of meetings, have been brought to your attention and made available to you.
- j) We have advised you of all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial report.
- k) We have provided to you the results of our assessment of the risk that the financial report may be materially misstated as a result of fraud.
- l) No frauds or suspected frauds affecting the Shire involving:
  - i. Management;
  - ii. Employees who have significant roles in internal control; or
  - iii. Others where the fraud could have a material effect on the financial reporthave occurred to the knowledge of management of the Shire.
- m) To our knowledge no allegations of fraud or suspected fraud affecting the Shire's financial report has been communicated to us by employees, former employees, analysts, regulators or others.
- n) We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial report, and they have been accounted for and disclosed in accordance with Australian Accounting Standards.

## **2. FAIR VALUE MEASUREMENTS AND DISCLOSURES**

We confirm that where assets and liabilities are recorded at fair value, the value attributed to these assets and liabilities is the fair value.

We confirm that the carrying amount of each physical non-current asset does not materially differ from its fair value at the end of the reporting period. Significant fair value assumptions, including those with high estimation uncertainty, are reasonable.

We confirm the measurement methods, including related assumptions, used by management in determining fair values are appropriate and have been consistently applied.

We confirm that the fair value disclosures in the financial report are complete and appropriate.

## **3. GOING CONCERN**

We confirm that the going concern basis of accounting is appropriate for the annual financial report.

#### **4. CONTINGENT LIABILITIES**

There are no material contingent liabilities at year end that have not been completely and adequately disclosed in the Notes to the financial report.

#### **5. COMMITMENTS FOR CAPITAL AND OTHER EXPENDITURE**

Other than those commitments reported in the Notes to the financial report, there were no significant commitments for capital or other expenditure contracts carrying over at year end.

#### **6. FINANCIAL LIABILITY FOR CONTAMINATED SITES**

We are aware of our obligations under the *Contaminated Sites Act 2003* and have reported to the Department of Water and Environmental Regulation, all land owned, vested or leased by the Shire that is known to be, or is suspected of being, contaminated. All actual liabilities or contingent liabilities, if any, have been recognised and/or disclosed in the financial report as appropriate.

#### **7. RELATED PARTIES**

We have disclosed to you the identity of the Shire's related parties, as defined in Australian Accounting Standards, of which we are aware, and all the related party relationships and transactions of which we are aware. These include the Shire's key management personnel (KMP) and their related parties, including their close family members and their controlled and jointly controlled entities.

We have appropriately accounted for and disclosed such relationships and transactions in accordance with the requirements of Australian Accounting Standards.

#### **8. KEY MANAGEMENT PERSONNEL COMPENSATION**

We confirm the Shire's key management personnel (KMP) have not received any other money, consideration or benefit (except amounts being reimbursements for out of pocket expenses) which has not been included in the compensation disclosed in the Notes to the financial report.

#### **9. SUBSEQUENT EVENTS**

No matters or occurrences have come to our attention between the date of the financial report and the date of this letter which would materially affect the financial report or disclosures therein, or which are likely to materially affect the future results or operations of the Shire.

#### **10. INTERNAL CONTROL**

We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.

#### **11. INSURANCE**

We have established procedures to assess the adequacy of insurance cover on all assets and insurable risks. We believe, where appropriate, assets and insurable risks are adequately covered by insurance.

#### **12. RISK MANAGEMENT**

We confirm that we have established and maintained a risk management framework that is appropriate to the Shire.

#### **13. FINANCIAL RATIOS**

We confirm that the financial ratios included in the annual financial report have been prepared and fairly presented in accordance with the *Local Government (Financial Management) Regulations 1996*.

We confirm that the asset consumption ratio and the asset renewal funding ratio are supported by verifiable information and reliable assumptions.

**14. ELECTRONIC PRESENTATION OF THE AUDITED ANNUAL FINANCIAL REPORT AND AUDITOR'S REPORT**

- a) We acknowledge that we are responsible for the electronic presentation of the annual financial report.
- b) We will ensure that the electronic version of the audited annual financial report and the auditor's report presented on the Shire's website is the same as the final signed versions of the audited annual financial report and the auditor's report.
- c) We have clearly differentiated between audited and unaudited information in the construction of Shire's website and understand the risk of potential misrepresentation in the absence of appropriate controls.
- d) We have assessed the security controls over the audited annual financial report and the auditor's report and are satisfied that procedures in place are adequate to ensure the integrity of the information provided.
- e) We will ensure that where the auditor's report on the annual financial report is provided on the website, the annual financial report is also provided in full.

**15. MISSTATEMENTS**

We have corrected all misstatements noted and informed by you during the course of the audit.

We are not aware of any uncorrected misstatements that are material, both individually and in the aggregate, to the financial report as a whole.

Yours faithfully

***Kylie Caley***  
***Deputy Chief Executive Officer***

17 December 2019  
***Date***

***Natalie Manton***  
***Chief Executive Officer***

17 December 2019  
***Date***



PO Box 221, Corrigin WA 6375  
T: 9063 2203  
F: 9063 2005  
E: shire@corrigin.wa.gov.au

Our Ref: FM.0210  
Your Ref:

17 December 2019

Ms Caroline Spencer  
Auditor General  
Office of the Auditor General  
7<sup>th</sup> Floor, Albert Facey House  
469 Wellington Street  
PERTH WA 6000

Dear Ms Spencer

**REPRESENTATION LETTER IN RESPECT OF THE SHIRE OF CORRIGIN'S ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2019.**

This representation letter is provided in connection with your audit of the Shire of Corrigin's annual financial report for the year ended 30 June 2019 for the purpose of expressing an opinion as to whether the annual financial report is fairly presented in accordance with the *Local Government Act 1995* (the Act), the *Local Government (Financial Management) Regulations 1996* and, to the extent that they are not inconsistent with the Act, Australian Accounting Standards.

We submit the following representations for the year ended 30 June 2019 after making appropriate enquiries and according to the best of our knowledge and belief. This representation covers all material items in each of the categories listed below.

**1. GENERAL**

- (a) We have fulfilled our responsibilities for the preparation and fair presentation of the annual financial report in accordance with the *Local Government Act 1995* (the Act), the *Local Government (Financial Management) Regulations 1996* and, to the extent that they are not inconsistent with the Act, Australian Accounting Standards.
- (b) We have advised your auditors of all material contentious methods used in the presentation of the financial report.
- (c) There was a no change in accounting policies or application of those policies that would have a material effect on the financial report as disclosed in Note 30 to the financial report.
- (d) The prior period comparative information in the financial report has been restated.
- (e) Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. We confirm the disclosures related to accounting estimates are complete and appropriate.

- (f) We have established and maintained an adequate internal control structure and adequate financial records as we have determined are necessary to facilitate the preparation of the financial report that is free from material misstatement, whether due to fraud or error.
- (g) We have provided your auditors with
  - (i) Access to all information of which we are aware that is relevant to the preparation of the financial report, such as records, documentation and other matters.
  - (ii) Additional information that your auditors have requested for the purpose of the audit.
  - (iii) Unrestricted access to staff and councillors of the Shire from whom your auditors determined it necessary to obtain audit evidence.
- (h) All transactions have been recorded in the accounting and other records and are reflected in the financial report.
- (i) All internal audit reports and reports resulting from other management reviews, including legal issues and legal opinions which have the capacity to be relevant to the fair presentation of the financial report including, where relevant, minutes of meetings, have been brought to your auditors' attention and made available to them.
- (j) We have advised your auditors of all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial report.
- (k) We have provided to your auditors the results of our assessment of the risk that the financial report may be materially misstated as a result of fraud.
- (l) No frauds or suspected frauds affecting the Shire involving:
  - (i) Management;
  - (ii) Employees who have significant roles in internal control; or
  - (iii) Others where the fraud could have a material effect on the financial reporthave occurred to the knowledge of management of the Shire.
- (m) To our knowledge no allegations of fraud or suspected fraud affecting the Shire's financial report has been communicated to us by employees, former employees, analysts, regulators or others.
- (n) We have disclosed to your auditors all known actual or possible litigation and claims whose effects should be considered when preparing the financial report, and they have been accounted for and disclosed in accordance with Australian Accounting Standards.

## **2. FAIR VALUE MEASUREMENTS AND DISCLOSURES**

We confirm that where assets and liabilities are recorded at fair value, the value attributed to these assets and liabilities is the fair value.

We confirm that the carrying amount of each physical non-current asset does not materially differ from its fair value at the end of the reporting period. Significant fair value assumptions, including those with high estimation uncertainty, are reasonable.

We confirm the measurement methods, including related assumptions, used by management in determining fair values are appropriate and have been consistently applied.

We confirm that the fair value disclosures in the financial report are complete and appropriate.

## **3. GOING CONCERN**

We confirm that the going concern basis of accounting is appropriate for the annual financial report.

## **4. CONTINGENT LIABILITIES**

There are no material contingent liabilities at year end that have not been completely and adequately disclosed in the Notes to the financial report.

## **5. COMMITMENTS FOR CAPITAL AND OTHER EXPENDITURE**

Other than those commitments reported in the Notes to the financial report, there were no significant commitments for capital or other expenditure contracts carrying over at year end.

## **6. FINANCIAL LIABILITY FOR CONTAMINATED SITES**

We are aware of our obligations under the *Contaminated Sites Act 2003* and have reported to the Department of Water and Environmental Regulation, all land owned, vested or leased by the Shire that is known to be, or is suspected of being, contaminated. All actual liabilities or contingent liabilities, if any, have been recognised and/or disclosed in the financial report as appropriate.

## **7. RELATED ENTITIES**

We acknowledge our responsibility under section 17(1) of the *Auditor General Act 2006* (as applied by section 7.12AL of the *Local Government Act 1995*) to give written notice to the Auditor General if any of the Shire's functions are being performed in partnership or jointly with another person or body, through the instrumentality of another person or body, and/or by means of a trust. We confirm that we have provided the Auditor General with details of all related entities in existence at 30 June 2019.

## **8. RELATED PARTIES**

We have disclosed to your auditors the identity of the Shire's related parties, as defined in Australian Accounting Standards, of which we are aware, and all the related party relationships and transactions of which we are aware. These include the Shire's key management personnel (KMP) and their related parties, including their close family members and their controlled and jointly controlled entities.

We have appropriately accounted for and disclosed such relationships and transactions in accordance with the requirements of Australian Accounting Standards.

## **9. KEY MANAGEMENT PERSONNEL COMPENSATION**

We confirm the Shire's key management personnel (KMP) have not received any other money, consideration or benefit (except amounts being reimbursements for out of pocket expenses) which has not been included in the compensation disclosed in the Notes to the financial report.

## **10. SUBSEQUENT EVENTS**

No matters or occurrences have come to our attention between the date of the financial report and the date of this letter which would materially affect the financial report or disclosures therein, or which are likely to materially affect the future results or operations of the Shire.

## **11. INTERNAL CONTROL**

We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.

## **12. INSURANCE**

We have established procedures to assess the adequacy of insurance cover on all assets and insurable risks. We believe, where appropriate, assets and insurable risks are adequately covered by insurance.

## **13. RISK MANAGEMENT**

We confirm that we have established and maintained a risk management framework that is appropriate to the Shire.

## **14. FINANCIAL RATIOS**

We confirm that the financial ratios included in the annual financial report have been prepared and fairly presented in accordance with the *Local Government (Financial Management) Regulations 1996*.

We confirm that the asset consumption ratio and the asset renewal funding ratio are supported by verifiable information and reliable assumptions.

**15. ACCOUNTING MISSTATEMENTS**

Misstatements within the financial report identified by your auditors during the audit have been resolved.

**16. ELECTRONIC PRESENTATION OF THE AUDITED ANNUAL FINANCIAL REPORT AND AUDITOR'S REPORT**

- (a) We acknowledge that we are responsible for the electronic presentation of the annual financial report.
- (b) We will ensure that the electronic version of the audited annual financial report and the auditor's report presented on the Shire's website is the same as the final signed versions of the audited annual financial report and the auditor's report.
- (c) We have clearly differentiated between audited and unaudited information in the construction of Shire's website and understand the risk of potential misrepresentation in the absence of appropriate controls.
- (d) We have assessed the security controls over the audited annual financial report and the auditor's report and are satisfied that procedures in place are adequate to ensure the integrity of the information provided.
- (e) We will ensure that where the auditor's report on the annual financial report is provided on the website, the annual financial report is also provided in full.

**15. OTHER (UNAUDITED) INFORMATION IN THE ANNUAL REPORT**

We will provide the final version of the annual report to you when available, to enable you to complete your required procedures.

17 December 2019

***Kylie Caley***  
***Deputy Chief Executive Officer***

***Date***

17 December 2019

***Natalie Manton***  
***Chief Executive Officer***

***Date***



## 7.2 AUDIT AND RISK MANAGEMENT COMMITTEE MEETING DATES 2020

Applicant:	Shire of Corrigin
Date:	6/12/2019
Reporting Officer:	Natalie Manton, Chief Executive Officer
Disclosure of Interest:	NIL
File Ref:	CM.0012
Attachment Ref:	NIL

### SUMMARY

Council is requested to consider and approve dates for Audit and Risk Management Committee Meetings for 2020.

### BACKGROUND

The terms of reference stipulate that that the Audit and Risk Management Committee shall meet at least three times per year. A schedule of meetings will be developed and agreed to by the members.

### COMMENT

Council is requested to consider and approve the following Audit and Risk Management Committee meeting dates to be held the week prior to Ordinary Council Meetings for 2020. This will allow time for officer's and elected members to consider issues raised prior to them being taken to Ordinary Council meetings for approval.

The committee is required to meet in March to receive the Compliance Audit Return prior to submitting to the Council for endorsement.

The following Audit Committee Meeting dates for 2020 are recommended to Council:

Tuesday 10 March 2020  
Tuesday 09 June 2020  
Tuesday 08 December 2020

### STATUTORY ENVIRONMENT

Local Government (Audit) Regulations 1996

Regulation 16

An audit committee —

- a) is to provide guidance and assistance to the local government —
  - iii. as to the carrying out of its functions in relation to audits carried out under Part 7 of the Act; and
  - iv. as to the development of a process to be used to select and appoint a person to be an auditor; and
- b) may provide guidance and assistance to the local government as to —
  - v. matters to be audited; and
  - vi. the scope of audits; and
  - vii. its functions under Part 6 of the Act; and
  - viii. the carrying out of its functions relating to other audits and other matters related to financial management; and
- c) is to review a report given to it by the CEO under regulation 17(3) and is to —
  - iii. report to the council the results of that review; and
  - iv. give a copy of the CEO's report to the council.

## POLICY IMPLICATIONS

Policy 8.11 - Audit and Risk Management Committee

## FINANCIAL IMPLICATIONS

NIL

## COMMUNITY AND STRATEGIC OBJECTIVES

Shire of Corrigin Strategic Community Plan 2017-2027 and Corporate Business Plan 2018-2022:

**Objective: Leadership**

**Strong Governance and leadership**

### Outcome 4.1 - A strategically focussed dynamic Council serving the community

Strategic Community Plan		Corporate Business Plan	
Outcome	Strategies	Action No.	Actions
4.1.3	Maintain accountability and financial responsibility to ensure the stability of the Shire	4.1.3.1	Council maintain financial stability
		4.1.3.3	Provide Council adequate and appropriate financial information on a timely basis

## VOTING REQUIREMENT

Simple Majority

## COMMITTEE'S RESOLUTION

**Moved: Cr Gilmore**      **Seconded: Cr Weguelin**

*That the Audit and Risk Management Committee approve the following meeting schedule for 2020, commencing at 6.00pm in the Shire of Corrigin Council Chambers, 9 Lynch Street.*

*Tuesday 10 March 2020*

*Tuesday 09 June 2020*

*Tuesday 08 December 2020*

**Carried 5/0**

### 7.3 INTERNAL AUDIT - RISK MANAGEMENT REVIEW

Applicant:	Shire of Corrigin
Date:	6/12/2019
Reporting Officer:	Natalie Manton, Chief Executive Officer
Disclosure of Interest:	NIL
File Ref:	FM.0023
Attachment Ref:	Attachment 7.3 – Risk Management Review Dashboard

#### SUMMARY

This Internal Audit - Risk Management Review report seeks to provide an update on the assessment, impact and controls to mitigate risks using a risk management tool.

#### BACKGROUND

Council adopted a Risk Management Framework - Policy and Procedures in September 2018 to document the Shire's commitment and objectives regarding managing risk that may impact the Shire's strategies, goals or objectives.

The Risk Management Framework - Policy and Procedures document was initially prepared with assistance from LGIS as part of the overall Risk Management Governance Framework.

The Risk Management Review Dashboard summaries the following risks:

- Asset Sustainability
- Business and Community Disruption
- Compliance Requirements
- Document Management
- Employment Practices
- Engagement Practices
- Environmental Management
- Errors, Omissions and Delays
- External theft and fraud
- Management of Facilities/Venues and Events
- IT Communication systems
- Misconduct
- Project/ Change Management
- Safety and Security practices
- Supplier Contract management

In addition to the actions outlined in the Risk Management Review – Dashboard the following actions were taken in response to issues raised at the interim and final audits including:

#### 1. Interim Audit

Item 1 Removal of fixed assets below \$5,000 from the asset register

The Manager of Finance complete the removal of assets of value below \$5,000 identified in item 1 by the end of November 2019 and was checked by Moore Stephens and noted as correct.

Item 2 Information and Technology Access

IT Vision was engaged to conduct a security review of the Synergysoft software system and update the security settings in consultation with the Deputy CEO in order to address the potential risks associated with the information and technology security access.

The security settings were updated in December 2019.

## Items 3 to 6 Fixed Assets, Trust, Investment and Borrowing Reconciliations

The reconciliation of the assets, trust, investment and borrowing systems has been added to the monthly finance checklist since June 2019 and is reviewed by the Deputy CEO monthly.

## Item 7 Journal Entries

Supporting documentation and authorisation for automated journals such as payroll, administration allocations, plant automatic recoveries and depreciation are printed, filed and authorised as part of the preparation of the monthly report.

Other journals are authorised individually at the time of processing.

## 2. Final Audit

### Excess Leave Accruals

We noted the Shire still has a high level of annual leave balances although these have been reduced from last year.

### Management Comment

The number of staff with accrued annual leave in excess of eight weeks has been reduced to three people during the past year. This has been managed throughout the year to ensure that the leave is reduced while maintaining a large capital works program this year.

One staff member also had a deferred long service leave balance and has booked to take this in January. In the coming six month he will be encouraged to reduce his annual leave balance as well.

Dept	Emp #	Hours	Weeks	Comments
Admin	6	287.49	9	P/T - 32 hours per week - 5 weeks booked for March / April 2020
Works	29	338.25	9	2 weeks booked for December 2019
Works	41	373.89	10	1.5 days booked for January / February 2020 (remainder booked is LSL)

### Timecard Entry

Labour hrs and plant hrs were entered into synergy using the pay-run date instead of the actual days worked.

### Management Comment

Timecards are now entered into the payroll software with the actual date and not the pay run date.

## COMMENT

Internal risk management reviews are completed at least twice per annum with the previous report in June 2019.

## STATUTORY ENVIRONMENT

Local Government (Audit) Regulations 1996 Section 17 CEO to review certain systems and procedures

## POLICY IMPLICATIONS

3.1 Risk Management Policy

## FINANCIAL IMPLICATIONS

NIL

## COMMUNITY AND STRATEGIC OBJECTIVES

Shire of Corrigin Strategic Community Plan 2017-2027 and Corporate Business Plan 2018-2022:

**Objective: Leadership**

**Strong Governance and leadership**

**Outcome 4.1 - A strategically focussed dynamic Council serving the community**

Strategic Community Plan		Corporate Business Plan	
Outcome	Strategies	Action No.	Actions
4.1.3	Maintain accountability and financial responsibility to ensure the stability of the Shire	4.1.3.1	Council maintain financial stability
		4.1.3.3	Provide Council adequate and appropriate financial information on a timely basis

## VOTING REQUIREMENT

Simple Majority

## COMMITTEE'S RESOLUTION

**Moved: Cr Weguelin**

**Seconded: Cr Mason**

*That the Audit and Risk Management Committee receive the updated Internal Audit Risk Management Report and Risk Management Review Dashboard update.*

**Carried 5/0**

## 8. NEXT MEETING

The next meeting of the Audit and Risk Management Committee is scheduled for Tuesday 10 March 2020 at 6.00pm

## 9. MEETING CLOSURE

President Des Hickey closed the meeting at 10.56am

President: \_\_\_\_\_



Date: \_\_\_\_\_

10-3-2020

