



SHIRE OF LAVERTON

AUDIT AND RISK COMMITTEE MEETING

MINUTES

**held Thursday 24 June 2021,
commencing at 4:00pm**

MINUTES

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MINUTES FOR AUDIT AND RISK COMMITTEE MEETING HELD THURSDAY 24 JUNE 2021 AT 4:00PM

1. DECLARATION OF OPENING

The Presiding Member, Cr Patrick Hill, declared the Committee Meeting open at 4:00pm.

2. RECORD OF ATTENDANCE

2.1 PRESENT

Cr P Hill	Member
Cr S Weldon	Member
Cr R Weldon	Member
Cr J Carmody	Member
Cr G Buckmaster	Member
Cr R Ryles	Member
Cr R Prentice	Member

Mr P Naylor	Chief Executive Officer
Mr P Marshall	Deputy Chief Executive Officer

2.2 APOLOGIES

Cr S Weldon	Member
Cr J Carmody	Member

2.3 LEAVE OF ABSENCE

Nil

2.4 VISITORS

Pranjal Sudhir Bhate, RSM Australia Pty Ltd & Efthalia Samaras, Office of the Auditor General, via Teams (from 4:00pm)

3. CONFIRMATION OF MINUTES OF PREVIOUS MEETING

3.1 MINUTES OF AUDIT COMMITTEE MEETING HELD 27 MAY 2021

ATTACHMENT

ARC240621.3.1.A Minutes of Audit and Risk Committee Meeting 27 May 2021

RESOLUTION

COUNCIL DECISION/PROCEDURAL MOTION

MOVED: Cr R Prentice SECONDED: Cr R Weldon

That the Minutes of the Audit and Risk Committee Meeting (Attachment ARC240621.3.1.A) held on 27 May 2021, be confirmed as a true and accurate record of proceedings.

CARRIED 5/0

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4. REPORTS OF COMMITTEE AND OFFICERS

4.1 AUDIT REPORTS FOR THE YEAR ENDING 30 OF JUNE 2020

REPORT TO WHICH MEETING/COMMITTEE	Audit and Risk Committee Meeting, 24 June 2021
DISCLOSURE OF INTEREST	The author has no financial interest in the matter presented to the Council
OWNER/APPLICANT	Not applicable
AUTHOR	Phil Marshall, Deputy Chief Executive Officer
RESPONSIBLE OFFICER	Peter Naylor, Chief Executive Officer
PREVIOUS MEETING REFERENCE IF APPLICABLE	The 2019 Audit report was reported to the Committee on the 23 April 2020.

MATTER FOR CONSIDERATION BY THE COUNCIL

That the Audit and Risk Committee to receive and consider the following documents and recommend to the Council for adoption:

- Management Letter from the Office of Auditor General (OAG)
- Independent Audit report for the year ending 30 June 2020
- Findings identified during the Final audit with a significant finding

ATTACHMENTS

ARC240621.4.1.A	Independent Auditors report for the year ending 30 June 2020.
ARC240621.4.1.B	Management Letter for the year ending 30 June 2020.
ARC240621.4.1.C	Findings Identified During the Final Audit - Significant

BACKGROUND

In accordance with section 7.9 of the Local Government Act 1995, the audit was conducted by the OAG and RSM.

STATUTORY IMPLICATIONS *Local Government Act 1995*

1.3. *Content and intent*

- (2) *This Act is intended to result in —*
- (a) *better decision-making by local governments; and*
 - (b) *greater community participation in the decisions and affairs of local governments; and*
 - (c) *greater accountability of local governments to their communities; and*
 - (d) *more efficient and effective local government.*

- (3) *In carrying out its functions a local government is to use its best endeavours to meet the needs of current and future generations through an integration of environmental protection, social advancement, and economic prosperity.*

2.7. Role of council

- (1) *The council —*
- (a) *governs the local government's affairs; and*
 - (b) *is responsible for the performance of the local government's functions.*
- (2) *Without limiting subsection (1), the council is to —*
- (a) *oversee the allocation of the local government's finances and resources; and*
 - (b) *determine the local government's policies.*

3.1. General function

- (1) *The general function of a local government is to provide for the good government of persons in its district.*
- (2) *The scope of the general function of a local government is to be construed in the context of its other functions under this Act or any other written law and any constraints imposed by this Act or any other written law on the performance of its functions.*
- (3) *A liberal approach is to be taken to the construction of the scope of the general function of a local government.*

LOCAL GOVERNMENT ACT 1995 - SECT 7.9

7.9. Audit to be conducted

(1) An auditor is required to examine the accounts and annual financial report submitted for audit and, by the 31 December next following the financial year to which the accounts and report relate or such later date as may be prescribed, to prepare a report thereon and forward a copy of that report to —

- (a) the mayor or president; and
- (b) the CEO of the local government; and
- (c) the Minister.

(2) Without limiting the generality of subsection (1), where the auditor considers that —

- (a) there is any error or deficiency in an account or financial report submitted for audit; or

(b) any money paid from, or due to, any fund or account of a local government has been or may have been misapplied to purposes not authorised by law; or

(c) there is a matter arising from the examination of the accounts and annual financial report that needs to be addressed by the local government,

details of that error, deficiency, misapplication or matter, are to be included in the report by the auditor.

(3) The Minister may direct the auditor of a local government to examine a particular aspect of the accounts and the annual financial report submitted for audit by that local government and to —

(a) prepare a report thereon; and

(b) forward a copy of that report to the Minister,

and that direction has effect according to its terms.

(4) If the Minister considers it appropriate to do so, the Minister is to forward a copy of the report referred to in subsection (3), or part of that report, to the CEO of the local government.

LOCAL GOVERNMENT ACT 1995 - SECT 7.12A

7.12A. Duties of local government with respect to audits

(1) A local government is to do everything in its power to —

(a) assist the auditor of the local government to conduct an audit and carry out the auditor's other duties under this Act in respect of the local government; and

(b) ensure that audits are conducted successfully and expeditiously.

(2) Without limiting the generality of subsection (1), a local government is to meet with the auditor of the local government at least once in every year.

(3) A local government must —

(aa) examine an audit report received by the local government; and

(a) determine if any matters raised by the audit report, require action to be taken by the local government; and

(b) ensure that appropriate action is taken in respect of those matters.

(4) A local government must —

(a) prepare a report addressing any matters identified as significant by the auditor in the audit report, and stating what action the local government has taken or intends to take with respect to each of those matters; and

(b) give a copy of that report to the Minister within 3 months after the audit report is received by the local government.

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

LOCAL GOVERNMENT (AUDIT) REGULATIONS 1996 - REG 16

16. Functions of audit committee

An audit committee has the following functions —

(a) to guide and assist the local government in carrying out —

(i) its functions under Part 6 of the Act; and

(ii) its functions relating to other audits and other matters related to financial management;

(b) to guide and assist the local government in carrying out the local government's functions in relation to audits conducted under Part 7 of the Act;

(c) to review a report given to it by the CEO under [regulation 17\(3\)](#) (the **CEO's report**) and is to —

(i) report to the council the results of that review; and

(ii) give a copy of the CEO's report to the council;

(d) to monitor and advise the CEO when the CEO is carrying out functions in relation to a review under —

(e) to support the auditor of the local government to conduct an audit and carry out the auditor's other duties under the Act in respect of the local government;

(f) to oversee the implementation of any action that the local government —

(i) is required to take by section 7.12A(3); and

(ii) has stated it has taken or intends to take in a report prepared under section 7.12A(4)(a); and

(iii) has accepted should be taken following receipt of a report of a review conducted under [regulation 17\(1\)](#); and

(iv) has accepted should be taken following receipt of a report of a review conducted under the [Local Government \(Financial Management\) Regulations 1996 regulation 5\(2\)\(c\)](#);

(g) to perform any other function conferred on the audit committee by these regulations or another written law.

STRATEGIC PLAN IMPLICATIONS

Civic Leadership Objective - A financially strong and knowledgeable Shire, leading an empowered community.

- Outcome 4.3 Improved planning
- 4.3.1 Continue to review and improve organisational plans.
- 4.3.2 Seek high level of statutory compliance.

POLICY IMPLICATIONS

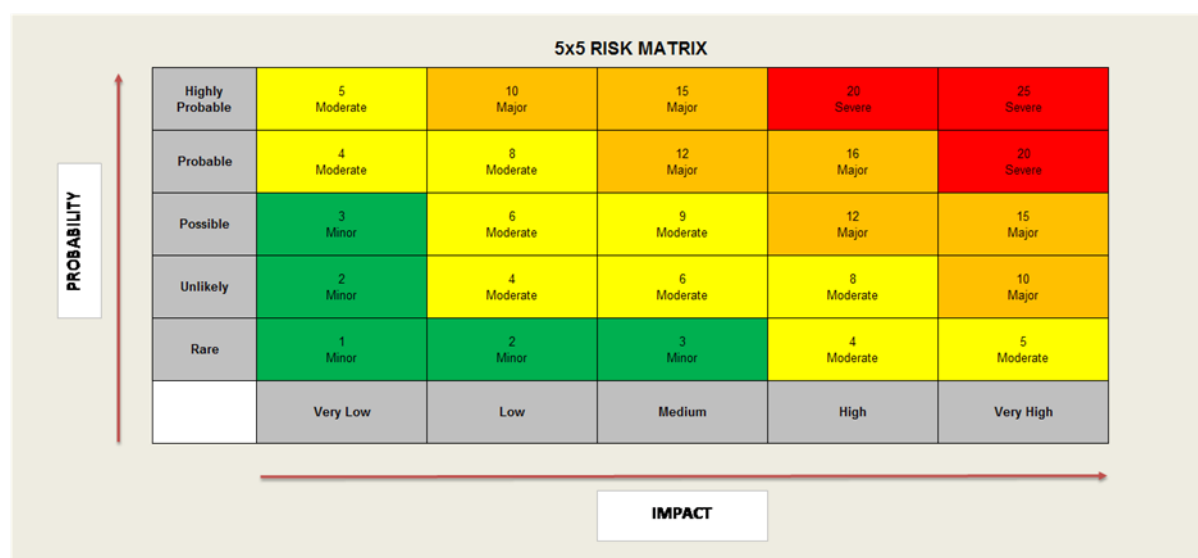
There are no policy implications to the Council.

FINANCIAL IMPLICATIONS

The recommendation of this report has no financial implications for Council.

RISK MANAGEMENT

As the Council is meeting the requirements of the Local Government Act in both the acceptance of the Auditors Report and the management letter and with a non qualified audit, the level of Risk is considered Minor.



CONSULTATION

Chief Executive Officer

COMMENT

The following has been taken directly from the OAG's report under attachment ARC240621.4.1.A.

"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 Operating Surplus Ratio and the Asset Renewal Funding Ratio have been below the Department of Local Government, Sport and Cultural Industries' standard for the past 3 years. The financial ratios are reported at Note 31 to the financial report. Page 3 of 3*
- (ii) The following material matters indicating non-compliance with Part 6 of the Local Government Act 1995, the Local Government (Financial Management) Regulations 1996 or applicable financial controls of any other written law were identified during the course of my audit:*

a. The Shire's procurement and contract management practices for the Mt Weld Road upgrade project failed to provide sufficient oversight required to manage associated risks, monitor costs and deliver value for money as required by the Shire's purchasing policy.

b. For approximately 40% of purchase transactions sampled, purchase orders were raised after the supplier invoice was received and there was no documentation to explain why purchase orders were not raised prior to the procurement of goods or services. This practice increases the likelihood of unauthorised expenditure occurring and going undetected.

c. For approximately 20% of purchase transactions sampled, there was inadequate or no evidence that a sufficient number of quotations were obtained to test the market and no documentation to explain why other quotes were not sought. This practice increases the likelihood of not receiving value for money in procurement.

d. A review of the appropriateness and effectiveness of the Shire's financial management systems and procedures was not completed. Regulation 5(2)(c) of the Financial Management Regulations requires a review to take place at least once in every three financial years."

Regarding point d which relates to attachment ARC 240621 4.1.1C – The council engaged Moore Australia to undertake this review under the Northern Goldfields Compliance Group banner and was planned to be undertaken in the 2019/2020 financial year. This has not eventuated, and it has been followed up with Moore Australia to complete as soon as practicable.

In general, the Council has amended its purchasing policy in 2020 as the requirements of the existing policy could not be met. The results will be further known at the conclusion of the 2021 audit; however, the expectation is that there has been an improvement.

RESOLUTION

COUNCIL DECISION/PROCEDURAL MOTION

MOVED: Cr R Weldon

SECONDED: Cr G Buckmaster

That the Audit and Risk Committee recommends to the Council that the Annual Management Letter, The Independent Auditors Report and findings identified during the Final Audit – significant for the year ending 30 June 2020 as prepared by the Office of Auditor General and RSM be accepted in accordance and that the reports and attachments ARC240621.4.1.A, ARC240621.4.1.B and ARC240621.4.1.C be published on the Shire of Laverton website in accordance with the Local Government Act 1995.

CARRIED 5/0

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Auditor General

INDEPENDENT AUDITOR'S REPORT

To the Councillors of the Shire of Laverton

Report on the Audit of the Financial Report

Opinion

I have audited the annual financial report of the Shire of Laverton (the Shire) which comprises the Statement of Financial Position as at 30 June 2020, and 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, as well as 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 Laverton:

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

Basis for Opinion

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

Emphasis of Matter – Basis of Accounting

I draw attention to Notes 1 and 9 to the annual financial report, which describe the basis of accounting. The annual financial report has been prepared for the purpose of fulfilling the Shire's financial reporting responsibilities under the Act, including the Local Government (Financial Management) Regulations 1996 (Regulations). My opinion is not modified in respect of these matters:

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

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

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

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

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

Auditor's Responsibility for the Audit of the Financial Report

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

A further description of my responsibilities for the audit of the annual financial report is located on the Auditing and Assurance Standards Board website at https://www.auasb.gov.au/auditors_responsibilities/ar4.pdf. This description forms part of my auditor's report.

Report on Other Legal and Regulatory Requirements

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

- (i) In my opinion, the following material matters indicate significant adverse trends in the financial position of the Shire:
 - a. The Operating Surplus Ratio and the Asset Renewal Funding Ratio have been below the Department of Local Government, Sport and Cultural Industries' standard for the past 3 years. The financial ratios are reported at Note 31 to the financial report.

- (ii) The following material matters indicating non-compliance with Part 6 of the *Local Government Act 1995*, the Local Government (Financial Management) Regulations 1996 or applicable financial controls of any other written law were identified during the course of my audit:
- a. The Shire's procurement and contract management practices for the Mt Weld Road upgrade project failed to provide sufficient oversight required to manage associated risks, monitor costs and deliver value for money as required by the Shire's purchasing policy.
 - b. For approximately 40% of purchase transactions sampled, purchase orders were raised after the supplier invoice was received and there was no documentation to explain why purchase orders were not raised prior to the procurement of goods or services. This practice increases the likelihood of unauthorised expenditure occurring and going undetected.
 - c. For approximately 20% of purchase transactions sampled, there was inadequate or no evidence that a sufficient number of quotations were obtained to test the market and no documentation to explain why other quotes were not sought. This practice increases the likelihood of not receiving value for money in procurement.
 - d. A review of the appropriateness and effectiveness of the Shire's financial management systems and procedures was not completed. Regulation 5(2)(c) of the Financial Management Regulations requires a review to take place at least once in every three financial years.
- (iii) All required information and explanations were obtained by me.
- (iv) All audit procedures were satisfactorily completed.
- (v) In my opinion, the Asset Consumption Ratio and the Asset Renewal Funding Ratio included in the annual financial report were supported by verifiable information and reasonable assumptions.

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



GRANT ROBINSON
ASSISTANT AUDITOR GENERAL FINANCIAL AUDIT
Delegate of the Auditor General for Western Australia
Perth, Western Australia
4 June 2021



Our Ref: 7942

7th Floor, Albert Facey House
469 Wellington Street, Perth

Mr Peter Naylor
Chief Executive Officer
Shire of Laverton
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PERTH WA 6849

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Dear Mr Naylor

ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2020

The Office has completed the audit of the annual financial report for your Shire. In accordance with section 7.12AD (2) of the *Local Government Act 1995* (the Act), we enclose the Auditor General's auditor's report, together with the audited annual financial report.

We have also forwarded the reports to the President and the Minister for Local Government, as required by the Act. You are required to publish the annual report, including the auditor's report and the audited financial report, on your Shire's official website within 14 days after the annual report has been accepted by your Council.

Matters of regulatory non-compliance and adverse trends in the financial position are reported on pages 2 and 3 of the auditor's report.

Management Control Issue

I would like to draw your attention to the attached deficiency that was identified during the course of the final audit. The matter has been discussed with management and their comments have been included in the attachment.

Please note that the purpose of our audit was to express an opinion on the financial report. The audit included consideration of internal control relevant to the preparation of the financial report in order to design audit procedures that were appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control.

An audit is not designed to identify all internal control deficiencies that may require management attention. It is possible that irregularities and deficiencies may have occurred and not been identified as a result of our audit.

This letter has been provided for the purposes of the Shire and the Minister for Local Government and may not be suitable for other purposes.

I would like to take this opportunity to thank you, the management and the staff of the Shire for their cooperation with the audit team during our audit.

Feel free to contact me on 6557 7536 if you would like to discuss any matters concerning the audit.

Yours faithfully

EFTHALIA SAMARAS
SENIOR DIRECTOR
FINANCIAL AUDIT
4 June 2021

Attach

ATTACHMENT**SHIRE OF LAVERTON****PERIOD OF AUDIT: 1 JULY 2019 TO 30 JUNE 2020****FINDINGS IDENTIFIED DURING THE FINAL AUDIT**

INDEX OF FINDINGS	RATING		
	Significant	Moderate	Minor
1. Non-compliance with Financial Management Regulation 5(2)(c)	✓		

KEY TO RATINGS

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

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

SHIRE OF LAVERTON**PERIOD OF AUDIT: 1 JULY 2019 TO 30 JUNE 2020****FINDINGS IDENTIFIED DURING THE FINAL AUDIT****1. Non-compliance with Financial Management Regulation 5(2)(c)****Finding**

Regulation 5(2)(c) of the Local Government (Financial Management) Regulations 1996 requires the Chief Executive Officer to undertake a review of the appropriateness and effectiveness of the Shire's financial management systems and procedures at least once in every three financial years. During the audit we noted the Shire reported that it had failed to complete the review within three years prior to 31 December 2019.

Rating: Significant**Implication**

Failure to undertake a review of the appropriateness and effectiveness of the Shire's financial management systems and procedures at least once in every three financial year's is a breach of regulation 5(2)(c) of the Local Government (Financial Management) Regulations 1996. In addition, non-compliance with regulation 5(2)(c) increases the risk that the Shire's financial management systems and procedures may not be fit for purpose and resources of the Shire are not being as effectively and efficiently managed as possible.

Recommendation

The Shire should establish systems and procedures to ensure ongoing compliance with regulation 5(2)(c) of the Local Government (Financial Management) Regulations 1996.

Management comment

This is a fair call and as the matter was to be addressed through the Northern Goldfields Compliance Audit Group, which was on the books for completion in 2019/2020.

Responsible position: Chief Executive Officer

Completion date: May 2022

4.2 ANNUAL REPORT FOR THE YEAR ENDING 30 JUNE 2020

REPORT TO WHICH MEETING/COMMITTEE	Audit and Risk committee of the Council, 24 June 2021
DISCLOSURE OF INTEREST	The author has no financial interest in the matter presented to the Council
OWNER/APPLICANT	Not applicable
AUTHOR	Phil Marshall, Deputy Chief Executive Officer
RESPONSIBLE OFFICER	Peter Naylor, Chief Executive Officer
PREVIOUS MEETING REFERENCE IF APPLICABLE	Last Annual Report was considered at the 23 April 2020 meeting of the Audit and Risk Committee

MATTER FOR CONSIDERATION BY THE COUNCIL

That the Audit and Risk Committee receive and consider the Annual Report for the year ending 30 June 2020 and recommend to the full Council meeting for adoption of the Annual Report and setting of the Annual Electors meeting date.

ATTACHMENTS

ARC240621.4.2.A	Shire of Laverton Annual Report for the 30 June 2020
ARC240621.4.2.B	Shire of Laverton Financial Statements for the 30 June 2020

BACKGROUND

The Audit Report for the 2019/2020 Annual Financial Statements were received from the Office of Auditor General (OAG) on the 4 of June 2021. The Annual Report is to be accepted by the Shire of Laverton no later than two months after the Auditor's Report becomes available in accordance with the Local Government Act 1995, section 5.27(2) refers.

STATUTORY IMPLICATIONS

Local Government Act 1995

1.3. Content and intent

- (2) *This Act is intended to result in —*
- (a) *better decision-making by local governments; and*
 - (b) *greater community participation in the decisions and affairs of local governments; and*
 - (c) *greater accountability of local governments to their communities; and*
 - (d) *more efficient and effective local government.*
- (3) *In carrying out its functions a local government is to use its best endeavours to meet the needs of current and future generations through an integration of environmental protection, social advancement, and economic prosperity.*

2.7. Role of council

- (1) *The council —*
 - (a) *governs the local government's affairs; and*
 - (b) *is responsible for the performance of the local government's functions.*
- (2) *Without limiting subsection (1), the council is to —*
 - (a) *oversee the allocation of the local government's finances and resources; and*
 - (b) *determine the local government's policies.*

3.1. General function

- (1) *The general function of a local government is to provide for the good government of persons in its district.*
- (2) *The scope of the general function of a local government is to be construed in the context of its other functions under this Act or any other written law and any constraints imposed by this Act or any other written law on the performance of its functions.*
- (3) *A liberal approach is to be taken to the construction of the scope of the general function of a local government.*

LOCAL GOVERNMENT ACT 1995 - SECT 5.53

5.53 Annual reports

- (1) The local government is to prepare an annual report for each financial year.
- (2) The annual report is to contain —
 - (a) a report from the mayor or president; and
 - (b) a report from the CEO; and
 - (e) an overview of the plan for the future of the district made in accordance with section 5.56, including major initiatives that are proposed to commence or to continue in the next financial year; and
 - (f) the financial report for the financial year; and
 - (g) such information as may be prescribed in relation to the payments made to employees; and
 - (h) the auditor's report prepared under section 7.9(1) or 7.12AD(1) for the financial year; and
 - (ha) a matter on which a report must be made under section 29(2) of the *Disability Services Act 1993* ; and

- (hb) details of entries made under section 5.121 during the financial year in the register of complaints, including —
- and
 - (i) the number of complaints recorded in the register of complaints;
 - (ii) how the recorded complaints were dealt with; and
 - (iii) any other details that the regulations may require;
- and
 - (i) such other information as may be prescribed.

LOCAL GOVERNMENT ACT 1995 - SECT 5.54

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.

LOCAL GOVERNMENT ACT 1995 - SECT 5.55

5.55 Notice of annual reports

The CEO is 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.

LOCAL GOVERNMENT ACT 1995 - SECT 5.27

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.

STRATEGIC PLAN IMPLICATIONS

Civic Leadership Objective - A financially strong and knowledgeable Shire, leading an empowered community.

- Outcome 4.3 Improved planning
- 4.3.1 Continue to review and improve organisational plans.
- 4.3.2 Seek high level of statutory compliance.

POLICY IMPLICATIONS

There are no policy implications to this report.

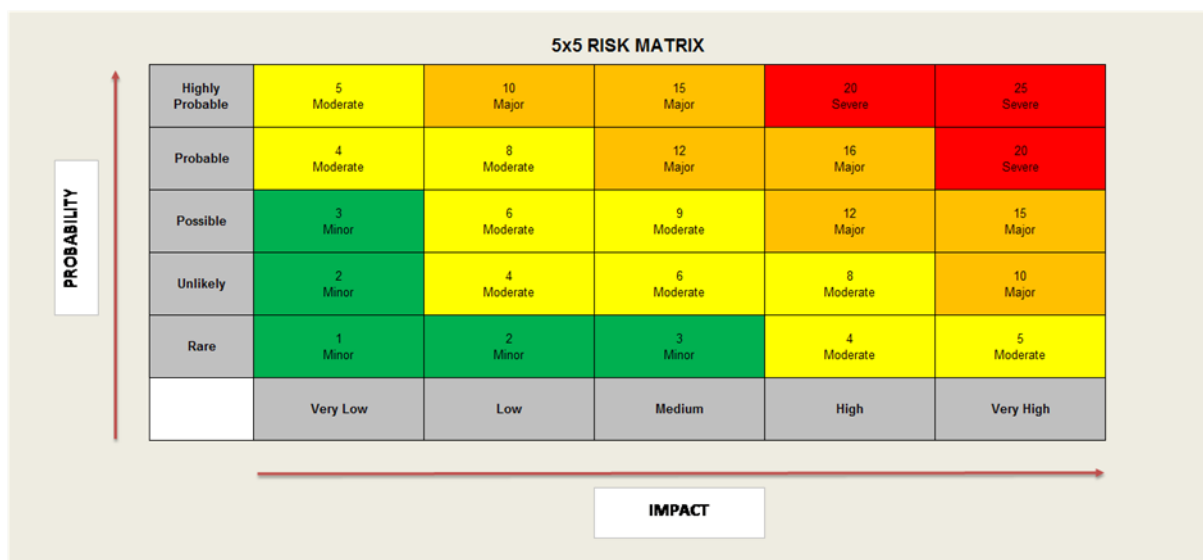
FINANCIAL IMPLICATIONS

The Council at the time of receiving the report has not received the final accounts for the audit.

Budget allocation of \$60,000 under account no 2140484 Admin- Audit Fees

RISK MANAGEMENT

As the Council is meeting the requirements of the Local Government Act in both the acceptance of the Auditors Report and the calling of the Annual Electors Meeting, the level of risk is very low.



CONSULTATION

- Chief Executive officer
- Office of Auditor General
- RSM – Auditors on behalf of the OAG

COMMENT

The purpose of the Annual Report and acceptance is to meet statutory reporting requirements and to set a date for the Annual Electors Meeting to be within 56 days of the 4 June 2020, and the intended date of 22 July 2021 is well within this timeline.

RESOLUTION

COUNCIL DECISION/PROCEDURAL MOTION

MOVED: Cr R Prentice SECONDED: Cr G Buckmaster

1. That the Audit and Risk Committee recommends to the Council that by an absolute majority in accordance with section 5.54 of the Local Government Act 1995 **ACCEPT** the Annual Report and the Financial Statements for the year ending 30 June 2020 as shown as attachment ARC240621.4.2.A and attachment ARC240621.4.2.B respectively.
2. That the Audit and Risk Committee recommends to the Council to set the Electors General Meeting in accordance with section 5.27 of the Local Government Act 1995 to be held on Thursday the 22 July 2021 at 4.00pm in the Council Chambers to present the Annual Report for the year ending 30 June 2020.

CARRIED 5/0

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ANNUAL REPORT FOR YEAR ENDED 30 JUNE 2020



ABOUT US

Welcome to the Shire of Laverton – Discover the Outback Spirit!

Covering some 183,198km² of predominantly desert and pastoral country, Laverton has something for everyone, from spinifex plains, mulga woodlands and unique granite rock outcrops to rich Aboriginal and European History and Culture.

Wongi people, collectively known as Wongutha or Wankatja people, have occupied the Laverton area for thousands of years. Their first known contact with Europeans was around 1860 when Sir John Forrest travelled through the area on an expedition to search for the remains of Ludwig Leichardt. Many other explorers followed Forrest, including Frank Hann and David Carnegie, surviving by the teachings and knowledge of the Aboriginal people.

These early explorers are recognised in the Great Beyond Visitor Centre – Home Of the Explorers Hall of Fame.

During the 1880's, sandalwood cutters travelled through the area looking for the valuable aromatic timber and their tracks opened up much of the region. In the decades since, many tonnes of sandalwood have been exported from the Laverton district.

In 1886 gold was discovered in the area – suddenly eager prospectors arrived in droves from Coolgardie, eager to strike it rich. The rapidly growing settlement was soon called British Flag after the first successful mine.

One such keen prospector was Dr Charles Laver, a British doctor who rode his bicycle from Coolgardie to the Laverton area the same year. He soon became an enthusiastic promoter of the region and travelled back to Britain a number of times to raise funds for local mining ventures, however his priority remained to attend to the sick and injured. He had an excellent rapport with his coworkers and patients and got on very well with the local Aboriginal people.

Without his energy (and his capital) Laverton may well have faded away at this point.

By 1897 an informal town had sprung up to the west side of the Craiggimore mine. This proved an unsuitable location for the permanent settlement, so an alternate site was chosen about three kilometers away. In July 1900 the new town was gazetted as Laverton, in honour of Dr. Laver who had done so much to ensure the prosperity of the area.

Today the town is an important service Centre for a range of mines that operate in the area, for the continuing pastoral industry and for the people of the Western Desert regions. Laverton is also an important tourism hub, acting as a True gateway to Australia's outback.

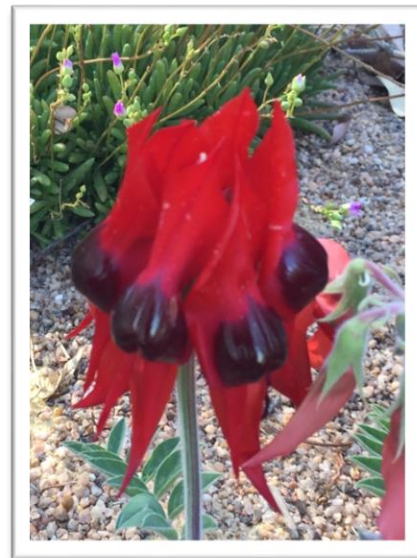
OUR VISION

The Shire of Laverton will strive to work with the community to fulfil their needs and support their aspirations while acting with fairness and demonstrating leadership.

Aspirations and values

Our community identified the following aspirations and values:

- An oasis for locals and visitors.
- Oasis in the desert.
- A harmonious and sustainable community.
- A healthy and vibrant place to live, work and visit.
- A place we are proud of.
- A memorable destination; and
- A thriving green and attractive hub



Community Strategic Plan - Summary of Objectives and Outcomes

The Shire of Laverton delivers services to its community in line with four key objectives set out within this Plan, being: social, economic, environment and civic leadership.

Each of the four objectives has several desired outcomes Council is aiming to achieve over the 10+ years of this Plan.

The following table summarises the strategic objectives of achieving the vision and the desired outcomes of working towards these objectives.

Objectives		Outcomes
SOCIAL	<i>Proud, spirited, harmonious and connected community</i>	<ul style="list-style-type: none"> A strong sense of community pride and ownership
ECONOMIC	<i>Prosperous local economy attracting businesses, opportunities, and people</i>	<ul style="list-style-type: none"> Sustainable tourism Improved economic development opportunities
ENVIRONMENT	<i>Revitalised, green, welcoming, and safe natural and built environment</i>	<ul style="list-style-type: none"> Safe and efficient transport network Modern, well maintained Other Built Infrastructure Clean, safe, and tidy environment
CIVIC LEADERSHIP	<i>A financially strong and knowledgeable Shire, leading an empowered community</i>	<ul style="list-style-type: none"> Effective communication and stakeholder engagement Organisational Development Improved planning

SHIRE PRESIDENTS REPORT



In opening, I would like to thank my fellow Councillors in their support and allowing us as a group to ensure that the Shire of Laverton is seen in a positive light in so many circles. It is a pleasure to represent the Council.

The following is a brief summary of what has occurred in the last 12 months and the major issues which have impacted on the Council along with the myriad of meetings and representations made on behalf of Council.

Covid-19 played a major interruption in January 2020 and Laverton was impacted upon with the restrictions of tourists travelling both intrastate and interstate and also the overseas travellers who are wanting the adventure and heat of the outback.

The Council continues with the established agreement with the Pier Street Medical practice to provide medical services to the town and district. This is essential to ensure that there is medical services at the hospital and for the community. The support to the medical services is supplemented by contributions from the mining companies within the Shire area. Furthermore, the essential aspect of the new hospital only defines the importance of providing the medical service to the new hospital and the council is continuing to ensure that the hospital is built and the appropriate funding is provided for the completion of this facility.

Following approval of Government funding for up to 50km of roadworks upgrading of the Great Central Road, as part of the Outback Way Highway project. The Outback Way continues to gather interest and funding \$40.5 million has been secured to undertake further construction and sealing of further sections of this road.

The Federal government has additionally provided another \$115 million to keep the project rolling along and it was pleasing to see the interest of the Federal government with the Deputy Prime Minister visiting Laverton to see the works first hand.

The Outback Highway Committee made up of local governments and through their General Manger is further seeking additional funding to ensure that the entire road will receive funding to complete the seal from Laverton to Winton in Queensland.



OHDC Annual General Meeting and funding announcement by Deputy Prime Minister Michael McCormack.

The 2020 Sheila Laver Award was presented to Councillor Robyn Prentice in recognition of her service to the community of Laverton.

The Department of Social Services is responsible for the rollout of the Cashless Debit Card Program and the Council continues to provide a space at the Community Development Office and three staff members are employed on a part time basis (funded by DSS) to assist in continuation of the roll out. It has been a success to date and hopefully this initiative continues.

The Council allocated \$450,000.00 in its budget to upgrade the lighting at the Laverton Airport, with 50% funded by the Department of Transport through the Regional Airport Development Scheme in accordance with the Shire of Laverton Airport Master Plan and this upgrade has been completed as the council further plans to extend the airport infrastructure as charter flights regularly are utilising the airport.

The Council considered the expansion of the Great Beyond with an extension of this wonderful facility with a building cost of \$2.6 million with matching Council funds and support from State Government with a grant of \$1.3million. The aim is to future proof the Council and capture the market as Outback Highway continues to be sealed and the visitor increases accordingly.

The Laverton Community Hub Project has been completed and this magnificent facility will be open for the 2019/20 swimming pool season by the Premier, Mark McGowan and Minister MacTiernan present.

The cost of the new build pool, and the renovation of the town hall was \$8,252,964.00 and made up as follows:

Funding Bodies	Amount
Sport and Recreation	\$850,000.00
Lottery West	\$678,362.00
Royalties for regions	\$4,717,815.00
Council	\$2,006,787.00
Total	\$8,252,964.00



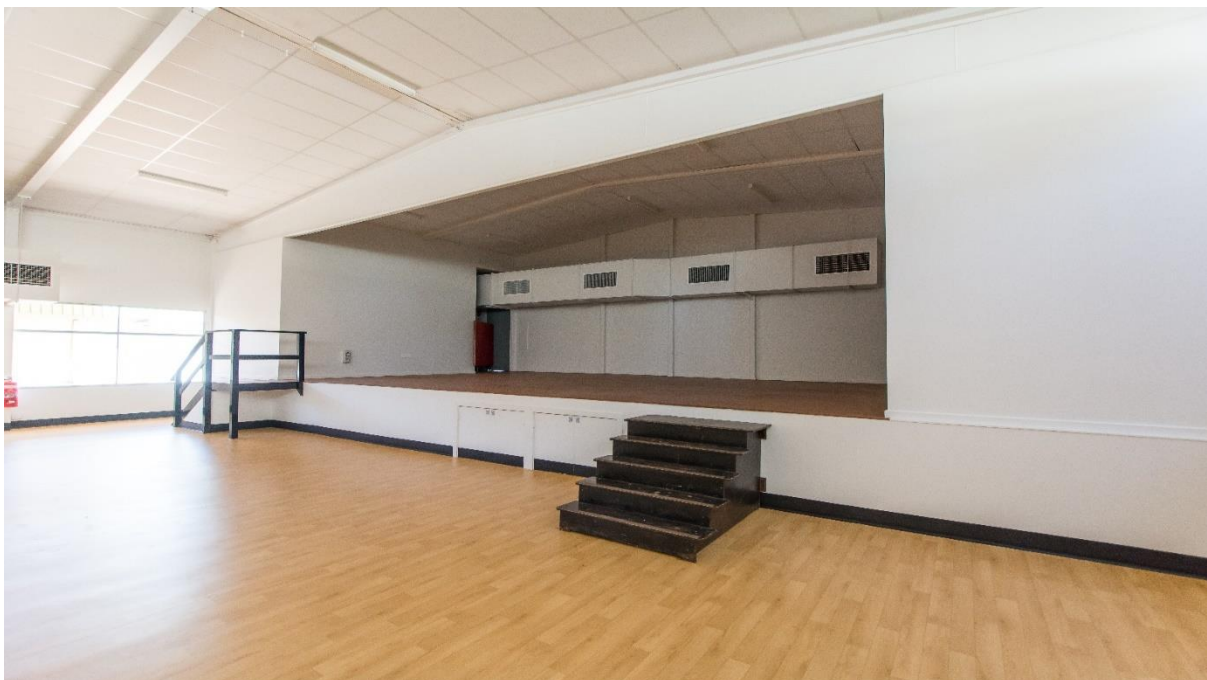
Cr



Cr Patrick Hill with the Premier Mark McGowan, Regional Development Minister Alannah MacTiernan at the official opening of the Aquatic Centre.



An overview of the new Aquatic Centre



Inside the Town Hall



As the Aquatic Centre sits in the townscape

Source: Source: WA Mineral and Petroleum Statistics Digest 2018/19 and 2019/20

Goldfields-Esperance Region Value of minerals and petroleum by region by local government area		
	2018/19	2019/20
Coolgardie	3,418,087,046	3,594,037,264
Kalgoorlie-Boulder	2,051,269,360	2,829,223,269
Laverton	2,605,983,116	3,675,188,884
Leonora	1,919,979,840	2,264,283,820
Ravensthorpe and Dundas	883,284,841	126,428,747
Menzies	706,857,131	845,694,243
Esperance	Combined with Menzies	104,107,650
Goldfields-Esperance Total	11,585,461,334	14,252,408,428

The mining industry is the powerhouse of the community with the council deriving 94% of its rates income from the mining industry. The growth can be identified with Laverton being the leader within The Goldfields-Esperance Region for value of mining in each local government region.

In closing for this financial year, there is so much optimism for the future and the Council is ready and willing to lead the community into another fruitful year where the many projects being considered will come to fruition.

I again personally thank all the councilors for their support and the Chief Executive Officer Peter Naylor who admirably leads the administration to achieve for the community.

Patrick Hill

Shire President

COUNCILLOR RENUMERATION

In accordance with the Local government Act 1995 and under the guidelines of the State Salaries & Allowances Tribunal, the following allowances were paid to Councillors in 2019/2020 financial year.

President (including Presidents Allowance)	\$33,400.00
Deputy President (including Deputy Presidents Allowance)	\$15,400.00
Councillors	\$ 9,400.00

CHIEF EXECUTIVE OFFICERS REPORT



In opening, the 2019/2020 financial year has been an interesting one with the influence around the world of Covid-19. Whilst Laverton has gone about business as normal, the rest of the world has not fared well.

The Community Hub which includes the new Pool, and the renovation of the Town hall has been finalized, it certainly provides facilities which can be used by the wider community and allows the community to participate should they wish to with quality facilities. I find that Council has a dedicated work force, and they produce excellent results through trying conditions of being a remote community.

The Council and especially the leadership of the Shire President and councillors has been refreshing in the support of undertaking initiatives for the community.

In closing, I would like to thank the community, councillors and staff for their assistance and commitment to the future of Laverton.

The following is a summary of items of interest which have been undertaken for and with the Laverton Community over the last 12 months and reflects the diversified nature of work undertaken by the council for the community.

Peter Naylor

Chief Executive Officer

Works and Services

Flood Damage

Works continued from the previous year's flood damage with the following roads being reinstated to previous flood damage status:

- Bandy Road
- Erlistoun Road
- Prenti Downs Road
- White Cliffs – Yamarna Road
- Great Central Road
- Lake Wells Rd, etc.



The following Roadworks projects including sealing, gravel re-sheeting etc. were completed in the 2019/2020 financial year.

- Mount Margaret Road
- Bandy Road
- Black Spot funding for Bandy Road Creek Crossing
- Old Laverton Road
- Great Central Road
- Mt Weld Road



Depicting the standard of road works achieved.

Plant Replacement

- Various Council vehicles and a Light truck

Laverton Cemetery

The Laverton Cemetery received an upgrade, and the following items were attended to bring it back to a standard with the council committing funds for:



Laverton Car Park

- New Car Park to the south of the existing entrance and perimeter fencing
- Shelters and seating



Laverton Cemetery Shelter



Laverton airport with extensions to the Apron and Taxi - Way



Great Beyond

Stage 2 Expansion of the Great Beyond Visitor Centre

After a two year mission to secure funding for the Stage 2 Expansion of the Great Beyond Visitor Centre, the project is set to become reality after funding was secured from the WA State Government.

Premier Mark McGowan, Regional Development Minister Alannah MacTiernan and local Member for Mining & Pastoral Kyle McGinn visited Laverton in September 2019 to announce a State Government contribution of \$1.3m to the project.

Expansion to the Centre will include a new entry foyer, merchandise area and café; expanded administration office, public amenities, and storage areas; improved disability access to interpretive displays; undercover alfresco dining space; and the Giles Oasis cultural garden and interactive displays.

Promotional Opportunities & Tourism Initiatives

Many opportunities to positively promote our region arose throughout 2019/20. Staff have completed the GEMS (Goldfields Esperance Must See) project with a website and APP now live. The GEMS project was funded by the Goldfields Esperance Development Commissions' economic development grant with the intention of encouraging visitors and residents to explore the region. Now established, the GEMS project will rely on local councils, business, and attractions to maintain their information.

Electric Pictures had another successful season of filming Aussie Gold Hunters which is set to air in mid-2020. Both Aussie Gold Hunters & Outback Opal Hunters featured miners from the Laverton Area and will be aired on Foxtel's Discovery Channel.

The Shire of Laverton was host to the 2019 Outback Highway Development Council (OHDC) Annual General Meeting. Members from Alice Springs, Boulia, Winton, the Ngaanyatjarra Lands and local councils, organisations and mining companies attended the three day AGM and workshops. Each year the OHDC use this time to do forward planning and collaborate on several projects to do with infrastructure, tourism, and employment.

Additional to the AGM, staff of the Great Beyond assisted renowned Australian photographer Sean Scott with his trip across the Outback Way by providing information on things to see and do along the route and in the Laverton area. The aerial and night-time photography from the adventure turned out to be nothing short of amazing. Great Beyond staff also helped with the update of the Geocache trail with the replacement of Cache Boxes, update of coordinates and a short training in the online maintenance required for the Caches.

Some new additions to the Great Beyond gift shop are some local made products. The Great Beyond has facilitated the making, branding, and selling of 'Bush Medicine' made by local resident Raylene Evans. The Bush Medicine has proven to be a popular item with regular visitors from the region coming in to stock up on the well-known product. Additional to this, the Great Beyond has partnered Martna Sandalwood to be a stockist of their new Pulse Point Sandalwood Oil. Martna Sandalwood is a Leonora built business that is attempting to sustain the sandalwood industry by harvesting the oil from dead sandalwood trees, while planting new trees in their place. Their harvesting area includes land northwest of Laverton, and the initial launch of their product has been prosperous.

Great Beyond Staff have completed an education and development course with the Australian Museums & Galleries Association (WA branch) during 2019/20. The mentoring style course was designed to ensure that organisations across the state are up to date with policies, procedures and standards as well as providing practical tools, advice and support for volunteers and staff of museums. The course was held over eight months and included four days hands on training in Kalgoorlie. Staff from the AMaGA branch visited Laverton and took a tour of our facilities, collections, and attractions in town.

Events

Again, Shire staff hosted several events throughout the year, the Great Beyond was proud to facilitate or host a number of these events including the town's NAIDOC Celebrations in Kalgoorlie, Carols by Candlelight, the CRC's annual Christmas Lights Competition and Clean Up Australia Day.

Although COVID-19 has had an impact on the preparation of Laverfest, planning for the festivities is still going ahead.

Laverton Men's Shed

Through grant funding, fundraising and donations from local mining companies & the Shire of Laverton, the members of the Laverton Men's Shed were able to build a purpose built shed on the site of the Old Court House. Members and guests officially opened the 'Shed' on Saturday 27th July 2019 and have been busy setting the facility up for weekly gatherings.

See pictures below.



AMaGA Western Australia Executive Director, Natalie Evans, visited Laverton along with Projects and Communications Coordinator Jess Davies following the 'Open the Doors' training program in Kalgoorlie. Photo: AMaGA Facebook



Clean Up Australia Day, March 2020

Annual Report for the Shire of Laverton WA 30 June 2020





Men's Shed members cutting the ribbon at the official opening of the new Shed.

Community Resource Centre

The Laverton Community Resource Centre continues to provide a needed and popular service to the Laverton Community. The programs, workshops, events, and services we provided throughout 2018-19 promoted inclusiveness, involvement, engagement and assisted with strengthening relationships with community and partnerships with local and visiting businesses, services, and organisations.

Throughout 2018-19 Laverton CRC met and exceeded in some areas our Service Delivery contractual requirements with the Department of Primary Industries and Regional Development. The Service Level Outcomes the CRC must provide deliverables for are.

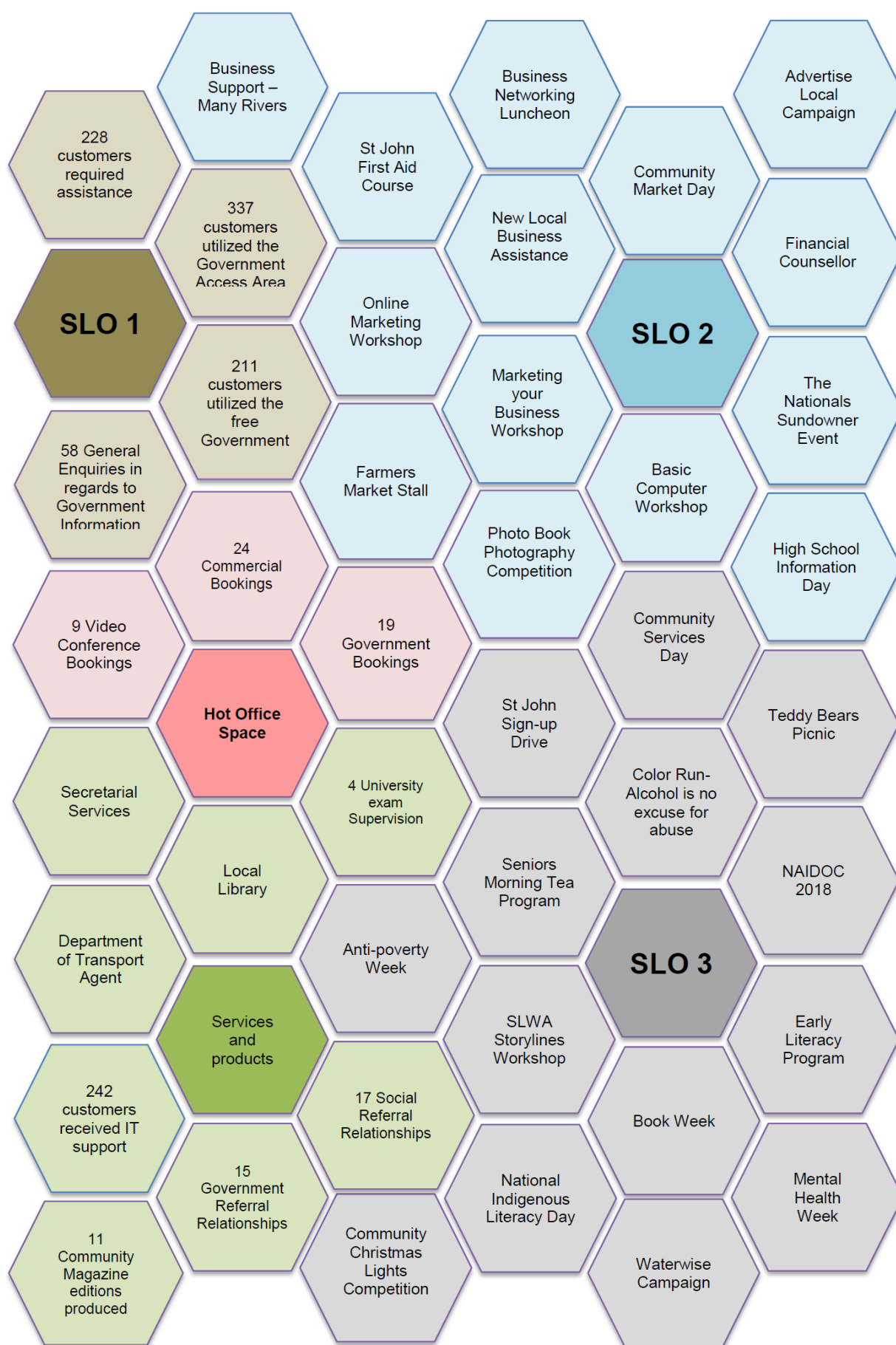
- SLO 1- Community members are provided with access to state government and community information and services.
- SLO2- Local Businesses and Workforce have access to activities and initiatives that improve skills and capacity to foster economic growth in the local community.
- SLO3- Community members have access to activities and initiatives that create or improve community connectedness and capacity.
-

The table below provides statistical information of people utilising the CRC services.

SLO1	Services	Statistics
Community members are provided with access to state government and community information and services	Government Access Point	337 customers utilized the Government Access Point
	Video Conference	Video Conference was utilized 9 times
	Office Space	Utilised 24 times by commercial agencies and 19 times by government agencies.
	IT Support	242 customers received IT support
SLO 2	Workshops/Events	Statistics
Local Businesses and Workforce have access to activities and initiatives that improve skills and capacity to foster economic growth in the local community.	14 workshops and events delivered	80 customers accessed the workshops and events
SLO 3	Programs/Events	Statistics
Community members have access to activities and initiatives that create or improve community connectedness and capacity.	Early Literacy Better Beginnings program	240 children and 175 parents attended
	Seniors Morning Tea	59 seniors attended the 10 morning teas
	14 events throughout 2018-19	419 people attended the events

The honeycomb diagram provides a snapshot of the 2018-19 deliverables the CRC has provided to Laverton for each service level outcome.

Annual Report for the Shire of Laverton WA 30 June 2020



CRC highlights throughout 2018-19 include.

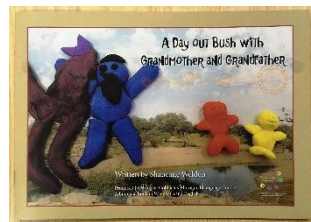
St John First Aid Course



Community Market Day



National Indigenous Literacy Day



Christmas Lights Competition



NAIDOC Celebrations



Community Development

Australia Day 2020

Over 125 people joined the Council in celebrating Australia Day with a Pool Party, fun activities, and a BBQ Breakfast.



Shire of Laverton celebrates International Day of People with Disability

International Day of People with Disability (IDPwD) is a United Nations Day that promotes inclusivity and celebrates the achievements and contributions of people with disability.

By gathering to celebrate this day, we can help to break down barriers for the 4.3 million Australians living with disability and contribute to positive change in our community.

The Shire of Laverton commemorated International Day of People with Disability on Monday 2 December 2019, by holding a Pool Party – a fun-filled afternoon of games, activities, an Aquafit session, and a delicious sausage sizzle at the newly built, accessible Aquatic Centre.

Following its success, we aim to make celebrating IDPwD an annual event. Working together through the Shire of Laverton's Disability Access and Inclusion Plan, (DAIP) 2019 to 2024, we hope to remove some of the barriers for people with disability and create a more inclusive community for people to reach their full potential. was launched at the event.



Laverton welcomes Coolgardie youth in a Swim 4 Fruit Challenge

Continuing with a swimming pool theme, The Laverton Aquatic Centre have been running a popular and very successful Royal Life Saving Society, Swim 4 Fruit program since October 2019.

Supported by Laverton Youth Services, this fun initiative aims to



get kids active in the pool, improving their swimming skills and safety around water and promotes healthy lifestyle habits to the community. The Shire of Coolgardie have been running a similar program.

The two Aquatic Managers Janine Rowe (Laverton), Kathy Brooking (Coolgardie), Lifeguard Krystal Thomson and Laverton Youth Services, organised a Swim 4 Fruit Fun Challenge at Laverton pool in early February.



Laverton Aquatic Centre welcomed 13 children and staff from Coolgardie, for an afternoon of swimming activities and games, followed by a BBQ lunch with plenty of healthy fruit too!



Laverton youth have been invited to a reciprocal trip to Coolgardie pool next season.

Shire of Laverton Awards

The Shire of Laverton's Youth Services team were selected as one of the top three finalists for the **Western Australian Regional Achievement and Community Awards** - Department of Local Government, Sport and Cultural Industries Making a Difference Award

The Youth Services team were recognised for their work at the **Local Government Children's Environment and Health Policy Awards**, winning in the **Child Health and Development** and **Aboriginal Child Health** categories.

Remembrance Day 2019

Remembrance Day 2019 included attendance from all the staff and children from Laverton School.

Appreciation goes to Xavier Murray and Sophie Taylor who beautifully presented readings and poems and laid a wreath on behalf of Regis Resources Ltd.

It was wonderful to see the young people and next generation, participating in such an important event.



Laverton commemorates ANZAC Day a different way #Driveways #AtHome

Due to COVID-19, the Shire commemorated ANZAC Day 2019 in a different way. The ANZAC Day 2019 service was played over a loudspeaker for residents to hear from their driveways and front porches.



Cashless Debit Card

The Cashless Debit Card (CDC) aims to reduce the levels of harm underpinned by alcohol, illicit drug use and gambling, by limiting participants' access to cash and by preventing the purchase of alcohol or gambling products.

The Cashless Debit Card is testing whether reducing the amount of cash available in a community will reduce the overall harm caused by welfare fuelled alcohol, gambling, and drug misuse.

Eighty per cent of CDC participants' Income Support Payments, as well as other supplementary payments, are directed to a restricted bank account, accessed by the Indue debit card, with the remainder of these payments accessible through a normal (unrestricted) bank account.

The CDC is being trialed in the Goldfields region and has been extended until December 2020. The Shire of Laverton has a local partner agreement with Indue to operate a front facing service to co-ordinate and implement the roll out of the Cashless Debit Card.

During the period 1 July 2019 to 30 June 2020, the CDC Team have been busy:

- Helping participants in activating their CDC
- Supporting participants in setting up an email address, CDC Indue account, My Gov account; learning how to check bank balances, edit their accounts and change passwords, setting up rent and bill payments, fund transfers and become more confident when self-managing their account online.
- Providing information and referrals for participants in relation to support services such as money management and budgeting.
- Supporting participants with extension declaration forms for Housing payments, vehicle purchase and Power of Attorney
- Working with community to encourage individual self-help for transactions such as checking bank balances and arranging bank transfers.
- Providing temporary cards to those who have lost or had a card stolen and replacement cards.
- Supporting participants who wish to exit the CDC. The team have helped 10 participants to submit and exit application, and a number of those have been successfully removed from the CDC.
- Providing choices and alternative options for loan applications such as WA No Interest Loans and supporting with applications. The Laverton Supermarket has become a 'white goods' provider for WANILS.
- Liaising with the Commonwealth Home Support Program (CHSP) to support community members with Indue and other business.
- In the CDC building, donated clothing and small household items continue to be available for our local Community members to collect. Regular donations and contributions are received from individuals and organisations.

The CDC Team have dealt with a total of 1,333 queries relating to the implementation and activation of accounts between July 2019 and June 2020.



Laverton Youth Services July 2019 - June 2020

Laverton's Youth Services Team provide a structured program of interactive, cultural, creative, artistic, educational, healthy, challenging, and fun activities for children and young people. The service operates every day after school in term time. In addition to this, an extensive and exciting package of activities and events are run during school and public holidays.

Youth Services celebrated **NAIDOC week 2019** by working with Elders to put on several cultural events and activities. From bush dyeing of materials made from plants, fruits, veggies, and other natural resources to cooking Marlu (kangaroo) tails and going 'Out Bush'.

The Curtin Volunteers helped with the school holiday activity programs and Youth Services provided a range of exciting fun things for the kids to do.



Minarli - Boys activities. Responding to community concerns, the Laverton Youth Services team have set up a Responsible Motorbike Program. With a focus on riding responsibly, young people have been taken out of town and taught how to ride safely and repair their bikes by Kevin our Youth Officer, who is a qualified mechanic.

Participation was only for those who had submitted consent forms signed by their Parent/Carer and who had protective clothing and helmets.



The **Pallet Project** has been designed to enhance social and developmental behaviours, provide social inclusion and community connection, identify coping strategies, build resilience, and help young people express feelings and emotions. This period saw the boys build and complete shelves and tables which were delivered to members of community.



Swim 4 Fruit program. The Laverton Aquatic Centre began running a popular and very successful Royal Life Saving Society, Swim 4 Fruit program. Supported by Laverton Youth Services, this fun initiative aims to get kids active in the pool, improving their swimming skills and safety around water and promotes healthy lifestyle habits. The program runs every Tuesday and Thursday after school throughout the Pool season. For every four laps each child swims, they received a piece of fruit.

Perth Mentor visit. Youth Services has been actively involved with the Big Picture Program at Laverton School. Weekly based classroom sessions focusing on improving communication, interpersonal relationship skills and improve vocational skills and knowledge of a specific career and possible pathways.

Big Picture students participated in a “Leaving to Learn” camp in Perth. Students were exposed to a range of career pathways while on camp including the Department of Fire and Emergency Services, St John ambulance, Carey training, Army, Air Force, and the Navy. In addition, students participated in some fun activities such as visiting the Eagles new training facility, rock climbing, trampolining, laser tag and Time Zone. A fantastic time was had by all!

Healthy Cooking initiative. Following consultation with the Laverton Youth Council, the weekly **Kidz Kitchen** program was established. Every Friday after school, a small group of ‘chefs’ prepare and cook/bake a dish that is then eaten and shared together. Recipes must be researched, and a list of ingredients given to the Youth Officer for purchase.



Blue Tree Project. The Blue Tree Project's 'mission is to help spark difficult conversations and encourage people to speak up when battling mental health concerns. Painting a tree blue aims to spread 'the message that 'it is OK to not be OK', and to break down the stigma that is still largely attached to mental health.'

Laverton Youth Services team with a group of young people cleared and prepared the sites and were actively involved in painting two trees in Laverton.



See our YouTube video from the day <https://youtu.be/JUn91PZ6Rng>

The Youth Centre was closed for 3 months to comply with government restrictions and requirements in relation to Covid-19. Youth Services still maintained Covid safe contact with community via social media and care packages containing toys, books, and activity packs.

During the 37 weeks of Youth Service provision within the annual reporting period a total of 2494 children and young people attended activities.

COMPLIANCE

Freedom of Information

Sections 96 and 97 of the *Freedom of Information Act 1992* require Local Governments to publish an information statement annually.

In summary, the Shire of Laverton's Statement indicates that the Shire of Laverton is responsible for the good governance of the Shire and carries out functions as required including statutory compliance and provision of services and facilities.

All Council meetings are open to the public and meeting dates and venues are advertised on a regular basis. Members of the public are invited to ask questions during Public Question Time shortly after the commencement of each meeting.

The Shire of Laverton maintains records relating to the function and administration of the Shire and includes such documents as the Minutes of Meetings, Rate Book, Town Planning Scheme, Local Laws, Codes of Conduct, Register of Financial Interests, Register of Delegated Authority, Financial Statements and Electoral Rolls.

These documents can be inspected free of charge at the Shire Office, 9 MacPherson place, Laverton during office hours.

Wherever possible and practical, and in line with privacy laws, the Shire of Laverton makes personal information readily available free of charge.

No Freedom of Information requests were made during the reporting period.

Record Keeping

The *State Records Act 2000* is an Act to provide for the keeping of State records and for related purposes. Section 19 of the Act requires each government organisation to have a Record Keeping Plan that has been approved by the State Records Commission.

The registration number of the recordkeeping plan is 2011029.

On 17 March 2017, the State Records Commission approved the continuation of the Shire of Laverton Record Keeping Plan with the next review due to be completed and submitted to the State Records Office.

The objectives of the Shire of Laverton's Record Keeping Plan are to ensure:

- Compliance with Section 28 of the *State Records Act 2000*,

- Record keeping within the Local Government is moving toward compliance with State Records Commission Standards and Record Management Standard AS ISO15489,
- Processes are in place to facilitate the complete and accurate record of business transactions and decisions,
- Recorded information can be retrieved quickly, accurately, and cheaply when required; and the
- Protection and preservation of the local government's records.

Register of Minor Complaints

Section 5.121 of the *Local Government Act 1995* (Register of certain complaints of minor breaches) requires the complaints officer for each local government to maintain a Register of Complaints which records all complaints that result in action under section 5.110(6) (b) or (c) of the Act (Conduct of Certain Officials).

Section 5.53 (2) (b) of the *Local Government Act 1995* requires that details of entries made under section 5.121 during the year in the Register of Complaints, including:

- The number of complaints recorded on the Register of Complaints.
- How the recorded complaints were dealt with, and.
- Any other details that the regulations may require to be disclosed in the Annual Report.

In accordance with these requirements, a complaints register has been maintained.

As of the 30 June 2020, no complaints were recorded. Therefore, no action was required.

Public Interest Disclosure

The Public Interest Disclosure Code was established by the Commissioner for Public Standards under section 20 of the *Public Interest Disclosure Act 2003*.

One of the principles of the Code is not just to provide protection of those who make disclosures (and those who are the subject of disclosures), but also to encourage a system of transparency and accountability in the way government officials act and utilise public monies.

Matters that fall into the category of public interest include:

- Improper conduct (irregular or unauthorised use of public resources).
- An offence under State Law including corruption (substantial unauthorised or irregular use of, or substantial mismanagement of, public monies)

- Administration matters generally (conduct involving substantial risk of injury to public health, prejudice to public safety or harm to the environment)

Matters that relate to the Shire of Laverton should be referred to the Shire of Laverton's Public Interest Disclosure Officer. Disclosures to the Public Interest Disclosure Officer can be made not just about officers of the Shire of Laverton but also, its elected officials.

There is an obligation of the Public Interest Disclosure Officer in the *Public Interest Disclosure Act 2003* to ensure that the disclosure is confidential and that the person making a disclosure is provided adequate protection from reprisals, civil and criminal liability, or breach of confidentiality.

More information can be found at www.publicsector.wa.gov.au.

The Shire of Laverton had no Public Interest Disclosures during the reporting Period.

Disability Access and Inclusion Plan (DAIP)

The Shire of Laverton revised the Disability Access and Inclusion Plan during 2019/2020 and the Shire of Laverton DAIP was approved by the Department of Communities for the period 2019/2024.

The following are general comments regarding the DAIP activities where the council had an involvement:

- Establish a Disability Advisory Committee.
- International Day of people with a disability with a pool party to highlight the facilities available at the Aquatic Centre.
- Install pram ramps at Hawkes Place Laverton in conjunction with the staged footpath construction.
- The opening of the Aquatic Centre and Town Hall which are all accessible.

Payments to Employees

Section 5.53 (2) (g) of the *Local Government Act 1995* and Regulation 19B of The *Local Government (Administration) Regulations 1996* require all local Governments to report in their Annual Report, any employees receiving a salary more than \$130,000 per annum.

Set out below (in bands of \$10,000) is the number of Shire employees entitled to an annual salary of \$130,000 or more:

Employees with employment under the Councils Enterprise Bargaining Agreement and a fixed term contract where the salary is more than \$130,000:

Salary Range \$	No of Employees
\$130,000 to \$180,000	2
\$180,000 to \$240,000	1

Integrated Planning and Reporting

In 2015/2016, Council undertook a comprehensive review of the Community Strategic Plan (CSP) following which the Corporate Business Plan was reviewed and updated.

The Corporate Business Plan was again reviewed in 2019/2020 resulting in only minimal change to the Plan.

The Corporate Business Plan aims to fulfil the strategic direction set by Council to Progress the Council's vision while keeping with the community's aspirations and values. Copies of both documents are available at the Shire Administration Office and on the Shire of Laverton's website.

Actions identified in the CSP are ongoing and include:

- 3.1.2.1 Maintain and improve rural road network. - This is a continuum each and every year and the council determine priorities based on funding and asset management.
- 3.1.3.1 Continue implementation of Airport Master Plan. - Continues with the expansion of the Airport Apron and Taxiway.
- 3.2.2.3 Seek funding for Great Beyond Visitor Centre Stage 2. Funding of \$1,300,000 has been received from the State Government with the Council to match these funds in the 2020/2021 budget.
- 3.2.2 Well maintained service provision buildings – The Cemetery has had funding allocated and works have commenced, and this has emanated from the Friends of The Laverton Cemetery. Works undertaken include fencing, Gazebo, seating, and vegetation plantings.

The Old Coach House has commenced restoration and improvements to house the CRC function of the Council.

The Old Court House was renovated and is now utilised by a church and is readily available for other uses.

- 3.1.1.3 Continue the sealing and upgrade program of Outback Way in accordance with funding availability. – The Outback Way has secured long term funding for the sealing of the Road.



SHIRE OF LAVERTON
FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2020

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COMMUNITY VISION

The Shire will endeavour to provide the community services and facilities to meet the needs of the members of the community and enable them to enjoy a pleasant and healthy way of life.

Principal place of business:
9 MacPherson Place
PO Box 42
Laverton WA 6440

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

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

STATEMENT BY CHIEF EXECUTIVE OFFICER

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

Signed on the 27TH day of MAY 2021



Chief Executive Officer

Peter Naylor

Name of Chief Executive Officer



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

	NOTE	2020 Actual \$	2020 Budget \$	2019 Actual \$
Revenue				
Rates	22(a)	5,303,425	5,386,900	4,648,007
Operating grants, subsidies and contributions	2(a)	6,491,031	2,665,090	6,431,616
Fees and charges	2(a)	787,812	630,450	573,456
Interest earnings	2(a)	82,434	120,200	168,542
Other revenue	2(a)	260,871	542,433	496,739
		12,925,573	9,345,073	12,318,360
Expenses				
Employee costs		(3,997,268)	(4,465,315)	(3,628,460)
Materials and contracts		(4,826,017)	(6,695,962)	(6,494,122)
Utility charges		(334,447)	(309,300)	(280,611)
Depreciation on non-current assets	9(d)	(2,890,565)	(2,579,495)	(2,512,865)
Interest expenses	2(b)	(55,967)	(54,335)	(54,034)
Insurance expenses		(126,703)	(159,672)	(118,195)
Other expenditure		(183,618)	(392,119)	(123,712)
		(12,414,585)	(14,656,198)	(13,211,999)
		510,988	(5,311,125)	(893,639)
Non-operating grants, subsidies and contributions	2(a)	6,057,266	5,729,805	9,036,541
Profit on asset disposals	9(a)	20,364	135,000	22,673
(Loss) on asset disposals	9(a)	(20,262)	0	(1,610,255)
Impairment of Plant and Equipment	7(a)	(890,471)	0	0
(Loss) on revaluation of land and buildings	7(a)	(643,796)	0	0
(Loss) on revaluation of Other infrastructure	8(a)	(423,088)	0	0
		4,100,013	5,864,805	7,448,959
Net result for the period		4,611,001	553,680	6,555,320
Other comprehensive income				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Changes in asset revaluation surplus	11	673,738	0	0
Total other comprehensive income for the period		673,738	0	0
Total comprehensive income for the period		5,284,739	553,680	6,555,320

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





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

	NOTE	2020 Actual \$	2020 Budget \$	2019 Actual \$
Revenue	2(a)			
Governance		22,952	100	170
General purpose funding		7,895,309	6,636,800	7,160,444
Law, order, public safety		16,144	12,283	9,468
Health		4,138	3,500	104,574
Education and welfare		289,121	245,107	267,098
Housing		94,704	50,000	142,338
Community amenities		139,426	141,050	136,431
Recreation and culture		100,540	74,600	67,960
Transport		3,769,941	1,661,000	3,805,429
Economic services		366,506	415,133	387,324
Other property and services		226,792	105,500	237,124
		12,925,573	9,345,073	12,318,360
Expenses	2(b)			
Governance		(570,883)	(666,337)	(477,165)
General purpose funding		(515,126)	(715,528)	(402,875)
Law, order, public safety		(239,982)	(308,707)	(272,798)
Health		(316,988)	(356,176)	(293,038)
Education and welfare		(542,454)	(693,692)	(578,767)
Housing		(74,273)	(70,785)	(92,157)
Community amenities		(590,446)	(623,366)	(555,192)
Recreation and culture		(1,296,065)	(1,292,612)	(924,748)
Transport		(7,267,062)	(8,387,857)	(8,394,175)
Economic services		(1,145,868)	(1,457,097)	(1,227,864)
Other property and services		200,529	(29,706)	60,814
		(12,358,618)	(14,601,863)	(13,157,965)
Finance Costs	2(b)			
General purpose funding		(49)	(6,000)	(1,423)
Housing		(22,757)	(20,600)	(23,486)
Recreation and culture		(19,101)	(15,630)	(11,623)
Economic services		(14,060)	(12,105)	(17,502)
		(55,967)	(54,335)	(54,034)
		510,988	(5,311,125)	(893,639)
Non-operating grants, subsidies and contributions	2(a)	6,057,266	5,729,805	9,036,541
Profit on disposal of assets	9(a)	20,364	135,000	22,673
(Loss) on disposal of assets	9(a)	(20,262)	0	(1,610,255)
Impairment of Plant & Equipment	7(a)	(890,471)	0	0
(Loss) on revaluation of land and buildings	7(a)	(643,796)	0	0
(Loss) on revaluation of Other infrastructure	8(a)	(423,088)	0	0
		4,100,013	5,864,805	7,448,959
Net result for the period		4,611,001	553,680	6,555,320
Other comprehensive income				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Changes in asset revaluation surplus	11	673,738	0	0
Total other comprehensive income for the period		673,738	0	0
Total comprehensive income for the period		5,284,739	553,680	6,555,320

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



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

	NOTE	2020 \$	2019 \$
CURRENT ASSETS			
Cash and cash equivalents	3	2,881,341	3,936,574
Trade and other receivables	5	922,558	1,384,029
Inventories	6	189,717	139,287
TOTAL CURRENT ASSETS		3,993,616	5,459,890
NON-CURRENT ASSETS			
Trade and other receivables	5	3,687	3,687
Property, plant and equipment	7	13,865,902	14,937,892
Infrastructure	8	139,887,515	133,339,041
TOTAL NON-CURRENT ASSETS		153,757,104	148,280,620
TOTAL ASSETS		157,750,720	153,740,510
CURRENT LIABILITIES			
Trade and other payables	12	262,877	849,002
Other liabilities	13	473,209	0
Borrowings	14(a)	226,306	217,277
Employee related provisions	15	470,950	420,699
TOTAL CURRENT LIABILITIES		1,433,342	1,486,978
NON-CURRENT LIABILITIES			
Borrowings	14(a)	929,996	1,156,302
Employee related provisions	15	65,619	39,607
TOTAL NON-CURRENT LIABILITIES		995,615	1,195,909
TOTAL LIABILITIES		2,428,957	2,682,887
NET ASSETS		155,321,763	151,057,623
EQUITY			
Retained surplus		79,370,593	75,616,922
Reserves - cash backed	4	2,099,103	2,262,372
Revaluation surplus	11	73,852,067	73,178,329
TOTAL EQUITY		155,321,763	151,057,623

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



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

		RETAINED	RESERVES CASH	REVALUATION	TOTAL
	NOTE	SURPLUS	BACKED	SURPLUS	EQUITY
		\$	\$	\$	\$
Balance as at 1 July 2018		68,557,638	2,766,336	73,178,329	144,502,303
Comprehensive income					
Net result for the period		6,555,320	0	0	6,555,320
Total comprehensive income		6,555,320	0	0	6,555,320
Transfers from reserves	4	896,761	(896,761)	0	0
Transfers to reserves	4	(392,798)	392,798	0	0
Balance as at 30 June 2019		75,616,922	2,262,372	73,178,329	151,057,623
Change in accounting policy	26(b)	(1,020,599)	0	0	(1,020,599)
Restated total equity at 1 July 2019		74,596,323	2,262,372	73,178,329	150,037,024
Comprehensive income					
Net result for the period		4,611,001	0	0	4,611,001
Other comprehensive income	11	0	0	673,738	673,738
Total comprehensive income		4,611,001	0	673,738	5,284,739
Transfers from reserves	4	195,000	(195,000)	0	0
Transfers to reserves	4	(31,731)	31,731	0	0
Balance as at 30 June 2020		79,370,593	2,099,103	73,852,067	155,321,763

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

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

	NOTE	2020 Actual \$	2020 Budget \$	2019 Actual \$
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts				
Rates		5,348,468	5,386,900	4,298,555
Operating grants, subsidies and contributions		6,373,850	2,665,090	7,981,877
Fees and charges		787,812	630,450	573,456
Interest received		82,434	120,200	168,542
Goods and services tax received		1,435,074	0	2,203,828
Other revenue		260,871	542,433	496,739
		14,288,509	9,345,073	15,722,997
Payments				
Employee costs		(3,897,529)	(4,465,315)	(3,617,266)
Materials and contracts		(5,486,048)	(6,695,962)	(6,530,624)
Utility charges		(334,447)	(309,300)	(280,611)
Interest expenses		(55,967)	(54,335)	(54,034)
Insurance paid		(126,703)	(159,672)	(118,195)
Goods and services tax paid		(1,448,855)	0	(2,301,163)
Other expenditure		(183,618)	(392,119)	(123,712)
		(11,533,167)	(12,076,703)	(13,025,605)
Net cash provided by (used in) operating activities	16	2,755,342	(2,731,630)	2,697,392
CASH FLOWS FROM INVESTING ACTIVITIES				
Payments for purchase of property, plant & equipment	7(a)	(518,120)	(1,383,000)	(4,452,129)
Payments for construction of infrastructure	8(a)	(9,235,089)	(5,080,386)	(12,279,687)
Non-operating grants, subsidies and contributions	2(a)	6,057,266	5,729,805	9,036,541
Proceeds from sale of property, plant & equipment	9(a)	102,645	135,000	191,500
Net cash provided by (used in) investment activities		(3,593,298)	(598,581)	(7,503,775)
CASH FLOWS FROM FINANCING ACTIVITIES				
Repayment of borrowings	14(b)	(217,277)	217,287	(174,616)
Proceeds from new borrowings	14(b)	0	0	800,000
Net cash provided by (used in) financing activities		(217,277)	217,287	625,384
Net increase (decrease) in cash held		(1,055,233)	(3,112,924)	(4,180,999)
Cash at beginning of year		3,936,574	4,026,742	8,117,573
Cash and cash equivalents at the end of the year	16	2,881,341	913,818	3,936,574

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

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

	NOTE	2020 Actual \$	2020 Budget \$	2019 Actual \$
OPERATING ACTIVITIES				
Net current assets at start of financial year - surplus/(deficit)	23 (b)	1,327,917	3,960,158	6,942,537
		1,327,917	3,960,158	6,942,537
Revenue from operating activities (excluding rates)				
Governance		22,952	100	170
General purpose funding		2,591,884	1,249,900	2,512,437
Law, order, public safety		16,144	12,283	9,468
Health		4,138	3,500	104,574
Education and welfare		289,121	245,107	267,098
Housing		94,704	50,000	142,338
Community amenities		139,426	141,050	136,431
Recreation and culture		100,540	74,600	67,960
Transport		3,790,305	1,796,000	3,810,621
Economic services		366,506	415,133	387,324
Other property and services		226,792	105,500	254,605
		7,642,512	4,093,173	7,693,026
Expenditure from operating activities				
Governance		(570,883)	(666,337)	(478,045)
General purpose funding		(515,175)	(721,528)	(404,298)
Law, order, public safety		(239,982)	(308,707)	(272,798)
Health		(316,988)	(356,176)	(293,038)
Education and welfare		(542,454)	(693,692)	(582,089)
Housing		(97,030)	(91,385)	(115,643)
Community amenities		(590,446)	(623,366)	(559,349)
Recreation and culture		(1,315,166)	(1,308,242)	(2,457,130)
Transport		(7,284,934)	(8,387,857)	(8,454,257)
Economic services		(1,159,928)	(1,469,202)	(1,247,433)
Other property and services		(868,745)	(29,706)	41,826
		(13,501,731)	(14,656,198)	(14,822,254)
Non-cash amounts excluded from operating activities	23(a)	4,033,610	2,444,495	4,026,965
Amount attributable to operating activities		(497,692)	(4,158,372)	3,840,274
INVESTING ACTIVITIES				
Non-operating grants, subsidies and contributions	2(a)	6,057,266	5,729,805	9,036,541
Proceeds from disposal of assets	9(a)	102,645	135,000	191,500
Purchase of property, plant and equipment	7(a)	(518,120)	(1,383,000)	(4,452,129)
Purchase and construction of infrastructure	8(a)	(9,235,089)	(5,080,386)	(12,279,687)
Amount attributable to investing activities		(3,593,298)	(598,581)	(7,503,775)
FINANCING ACTIVITIES				
Repayment of borrowings	14(b)	(217,277)	(217,286)	(174,616)
Proceeds from borrowings	14(c)	0	0	800,000
Transfers to reserves (restricted assets)	4	(31,731)	(800,382)	(392,797)
Transfers from reserves (restricted assets)	4	195,000	387,721	896,761
Amount attributable to financing activities		(54,008)	(629,947)	1,129,348
Surplus/(deficit) before imposition of general rates		(4,144,998)	(5,386,900)	(2,534,153)
Total amount raised from general rates	22(a)	5,303,425	5,199,900	4,648,007
Surplus/(deficit) after imposition of general rates	23(b)	1,158,427	(187,000)	2,113,854

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

SHIRE OF LAVERTON
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FOR THE YEAR ENDED 30 JUNE 2020

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1. BASIS OF PREPARATION

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

AMENDMENTS TO LOCAL GOVERNMENT (FINANCIAL MANAGEMENT) REGULATIONS 1996

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

From 1 July 2019, the Shire has applied AASB 16 Leases which requires leases to be included by lessees in the statement of financial position. Also, the *Local Government (Financial Management) Regulations 1996* have been amended to specify that vested land is a right-of-use asset to be measured at cost. All right-of-use assets (other than vested improvements) under zero cost concessionary leases are measured at zero cost (i.e. not included in the statement of financial position) rather than at fair value. The exception is vested improvements on concessionary land leases such as roads, buildings or other infrastructure which continue to be reported at fair value, as opposed to the vested land which is measured at zero cost. The measurement of vested improvements at fair value is a departure from AASB 16 which would have required the Shire to measure any vested improvements at zero cost.

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

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

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

NEW ACCOUNTING STANDARDS FOR APPLICATION IN FUTURE YEARS

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

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

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

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

CRITICAL ACCOUNTING ESTIMATES

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

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

THE LOCAL GOVERNMENT REPORTING ENTITY

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

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

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

2. REVENUE AND EXPENSES

REVENUE RECOGNITION POLICY

Recognition of revenue is dependant on the source of revenue and the associated terms and conditions associated with each source of revenue and recognised as follows:

Revenue Category	Nature of goods and services	When obligations typically satisfied	Payment terms	Returns/Refunds/Warranties	Determination of transaction price	Allocating transaction price	Measuring obligations for returns	Timing of revenue recognition
Rates	General Rates	Over time	Payment dates adopted by Council during the year	None	Adopted by Council annually	When taxable event occurs	Not applicable	When rates notice is issued
Grant contracts with customers	Community events, minor facilities, research, design, planning evaluation and services	Over time	Fixed terms transfer of funds based on agreed milestones and reporting	Contract obligation if project not complete	Set by mutual agreement with the customer	Based on the progress of works to match performance obligations	Returns limited to repayment of transaction price of terms breached	Output method based on project milestones and/or completion date matched to performance obligations as inputs are shared
Grants, subsidies or contributions for the construction of non-financial assets	Construction or acquisition of recognisable non-financial assets to be controlled by the local government	Over time	Fixed terms transfer of funds based on agreed milestones and reporting	Contract obligation if project not complete	Set by mutual agreement with the customer	Based on the progress of works to match performance obligations	Returns limited to repayment of transaction price of terms breached	Output method based on project milestones and/or completion date matched to performance obligations as inputs are shared
Grants with no contract commitments	General appropriations and contributions with no reciprocal commitment	No obligations	Not applicable	Not applicable	Cash received	On receipt of funds	Not applicable	When assets are controlled
Licences/Registrations/Approvals	Building, planning, development and animal management, having the same nature as a licence regardless of naming.	Single point in time	Full payment prior to issue	None	Set by State legislation or limited by legislation to the cost of provision	Based on timing of issue of the associated rights	No refunds	On payment and issue of the licence, registration or approval
Pool inspections	Compliance safety check	Single point in time	Equal proportion based on an equal annually fee	None	Set by State legislation	Apportioned equally across the inspection cycle	No refunds	After inspection complete based on a 4 year cycle

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

2. REVENUE AND EXPENSES

REVENUE RECOGNITION POLICY

Recognition of revenue is dependant on the source of revenue and the associated terms and conditions associated with each source of revenue and recognised as follows:

Revenue Category	Nature of goods and services	When obligations typically satisfied	Payment terms	Returns/Refunds/Warranties	Determination of transaction price	Allocating transaction price	Measuring obligations for returns	Timing of revenue recognition
Other inspections	Regulatory Food, Health and Safety	Single point in time	Full payment prior to inspection	None	Set by State legislation or limited by legislation to the cost of provision	Applied fully on timing of inspection	Not applicable	Revenue recognised after inspection event occurs
Waste management collections	Kerbside collection service	Over time	Payment on an annual basis in advance	None	Adopted by Council annually	Apportioned equally across the collection period	Not applicable	Output method based on regular weekly and fortnightly period as proportionate to collection service
Waste management entry fees	Waste treatment, recycling and disposal service at disposal sites	Single point in time	Payment in advance at gate or on normal trading terms if credit provided	None	Adopted by Council annually	Based on timing of entry to facility	Not applicable	On entry to facility
Airport landing charges	Permission to use facilities and runway	Single point in time	Monthly in arrears	None	Adopted by Council annually	Applied fully on timing of landing/take-off	Not applicable	On landing/departure event
Property hire and entry	Use of halls and facilities	Single point in time	In full in advance	Refund if event cancelled within 7 days	Adopted by Council annually	Based on timing of entry to facility	Returns limited to repayment of transaction price	On entry or at conclusion of hire
Memberships	Gym and pool membership	Over time	Payment in full in advance	Refund for unused portion on application	Adopted by Council annually	Apportioned equally across the access period	Returns limited to repayment of transaction price	Output method Over 12 months matched to access right

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

2. REVENUE AND EXPENSES

REVENUE RECOGNITION POLICY

Recognition of revenue is dependant on the source of revenue and the associated terms and conditions associated with each source of revenue and recognised as follows:

Revenue Category	Nature of goods and services	When obligations typically satisfied		Returns/Refunds/Warranties	Determination of transaction price	Allocating transaction price	Measuring obligations for returns	Timing of revenue recognition
		Single point in time	Over time					
Fees and charges for other goods and services	Cemetery services, library fees, reinstatements and private works	Single point in time	Payment in full in advance	None	Adopted by Council annually	Applied fully based on timing of provision	Not applicable	Output method based on provision of service or completion of works
Sale of stock	Aviation fuel, kiosk and visitor centre stock	Single point in time	In full in advance, on 15 day credit	Refund for faulty goods	Adopted by Council annually, set by mutual agreement	Applied fully based on timing of provision	Returns limited to repayment of transaction price	Output method based on goods
Commissions	Commissions on licencing and ticket sales	Over time	Payment in full on sale	None	Set by mutual agreement with the customer	On receipt of funds	Not applicable	When assets are controlled
Reimbursements	Insurance claims	Single point in time	Payment in arrears for claimable event	None	Set by mutual agreement with the customer	When claim is agreed	Not applicable	When claim is agreed

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

2. REVENUE AND EXPENSES

(a) Grant revenue

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

	2020 Actual	2020 Budget	2019 Actual
	\$	\$	\$
Operating grants, subsidies and contributions			
General purpose funding	2,506,204	1,125,200	2,339,078
Law, order, public safety	5,670	5,483	6,380
Health	0	0	100,283
Education and welfare	284,614	245,107	264,745
Housing	44,489	20,000	108,730
Community amenities	0	60,000	0
Recreation and culture	61,066	951,000	61,338
Transport	3,273,534	167,300	3,227,365
Economic services	128,208	91,000	150,463
Other property and services	187,246	0	173,234
	6,491,031	2,665,090	6,431,616
Non-operating grants, subsidies and contributions			
Law, order, public safety	19,573	22,000	0
Recreation and culture	415,374	40,000	1,315,762
Transport	5,595,459	5,630,805	7,720,779
Economic services	26,860	37,000	0
	6,057,266	5,729,805	9,036,541
Total grants, subsidies and contributions	12,548,297	8,394,895	15,468,157
Fees and charges			
General purpose funding	3,246	4,500	4,561
Law, order, public safety	1,783	6,800	3,088
Health	477	500	590
Housing	50,215	30,000	29,214
Community amenities	139,426	141,050	136,431
Recreation and culture	24,427	14,600	2,609
Transport	475,977	325,000	179,475
Economic services	56,317	96,000	165,271
Other property and services	35,944	12,000	52,217
	787,812	630,450	573,456

SIGNIFICANT ACCOUNTING POLICIES

Grants, subsidies and contributions

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

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

Fees and Charges

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

(a) Revenue (Continued)

Impairment of assets associated with contracts with customers are detailed at note 2 (b) under 'Other expenditure'. Contract liabilities for contracts with customers primarily relate to grants with performance obligations received in advance, for which revenue is recognised over time as the performance obligations are met. Information is not provided about remaining performance obligations for contracts with customers that had an original expected duration of one year or less. Consideration from contracts with customers is included in the transaction price. Performance obligations in relation to contract liabilities from transfers for recognisable non financial assets are satisfied as project milestones are met or completion of construction or acquisition of the asset. All associated performance obligations are expected to be met over the next 12 months.

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

2. REVENUE AND EXPENSES (Continued)

(a) Revenue (Continued)

Revenue from statutory requirements

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

General rates
Statutory permits and licences

Other revenue

Reimbursements and recoveries
Other

Interest earnings

Interest on reserve funds
Rates instalment and penalty interest (refer Note 22(c))
Other interest earnings

	2020 Actual \$	2020 Budget \$	2019 Actual \$
	5,303,425	5,199,900	4,648,007
	2,546	0	0
	5,305,971	5,199,900	4,648,007
	0	542,433	203,706
	260,871	0	293,033
	260,871	542,433	496,739
	31,732	40,000	71,036
	43,461	40,000	53,773
	7,241	40,200	43,733
	82,434	120,200	168,542

SIGNIFICANT ACCOUNTING POLICIES

Interest earnings

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

Interest earnings (continued)

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

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

2. REVENUE AND EXPENSES (Continued)

(b) Expenses		Note	2020 Actual \$	2020 Budget \$	2019 Actual \$
Auditors remuneration					
- Audit of the Annual Financial Report			41,000	60,000	38,000
- Other services			0	0	3,842
			41,000	60,000	41,842
Interest expenses (finance costs)					
Borrowings		14(b)	55,917	48,335	52,611
Interest expense - Other			50	6,000	1,423
			55,967	54,335	54,034
Other expenditure					
Impairment loss on trade and other receivables from contracts with customers			133,131	0	0
Sundry expenses			50,487	392,119	123,712
			183,618	392,119	123,712

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

3. CASH AND CASH EQUIVALENTS

	NOTE	2020	2019
		\$	\$
Cash at bank and on hand		782,238	999,368
Term deposits		2,099,103	2,937,206
Total cash and cash equivalents		2,881,341	3,936,574
Comprises:			
- Unrestricted cash and cash equivalents		178,584	(926,270)
- Restricted cash and cash equivalents		2,702,757	4,862,844
		2,881,341	3,936,574
Restrictions			
The following classes of assets have restrictions imposed by regulations or other externally imposed requirements which limit or direct the purpose for which the resources may be used:			
- Cash and cash equivalents		2,702,757	4,862,844
		2,702,757	4,862,844

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

Reserves - cash backed	4	2,099,103	2,262,372
Contract liabilities from contracts with customers	13	473,209	0
Unspent grants, subsidies and contributions		0	2,374,169
Bonds and deposits - from trust		130,445	226,303
Total restricted assets		2,702,757	4,862,844

SIGNIFICANT ACCOUNTING POLICIES

Cash and cash equivalents

Cash and cash equivalents include cash on hand, cash at bank, deposits available on demand with banks and other short term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value and bank overdrafts. Bank overdrafts are reported as short term borrowings in current liabilities in the statement of financial position.

Restricted assets

Restricted asset balances are not available for general use by the local government due to externally imposed restrictions. Externally imposed restrictions are specified in an agreement, contract or legislation. This applies to reserves, unspent grants, subsidies and contributions and unspent loans that have not been fully expended in the manner specified by the contributor, legislation or loan agreement.

4. RESERVES - CASH BACKED

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

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

	Anticipated date of use	Name of Reserve	Purpose of the reserve
(a)	Ongoing	Leave Reserve	to be used to fund annual, RDO and long service leave requirements.
(b)	Ongoing	Plant Reserve	to be used for the purchase of major plant.
(c)	Ongoing	Swimming Pool Reserve	to be used for the renovation and upgrading works to the swimming pool.
(d)	Ongoing	Aerodrome Reserve	to be used for the upkeep and major upgrade works to the Laverton Airport.
(e)	Ongoing	Road Reserve	to be used for the upkeep and major improvements/re-sealing programmes for the roads within the Shire of Laverton.
(f)	Ongoing	Great Beyond Reserve	to be used to plan, develop, expand or construct facilities for an improved tourism information centre.
(g)	Ongoing	Council Building Reserve	to be used to maintain and construct buildings owned by the local government.
(h)	Ongoing	Economic Development Reserve	to be used to purchase town site land.
(i)	Ongoing	Community Bus Reserve	to be used for the maintenance and replacement of the community bus.
(j)	Ongoing	Town Site Revitalisation Reserve	to be used to hold funds pertaining to the Laverton Town Site Revitalisation and Enhancement.
(k)	Ongoing	Community Loan & Grant Reserve	to be held for monies that may be made available to community groups as a low interest loan to assist groups to achieve their aims.
(l)	Ongoing	Coach House Renovation Reserve	to be used to fund Coach House renovations.
(m)	Ongoing	GCR/Skull Creek Floodway Reserve	to be used to fund floodway construction.
(n)	Ongoing	Lake Wells Road Reserve (Australian Potash)	to be used to fund roadworks - maintenance, renewal & construction along and adjacent to Lake Wells Road.

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

6. INVENTORIES

Current

Fuel and materials

2020	2019
\$	\$
189,717	139,287
189,717	139,287
139,287	175,760
0	(36,473)
50,430	0
189,717	139,287

The following movements in inventories occurred during the year:

Carrying amount at beginning of period

Utilisation of inventory

Additions to inventory

Carrying amount at end of period

SIGNIFICANT ACCOUNTING POLICIES

General

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

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

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

5. TRADE AND OTHER RECEIVABLES

Current

Rates receivable
Trade and other receivables
GST receivable
Allowance for impairment of receivables
Other receivables - Accrued Income

Non-current

Pensioners' rates and ESL deferred

2020	2019
\$	\$
564,040	609,083
285,974	699,334
192,452	178,671
(133,131)	(122,140)
13,223	19,081
922,558	1,384,029
3,687	3,687
3,687	3,687

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 24.

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Classification and subsequent measurement

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

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

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

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

7. PROPERTY, PLANT AND EQUIPMENT

(a) Movements in Carrying Amounts

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

	Land - freehold land	Total land	Buildings - specialised	Total buildings	Total land and buildings	Furniture and equipment	Plant and equipment	Works in Progress	Golf Course	Race Course	Playground	Total property, plant and equipment
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Balance at 1 July 2018	1,072,896	1,072,896	6,511,354	6,511,354	7,584,250	169,607	3,957,692	15,120	12,000	14,000	21,800	11,774,469
Additions	0	0	1,514,145	1,514,145	1,514,145	140,715	2,790,978	6,291	0	0	0	4,452,129
(Disposals)	0	0	(123,027)	(123,027)	(123,027)	(16,429)	(242,976)	0	0	0	0	(382,432)
Depreciation (expense)	0	0	(368,274)	(368,274)	(368,274)	(31,858)	(458,342)	0	0	0	0	(858,474)
Transfers	0	0	0	0	0	0	15,120	(15,120)	(12,000)	(14,000)	(21,800)	(47,800)
Carrying amount at 30 June 2019	1,072,896	1,072,896	7,534,198	7,534,198	8,607,094	252,035	6,062,472	6,291	0	0	0	14,937,892
Comprises:												
Gross carrying amount at 30 June 2019	1,072,896	1,072,896	8,232,934	8,232,934	9,305,830	302,577	6,872,978	6,291	0	0	0	16,487,676
Accumulated depreciation at 30 June 2019	0	0	(698,736)	(698,736)	(698,736)	(40,542)	(810,506)	0	0	0	0	(1,549,784)
Carrying amount at 30 June 2019	1,072,896	1,072,896	7,534,198	7,534,198	8,607,094	252,035	6,062,472	6,291	0	0	0	14,937,892
Additions	0	0	103,098	103,098	103,098	42,637	372,385	0	0	0	0	518,120
(Disposals)	0	0	0	0	0	0	(102,543)	0	0	0	0	(102,543)
Revaluation increments / (decrements) transferred to revaluation surplus	0	0	1,789,024	1,789,024	1,789,024	0	(835,508)	0	0	0	0	953,516
Revaluation (loss) / reversals transferred to profit or loss	(643,796)	(643,796)	0	0	(643,796)	0	0	0	0	0	0	(643,796)
Impairment (losses) / reversals	0	0	0	0	0	(231,652)	(658,819)	0	0	0	0	(890,471)
Depreciation (expense)	0	0	(203,522)	(203,522)	(203,522)	(32,806)	(670,488)	0	0	0	0	(906,816)
Carrying amount at 30 June 2020	429,100	429,100	9,222,798	9,222,798	9,651,898	40,214	4,167,499	6,291	0	0	0	13,865,902
Comprises:												
Gross carrying amount at 30 June 2020	429,100	429,100	9,222,875	9,222,875	9,651,975	42,637	4,185,385	6,291	0	0	0	13,886,288
Accumulated depreciation at 30 June 2020	0	0	(77)	(77)	(77)	(2,423)	(17,886)	0	0	0	0	(20,386)
Carrying amount at 30 June 2020	429,100	429,100	9,222,798	9,222,798	9,651,898	40,214	4,167,499	6,291	0	0	0	13,865,902

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

7. 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
Land and buildings					
Land - freehold land	2	Market approach using recent observable market data using similar properties/income approach using discounted cashflow methodology	Independent registered valuers	June 2020	Price per hectare/market borrowing rate
Buildings	2	Market approach using recent observable market data using similar properties/income approach using discounted cashflow methodology	Independent registered valuers	June 2020	Price per square metre/market borrowing rate

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

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

Following a change to *Local Government (Financial Management) Regulation 17A*, plant and equipment type assets (being plant and equipment and furniture and equipment) are to be measured under the cost model, rather than at fair value. This change is effective from 1 July 2019 and represents a change in accounting policy. Revaluations carried out previously were not reversed as it was deemed fair value approximates cost at the date of change.

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

8. INFRASTRUCTURE

(a) Movements in Carrying Amounts

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

	Infrastructure - roads \$	Infrastructure - footpaths & cycleways \$	Other infrastructure \$	Total Infrastructure \$
Balance at 1 July 2018	116,055,824	0	8,006,771	124,062,595
Additions	8,246,444		4,033,243	12,279,687
(Disposals)	0	0	(1,396,650)	(1,396,650)
Depreciation (expense)	(1,394,448)	0	(259,943)	(1,654,391)
Transfers	0	0	47,800	47,800
Carrying amount at 30 June 2019	122,907,820	0	10,431,221	133,339,041
Comprises:				
Gross carrying amount at 30 June 2019	146,171,088	0	10,691,164	156,862,252
Accumulated depreciation at 30 June 2019	(23,263,268)	0	(259,943)	(23,523,211)
Carrying amount at 30 June 2019	122,907,820	0	10,431,221	133,339,041
Additions	7,273,774	134,117	1,827,198	9,235,089
Revaluation increments / (decrements) transferred to revaluation surplus	0	0	(279,778)	(279,778)
Revaluation (loss) / reversals transferred to profit or loss	0	0	(423,088)	(423,088)
Depreciation (expense)	(1,557,544)	0	(426,205)	(1,983,749)
Transfers	(36,400)	36,400	0	0
Carrying amount at 30 June 2020	128,587,650	170,517	11,129,348	139,887,515
Comprises:				
Gross carrying amount at 30 June 2020	153,407,241	171,738	11,148,473	164,727,452
Accumulated depreciation at 30 June 2020	(24,819,591)	(1,221)	(19,125)	(24,839,937)
Carrying amount at 30 June 2020	128,587,650	170,517	11,129,348	139,887,515

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

8. INFRASTRUCTURE (Continued)

(b) Fair Value Measurements

Asset Class	Fair Value Hierarchy	Valuation Technique	Basis of Valuation	Date of Last Independent Valuation	Inputs Used
Infrastructure - roads	3	Cost approach using depreciated replacement cost	Management valuation	June 2018	Construction costs and current condition residual values and remaining useful life assessment inputs
Infrastructure - footpaths & cycleways	3	Cost approach using depreciated replacement cost	Management valuation	June 2018	Construction costs and current condition residual values and remaining useful life assessment inputs
Other Infrastructure	3	Cost approach using depreciated replacement cost	Management valuation	June 2020	Construction costs and current condition residual values and remaining useful life assessment 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.

(c) Mt Weld Road upgrade project (Project)

The Shire commenced the Mt Weld Road upgrade project (Project) in 2018/19 and completed the Project in 2019/2020. The Project was to upgrade and seal 21.5 kilometres of the Mt Weld Road to better connect nearby mining operations to the Laverton township and provide improved access to the Laverton airport.

Included in infrastructure - roads is the Shire's expenditure of \$7.6 million on the Project. Original budgetted cost of the Project was \$5.1 million and the Shire incurred a cost overrun of \$2.5 million on the Project.

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

9. FIXED ASSETS

SIGNIFICANT ACCOUNTING POLICIES

Fixed assets

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

Initial recognition and measurement between mandatory revaluation dates

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

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

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

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

Revaluation

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

At the end of each period the valuation is reviewed and where appropriate the fair value is updated to reflect current market conditions. This process is considered to be in accordance with *Local Government (Financial Management) Regulation 17A (2)* which requires land, buildings, infrastructure, and vested improvements to be shown at fair value.

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

AUSTRALIAN ACCOUNTING STANDARDS - INCONSISTENCY

Land under control prior to 1 July 2019

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

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

Land under roads prior to 1 July 2019

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

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

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

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

Land under roads from 1 July 2019

As a result of amendments to the *Local Government (Financial Management) Regulations 1996*, effective from 1 July 2019, vested land, including land under roads, are treated as right-of-use assets measured at zero cost. Therefore, the previous inconsistency with AASB 1051 in respect of non-recognition of land under roads acquired on or after 1 July 2008 has been removed, even though measurement at zero cost means that land under roads is still not included in the statement of financial position.

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

Vested improvements from 1 July 2019

The measurement of vested improvements at fair value in accordance with *Local Government (Financial Management) Regulation 17A(2)(iv)* is a departure from AASB 16 which would have required the Shire to measure the vested improvements as part of the related right-of-use assets at zero cost.

Refer to Note 10 that details the significant accounting policies applying to leases (including right of use assets).

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

9. FIXED ASSETS

(a) Disposals of Assets

	2020 Actual Net Book Value	2020 Actual Sale Proceeds	2020 Actual Profit	2020 Actual Loss	2020 Budget Net Book Value	2020 Budget Sale Proceeds	2020 Budget Profit	2020 Budget Loss	2019 Actual Net Book Value	2019 Actual Sale Proceeds	2019 Actual Profit	2019 Actual Loss
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Buildings - non-specialised	0	0	0	0	0	0	0	0	123,027	0	0	(123,027)
Furniture and equipment	0	0	0	0	0	0	0	0	16,429	0	0	(16,429)
Plant and equipment	102,543	102,645	20,364	(20,262)	0	135,000	135,000	0	242,976	191,500	22,673	(74,149)
Other infrastructure	0	0	0	0	0	0	0	0	1,396,650	0	0	(1,396,650)
	102,543	102,645	20,364	(20,262)	0	135,000	135,000	0	1,779,082	191,500	22,673	(1,610,255)

The following assets were disposed of during the year.

	2020 Actual Net Book Value	2020 Actual Sale Proceeds	2020 Actual Profit	2020 Actual Loss
Plant and Equipment				
Transport				
P336 - Fuso Canter Truck	3,769	15,600	11,831	0
P337 - Ford Ranger Tray Back Utility	12,467	21,000	8,533	0
P300 - Ford Ranger Utility	19,372	1,500	0	(17,872)
Other property and services				
P377 - Toyota Landcruiser Wagon	66,935	64,545	0	(2,390)
	102,543	102,645	20,364	(20,262)
	102,543	102,645	20,364	(20,262)

(b) Fully Depreciated Assets in Use
Nil

(c) Temporarily Idle Assets
Nil

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

9. FIXED ASSETS

(d) Depreciation

	2020 Actual	2020 Budget	2019 Actual
	\$	\$	\$
Buildings - non-specialised	203,522	425,000	368,274
Furniture and equipment	32,806	32,000	31,858
Plant and equipment	670,488	320,000	458,342
Infrastructure - roads	1,557,544	1,300,995	1,394,448
Other infrastructure	426,205	501,500	259,943
	2,890,565	2,579,495	2,512,865

Revision of useful lives of plant and equipment

A management review of useful lives of plant and equipment was undertaken, and useful lives amended where necessary.

SIGNIFICANT ACCOUNTING POLICIES

Depreciation

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

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

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

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

Depreciation rates

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

Asset Class	Useful life
Buildings	40 years
Furniture and equipment	10 years
Plant and equipment	3 to 10 years
Roads and streets	40 - 80 years
formation	not depreciated
Airport	20 years
Sewerage piping	100 years
Parks and gardens equipment	35 years
Information bay	35 years
Town centre facilities	35 years
Tools	10 years
Right of use (buildings)	Based on the remaining lease term

Depreciation on revaluation

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

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

Amortisation

All intangible assets with a finite useful life, are amortised on a straight-line basis over the individual asset's useful life from the time the asset is held for use.

The residual value of intangible assets is considered to be zero and the useful life and amortisation method are reviewed at the end of each financial year.

Amortisation is included within Depreciation on non-current assets in the Statement of Comprehensive Income and in the note above.

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

10. LEASES

(a) Right of Use Assets

SIGNIFICANT ACCOUNTING POLICIES

Leases

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

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

All contracts that are classified as short-term leases (i.e. a lease with a remaining term of 12 months or less) and leases of low value assets are recognised as an operating expense on a straight-line basis over the term of the lease.

Leases for right-of-use assets are secured over the asset being leased.

Right-of-use assets - valuation

Right-of-use assets are measured at cost. This means that all right-of-use assets (other than vested improvements) under zero cost concessionary leases are measured at zero cost (i.e. not included in the statement of financial position). The exception is vested improvements on concessionary land leases such as roads, buildings or other infrastructure which are reported at fair value.

Refer to Note 9 for details on the significant accounting policies applying to vested improvements.

Right-of-use assets - depreciation

Right-of-use assets are depreciated over the lease term or useful life of the underlying asset, whichever is the shortest. Where a lease transfers ownership of the underlying asset, or the cost of the right-of-use asset reflects that the City anticipates to exercise a purchase option, the specific asset is amortised over the useful life of the underlying asset.

The Shire did not hold any leases as recognised under AASB 16 as at 30 June 2020.

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

11. REVALUATION SURPLUS

	2020 Opening Balance	2020 Revaluation Increment	2020 Revaluation (Decrement)	2020 Total Movement on Revaluation	2020 Closing Balance	2019 Opening Balance	2019 Revaluation Increment	2019 Revaluation (Decrement)	2019 Total Movement on Revaluation	2019 Closing Balance
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revaluation surplus - Buildings - non-specialised	4,412,223	1,789,024	0	1,789,024	6,201,247	4,412,223	0	0	0	4,412,223
Revaluation surplus - Buildings - specialised	0	0	0	0	0	0	0	0	0	0
Revaluation surplus - Furniture and equipment	0	0	0	0	0	0	0	0	0	0
Revaluation surplus - Plant and equipment	835,508	0	(835,508)	(835,508)	0	835,508	0	0	0	835,508
Revaluation surplus - Works in Progress	0	0	0	0	0	0	0	0	0	0
Revaluation surplus - Golf Course	0	0	0	0	0	0	0	0	0	0
Revaluation surplus - Tools	0	0	0	0	0	0	0	0	0	0
Revaluation surplus - Race Course	0	0	0	0	0	0	0	0	0	0
Revaluation surplus - Playground	0	0	0	0	0	0	0	0	0	0
Revaluation surplus - Infrastructure - roads	67,650,821	0	0	0	67,650,821	67,650,821	0	0	0	67,650,821
Revaluation surplus - Infrastructure - footpaths & c	0	0	0	0	0	0	0	0	0	0
Revaluation surplus - Other infrastructure	279,777	0	(279,778)	(279,778)	(1)	279,777	0	0	0	279,777
	73,178,329	1,789,024	(1,115,286)	673,738	73,852,067	73,178,329	0	0	0	73,178,329

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. Vested land is no longer required to be recognised at fair value. Land under golf courses, show grounds, race courses or any other sporting or recreational facility of state or regional significance should be recognised at zero cost.

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

12. TRADE AND OTHER PAYABLES

Current

	2020	2019
	\$	\$
Sundry creditors	17,107	625,984
Accrued salaries and wages	0	94,254
ATO liabilities - PAYG & GST	176,808	59,078
Bonds and deposits held	46,603	45,368
Other Accrued Income	8,886	11,008
Payroll Creditors	985	985
Other payables	12,488	12,325
	262,877	849,002

SIGNIFICANT ACCOUNTING POLICIES

Trade and other payables

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

The amounts are unsecured, are recognised as a current liability and are normally paid within 30 days of recognition

Prepaid rates

Prepaid rates are, until the taxable event has occurred (start of the next financial year), refundable at the request of the ratepayer. Rates received in advance are initially recognised as a financial liability. When the taxable event occurs, the financial liability is extinguished and the Shire recognises revenue for the prepaid rates that have not been refunded.

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

13. CONTRACT AND OTHER LIABILITIES

Current

Other liabilities - deferred grant revenue

2020	2019
\$	\$
473,209	0
473,209	0

Performance obligations from contracts with customers are expected to be recognised as revenue in accordance with the following time bands:

Less than 1 year

473,209
473,209

SIGNIFICANT ACCOUNTING POLICIES

Contract Liabilities

Contract liabilities represent the the Shire's obligation to transfer goods or services to a customer for which the Shire has received consideration from the customer.

With respect to transfers for recognisable non-financial assets, contract liabilities represent performance obligations which are not yet satisfied.

Contract liabilities are recognised as revenue when the performance obligations in the contract are satisfied.

14. INFORMATION ON BORROWINGS

* WA Treasury Corporation

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

14. INFORMATION ON BORROWINGS (Continued)

	2020	2019
	\$	\$
(c) Undrawn Borrowing Facilities		
Credit Standby Arrangements		
Bank overdraft limit	500,000	500,000
Bank overdraft at balance date	0	0
Credit card limit	25,000	25,000
Credit card balance at balance date	(3,282)	(12,078)
Total amount of credit unused	521,718	512,922
 Loan facilities		
Loan facilities - current	226,306	217,277
Loan facilities - non-current	929,996	1,156,302
Total facilities in use at balance date	1,156,302	1,373,579
 Unused loan facilities at balance date	0	0

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 24.

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

15. EMPLOYEE RELATED PROVISIONS

(a) Employee Related Provisions

	Provision for Annual Leave \$	Provision for Long Service Leave \$	Total \$
Opening balance at 1 July 2019			
Current provisions	165,949	254,750	420,699
Non-current provisions	0	39,607	39,607
	165,949	294,357	460,306
Additional provision	208,450	49,223	257,673
Amounts used	(174,205)	(7,205)	(181,410)
Balance at 30 June 2020	200,194	336,375	536,569
Comprises			
Current	200,194	270,756	470,950
Non-current	0	65,619	65,619
	200,194	336,375	536,569
Amounts are expected to be settled on the following basis:	2020	2019	
	\$	\$	
Less than 12 months after the reporting date	57,260	422,048	
More than 12 months from reporting date	492,835	38,258	
Expected reimbursements from other WA local governments	(13,526)	0	
	536,569	460,306	

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

SIGNIFICANT ACCOUNTING POLICIES

Employee benefits

Short-term employee benefits

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

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

Other long-term employee benefits

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

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

Other long-term employee benefits (Continued)

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

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

Provisions

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

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

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

16. NOTES TO THE STATEMENT OF CASH FLOWS

Reconciliation of Cash

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

	2020 Actual	2020 Budget	2019 Actual
	\$	\$	\$
Cash and cash equivalents	2,881,341	913,818	3,936,574
Reconciliation of Net Cash Provided By Operating Activities to Net Result			
Net result	4,611,001	553,680	6,555,320
Non-cash flows in Net result:			
Depreciation on non-current assets	2,890,565	2,579,495	2,512,865
(Profit)/loss on sale of asset	(102)	(135,000)	1,587,582
Impairment of Plant and Equipment	890,471	0	0
Loss on revaluation of fixed assets	1,066,884	0	0
Changes in assets and liabilities:			
(Increase)/decrease in receivables	(85,919)	0	1,022,138
(Increase)/decrease in inventories	(50,430)	0	36,473
Increase/(decrease) in payables	(586,125)	0	(54,358)
Increase/(decrease) in provisions	76,263	0	73,913
Non-operating grants, subsidies and contributions	(6,057,266)	(5,729,805)	(9,036,541)
Net cash from operating activities	2,755,342	(2,731,630)	2,697,392

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

17. TOTAL ASSETS CLASSIFIED BY FUNCTION AND ACTIVITY

	2020	2019
	\$	\$
Governance	2,800	552,946
General purpose funding	782,238	900,885
Law, order, public safety	75,200	3,553
Health	285,000	328,652
Education and welfare	224,800	290,427
Housing	2,594,100	3,198,550
Community amenities	925,602	2,365,363
Recreation and culture	8,499,750	7,033,455
Transport	137,159,919	134,121,983
Economic services	2,478,761	1,996,188
Other property and services	1,516,193	1,056,449
Unallocated	3,206,357	1,892,059
	157,750,720	153,740,510

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

18. CONTINGENT LIABILITIES

A potential liability exists for the upgrade/maintenance of the Lake Wells Road as an agreement exists with Australian Potash Limited to be responsible for the upgrade/maintenance for a period of five years. At the time of compilation of this report the extent of the liability is limited to the amount of rates levied on the tenements mentioned in the agreement.

The contingent liability at 30 June 2020 is \$1.2 million, contingent on the execution of the agreement.

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

19. CAPITAL AND LEASING COMMITMENTS

	2020	2019
	\$	\$
Capital Expenditure Commitments		
Contracted for:		
- capital expenditure projects	0	701,425
- plant & equipment purchases	0	46,248
	0	747,673
Payable:		
- not later than one year	0	747,673

The capital expenditure project outstanding at the end of the previous year represents the contracts associated with the Community Hub project, runway lighting project, contract to upgrade the playgroup and old police station, and contracts to upgrade staff housing. This project is now complete.

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

20. RELATED PARTY TRANSACTIONS

Elected Members Remuneration

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

	2020 Actual	2020 Budget	2019 Actual
	\$	\$	\$
Meeting fees	93,000	100,000	73,451
President's allowance	24,000	24,000	18,315
Deputy President's allowance	6,000	6,000	4,580
Travelling expenses	7,519	10,000	4,052
	130,519	140,000	100,398

Key Management Personnel (KMP) Compensation Disclosure

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

	2020 Actual	2019 Actual
	\$	\$
Short-term employee benefits	531,149	528,635
Post-employment benefits	82,775	77,554
Other long-term benefits	12,433	12,625
Termination benefits	30,712	0
	657,069	618,814

Short-term employee benefits

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

Post-employment benefits

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

Other long-term benefits

These amounts represent long service benefits accruing during the year.

Termination benefits

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

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

20. 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.

Councillor Rex Ryles owns a cartage, contract earthworks and plant hire company called Desert Sands Cartage Contractors which has been paid for earthworks and plant hire during the financial year.

	2020 Actual	2019 Actual
The following transactions occurred with related parties:	\$	\$
Purchase of goods and services	690,554	0
Amounts payable to related parties:		
Trade and other payables	0	84,605

All related party transactions were made in accordance with the Shire's procurement policies.

Related Parties

The Shire's main related parties are as follows:

i. Key management personnel

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

ii. Other Related Parties

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

iii. Entities subject to significant influence by the Shire

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

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

21. INVESTMENT IN ASSOCIATE AND JOINT ARRANGEMENTS

(a) Share of joint operations

The Shire together with the Shire of Coolgardie, Dundas, Esperance, Leonora, Menzies, Ngaanyatjaraku, Ravensthorpe and Wiluna have a joint venture arrangement with regards to the provision of a Regional Records Service. The assets included in the joint operation is the Shire's one tenth share as follows:

	2020	2019
	\$	\$
Current Assets	7,445	0
Non-Current Assets	75,118	80,615
Total assets	82,563	80,615
Net Assets	82,563	80,615
Net increase(decrease) in share of associate entity's net assets	1,948	(1,812)
- Share of associates profit(loss) from ordinary activities	11,680	4,994
- Share of associates total comprehensive income arising during the period		
Carrying amount at beginning of period	1,793	(3,211)
- Share of associates total comprehensive income arising during the period	11,680	4,994
Carrying amount at end of period	13,473	1,783

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.

Separate joint arrangements providing joint ventures with an interest to net assets are classified as a joint venture and accounted for using the equity method. The equity method of accounting, whereby the investment is initially recognised at cost and adjusted thereafter for the post-acquisition change in the Shire's share of net assets of the associate. In addition, the Shire's share of the profit or loss of the associate is included in the Shire's profit or loss.

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.

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

22. RATING INFORMATION (Continued)

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

Rates Discounts

Rate or Fee Discount Granted	Discount %	2020		2020		2019		Circumstances in which Discount is Granted
		Actual	\$	Budget	\$	Actual	\$	
Council Rates	5.00%	191,654	\$	187,000	\$	167,192	\$	Payment in full by due date.
Total discounts/concessions (Note 22(a))		191,654		187,000		167,192		

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

22. RATING INFORMATION (Continued)

(c) Interest Charges & Instalments

Instalment Options	Date Due	Instalment Plan Admin Charge	Instalment Plan Interest Rate	Unpaid Rates Interest Rate
		\$	%	%
Option One				
Single full payment	9/09/2019			11.00%
Option Three				
First instalment	9/09/2019			11.00%
Second instalment	11/11/2019	5.00	5.50%	11.00%
Third instalment	13/01/2020	5.00	5.50%	11.00%
Fourth instalment	13/03/2020	5.00	5.50%	11.00%

	2020 Actual	2020 Budget	2019 Actual
	\$	\$	\$
Interest on unpaid rates	32,219	25,000	38,735
Interest on instalment plan	11,242	15,000	15,038
Charges on instalment plan	3,060	4,000	4,170
	46,521	44,000	57,943

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

23. RATE SETTING STATEMENT INFORMATION

		2019/20 (30 June 2020 Carried Forward)	2019/20 Budget (30 June 2020 Carried Forward)	2019/20 (1 July 2019 Brought Forward)	2018/19 (30 June 2019 Carried Forward)
Note		\$	\$	\$	\$
(a) Non-cash amounts excluded from operating activities					
The following non-cash revenue or expenditure has been excluded from amounts attributable to operating activities within the Rate Setting Statement in accordance with <i>Financial Management Regulation 32</i> .					
Adjustments to operating activities					
	Less: Profit on asset disposals	9(a)	(20,364)	(135,000)	(22,673)
	Movement in pensioner deferred rates (non-current)		0	(2,113)	(2,113)
	Movement in employee benefit provisions (non-current)		76,263	(51,376)	(51,376)
	Movement in other provisions (non-current)		0	(19,993)	(19,993)
	Add: Loss on disposal of assets	9(a)	20,262	0	1,610,255
	Add: Loss on revaluation of fixed assets	7(a), 8(a)	1,066,884	0	0
	Add: Depreciation on non-current assets	9(d)	2,890,565	2,579,495	2,512,865
	Non cash amounts excluded from operating activities		4,033,610	4,026,965	4,026,965
(b) Surplus/(deficit) after imposition of general rates					
The following current assets and liabilities have been excluded from the net current assets used in the Rate Setting Statement in accordance with <i>Financial Management Regulation 32</i> to agree to the surplus/(deficit) after imposition of general rates.					
Adjustments to net current assets					
	Less: Reserves - cash backed	4	(2,099,103)	(2,675,034)	(2,262,372)
	Add: Current liabilities not expected to be cleared at end of year				
	- Current portion of borrowings	14(a)	226,306	217,287	217,277
	- Employee benefit provisions		470,950	0	420,699
	Total adjustments to net current assets		(1,401,847)	(2,457,747)	(1,859,058)
Net current assets used in the Rate Setting Statement					
	Total current assets		3,993,616	4,819,798	5,459,890
	Less: Total current liabilities		(1,433,342)	(2,851,189)	(2,507,577)
	Less: Total adjustments to net current assets		(1,401,847)	(2,457,747)	(1,859,058)
	Net current assets used in the Rate Setting Statement		1,158,427	(489,138)	1,327,917
(c) Adjustments to current assets and liabilities at 1 July 2019 on application of new accounting standards					
Total current assets at 30 June 2019					5,459,890
Total current assets at 1 July 2019					5,459,890
Total current liabilities at 30 June 2019					(1,486,978)
	- Contract liabilities from contracts with customers	26(b)			(1,020,599)
Total current liabilities at 1 July 2019					(2,507,577)

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

24. FINANCIAL RISK MANAGEMENT

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

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

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

Financial risk management is carried out by the finance area under policies approved by Council. The finance 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
	%	\$	\$	\$	\$
2020					
Cash and cash equivalents	0.06%	2,881,341	2,099,103	780,738	1,500
2019					
Cash and cash equivalents	0.2297%	3,936,574	2,262,372	1,672,602	1,600

Sensitivity

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

	2020	2019
	\$	\$
Impact of a 1% movement in interest rates on profit and loss and equity*	7,807	16,726

* Holding all other variables constant

Borrowings

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

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

24. FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit risk

Trade and Other Receivables

The Shire's major receivables comprise rates annual charges and user fees and charges. The major risk associated with these receivables is credit risk - the risk that the debts may not be repaid. The Shire manages this risk by monitoring outstanding debt 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 debt collection policy and management of any non-payment of receivables results in an appropriate provision being made for any debts which are unrecoverable and therefore the Shire does not expect to have any future credit losses on receivables.

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

The expected loss rates are based on the payment profiles of rates and fees and charges over a period of 36 months before 1 July 2019 or 1 July 2020 respectively and the corresponding historical losses experienced within this period. Historical credit loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors such as the ability of ratepayers and residents to settle the receivables. The covid-19 pandemic, housing prices and unemployment rates have been identified as the most relevant factors 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 renegotiation of repayment terms.

The loss allowance as at 30 June 2020 was determined as follows for rates receivable:

	Current	More than 1 year past due	More than 2 years past due	More than 3 years past due	Total
30 June 2020					
Rates receivable					
Expected credit loss	2.58%	0.00%	0.00%	87.81%	
Gross carrying amount	428,729	0	0	138,998	567,727
Loss allowance	11,081	0	0	122,050	133,131
30 June 2019					
Rates receivable					
Expected credit loss	2.33%	0.00%	0.00%	75.51%	
Gross carrying amount	465,363	0	0	147,407	612,770
Loss allowance	10,830	0	0	111,310	122,140

The loss allowance as at 30 June 2020 and 30 June 2019 was determined as follows for trade receivables.

	Current	More than 30 days past due	More than 60 days past due	More than 90 days past due	Total
30 June 2020					
Trade and other receivables					
Expected credit loss	0.00%	0.00%	0.00%	0.00%	
Gross carrying amount	261,030	24,944	0	0	285,974
Loss allowance	0	0	0	0	0
30 June 2019					
Trade and other receivables					
Expected credit loss	0.00%	0.00%	0.00%	0.00%	
Gross carrying amount	380,852	299,114	16,693	2,736	699,395
Loss allowance	0	0	0	0	0

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

24. 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 down if required and disclosed in note 14 (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
	\$	\$	\$	\$	\$
2020					
Payables	262,877	0	0	262,877	262,877
Borrowings	265,530	768,455	326,819	1,360,804	1,156,302
	528,407	768,455	326,819	1,623,681	1,419,179
2019					
Payables	849,002	0	0	849,002	849,002
Borrowings	0	653,661	818,840	1,472,501	1,373,579
	849,002	653,661	818,840	2,321,503	2,222,581

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

25. EVENTS OCCURRING AFTER THE END OF THE REPORTING PERIOD

Council did not have any events occurring after the end of the reporting period of consequence.

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

26. INITIAL APPLICATION OF AUSTRALIAN ACCOUNTING STANDARDS

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

(a) AASB 15: Revenue from Contracts with Customers

The Shire adopted AASB 15 Revenue from Contracts with Customers (issued December 2014) on 1 July 2019 resulting in changes in accounting policies. In accordance with the transition provisions AASB 15, the Shire adopted the new rules retrospectively with the cumulative effect of initially applying these rules recognised on 1 July 2019.

In summary, there were no adjustments made to the amounts recognised in the balance sheet at the date of initial application (1 July 2019).

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

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

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

		AASB 118 and AASB 1004 carrying amount		AASB 1058 carrying amount
	Note	30 June 2019	Reclassification	01 July 2019
		\$	\$	\$
Other liabilities - current				
Other liabilities from transfers for recognisable non financial assets	13	0	(1,020,599)	(1,020,599)
Adjustment to retained surplus from adoption of AASB 1058	27(b)		(1,020,599)	

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

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

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

26. INITIAL APPLICATION OF AUSTRALIAN ACCOUNTING STANDARDS (Continued)

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

		2020 \$		2020 \$
	Note	As reported under AASB 15 and AASB 1058	Adjustment due to application of AASB 15 and AASB 1058	Compared to AASB 118 and AASB 1004
Statement of Comprehensive Income				
Revenue				
Rates	22(a)	5,303,425	0	5,303,425
Operating grants, subsidies and contributions	2(a)	6,491,031	473,209	6,964,240
Fees and charges	2(a)	787,812	0	787,812
Non-operating grants, subsidies and contributions	2(a)	6,057,266	0	6,057,266
Net result		4,611,001	473,209	5,084,210
Statement of Financial Position				
Trade and other payables	12	262,877	0	262,877
Contract and other liabilities	13	473,209	(473,209)	0
Net assets		155,321,763	(473,209)	154,848,554
Statement of Changes in Equity				
Net result		4,611,001	473,209	5,084,210
Retained surplus		79,370,593	473,209	79,843,802

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

(c) AASB 16: Leases

The Shire adopted AASB 16 retrospectively from 1 July 2019 which resulted in changes in accounting policies. The Shire had no leases in place which required recognition on application of AASB 16.

27. CHANGE IN ACCOUNTING POLICIES

(a) Change in Accounting Policies due to regulation changes

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

In accordance with the changes, the Shire was required to remove the values attributable to certain crown land assets previously required to be recognised, as well as the associated revaluation surplus at 1 July 2019. These assets have been measured as concessionary lease right-of-use assets at zero cost in accordance with AASB 16. For further details relating to these changes, refer to Note 11.

In summary the following adjustments were made to the amounts recognised in the statement of financial position at the date of initial application (1 July 2019):

	Note	Carrying amount 30 June 2019 \$	Reclassification \$	Carrying amount 01 July 2019 \$
Revaluation surplus	11	73,178,329	0	73,178,329
Retained surplus		75,616,922	0	75,616,922

Also, following changes to *Local Government (Financial Management) Regulation 17A*, plant and equipment type assets (being plant and equipment and furniture and equipment) are to be measured under the cost model, rather than at fair value. This change is effective from 1 July 2019 and represents a change in accounting policy. Revaluations carried out previously or during the year were reversed as it was deemed fair value did not approximate cost at the date of the change and therefore the difference has been deemed to be impairment.

(b) Changes in equity due to change in accounting policies

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

	Note	Adjustments	2019 \$
Retained surplus - 30 June 2019			75,616,922
Adjustment to retained surplus from adoption of AASB 15	26(a)	0	0
Adjustment to retained surplus from adoption of AASB 1058	26(b)	(1,020,599)	(1,020,599)
Retained surplus - 1 July 2019		(1,020,599)	74,596,323

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

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

28. TRUST FUNDS

No funds held at balance date are required to be held in trust and therefore none are included in the financial statements for 2019/2020.

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

29. OTHER SIGNIFICANT ACCOUNTING POLICIES

a) Goods and services tax (GST)

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

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

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

b) Current and non-current classification

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

c) Rounding off figures

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

d) Comparative figures

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

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

e) Budget comparative figures

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

f) Superannuation

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

g) Fair value of assets and liabilities

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

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

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

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

h) Fair value hierarchy

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

Level 1

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

Level 2

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

Level 3

Measurements based on unobservable inputs for the asset or liability.

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

Valuation techniques

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

Market approach

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

Income approach

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

Cost approach

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

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

i) Impairment of assets

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

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

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

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

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

30. ACTIVITIES/PROGRAMS

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

PROGRAM NAME AND OBJECTIVES

ACTIVITIES

GOVERNANCE

Administration and operation facilities and services to members of Council. Other costs that relate to the tasks of assisting members and ratepayers on matters which do not concern specific council services.

GENERAL PURPOSE FUNDING

Rates, general purpose government grants and interest revenue.

LAW, ORDER, PUBLIC SAFETY

Supervision of various laws, fire prevention, emergency services and animal control.

HEALTH

Food control, maintenance of child health clinics and health administration and the retention of a full time doctor in Laverton.

EDUCATION AND WELFARE

Maintenance of pre-school facilities, day care centre, donations to school, administration of the Cashless Debit Card (CDC), assistance to welfare groups and the management of the Youth Development Program.

HOUSING

Provision of staff housing as well as private housing for the retention of professionals in Laverton.

COMMUNITY AMENITIES

Rubbish collection services, operation of rubbish tip site, noise control, administration of town planning, operation of the cemetery and operations & maintenance of public conveniences.

RECREATION AND CULTURE

Provision of public halls, swimming pool, recreational facilities, various reserves, operation of library together with television and radio re-broadcasting facilities.

TRANSPORT

Construction and maintenance of roads, drainage, footpaths, parking facilities, traffic signs, street cleaning and operation of Laverton Airport.

ECONOMIC SERVICES

Community development, tourism and area promotion, heritage development and maintenance, Great Beyond Visitor Centre & Explorers Hall of Fame, Community Resource Centre and Building control.

OTHER PROPERTY AND SERVICES

Private works, community bus, technical services, administration, plant operations control and miscellaneous services not able to be classified elsewhere.

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

31. FINANCIAL RATIOS

	2020 Actual	2019 Actual	2018 Actual
Current ratio	1.04	0.46	3.88
Asset consumption ratio	0.86	0.86	0.86
Asset renewal funding ratio	0.70	0.26	0.27
Asset sustainability ratio	3.30	5.98	7.65
Debt service cover ratio	5.49	0.38	(11.26)
Operating surplus ratio	(0.23)	(0.44)	(0.59)
Own source revenue coverage ratio	0.50	0.38	0.56

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

4.3 SHIRE OF LAVERTON AUDIT PLANNING MEMORANDUM 30 JUNE 2021

ATTACHMENT

ARC240621.4.3.A Shire of Laverton Audit Planning Memorandum 30 June 2021

COMMENT

Information item to be discussed by RSM

RESOLUTION

COUNCIL DECISION/PROCEDURAL MOTION

MOVED: Cr R Prentice SECONDED: Cr R Ryles

That Shire of Laverton Audit Planning Memorandum 30 June 2021, be received.

CARRIED 5/0

4:14PM RSM Australia Pty Ltd left the meeting.

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ASSURANCE & ADVISORY SERVICES



SHIRE OF LAVERTON

Audit Planning Memorandum
30 June 2021

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1 PURPOSE OF THE AUDIT PLANNING MEMORANDUM

The primary purpose of this Audit Planning Memorandum (**APM**) is to brief the Shire of Laverton (**Shire**) on the proposed approach by RSM Australia (**RSM**), on behalf of the Office of the Auditor General (**OAG**), to audit the financial report of the Shire for the year ending 30 June 2021. The APM forms the basis for discussion at the audit entrance meeting scheduled for 24 June 2021 and is a key tool for discharging our responsibilities in relation to communicating with those charged with governance.

2 KEY ENGAGEMENT INFORMATION

2.1 Key Shire stakeholders and personnel

Ratepayers	Shire of Laverton
Minister for Local Government	The Hon. John Newton Carey MLA
Shire President	Cr Patrick Hill
Deputy Shire President	Cr Shaneane Weldon
Chief Executive Officer (CEO)	Peter Naylor
Deputy CEO	Phil Marshall
Special Projects Officer	Darren Friend

2.2 Key OAG personnel

Auditor General	Caroline Spencer
Director, Financial Audit ⁽¹⁾	Efthalia Samaras

2.3 Key RSM personnel

Audit Director ⁽¹⁾	David Wall
Audit Manager	Pranjal Bhate
National Technical Director	Ralph Martin

⁽¹⁾ Refer to Appendix A for contact details

3 BACKGROUND AND GENERAL INFORMATION

3.1 Background

The Shire is approximately 183,198 square kilometres in size; consisting mainly of desert and pastoral country. As per the 2016 census, the Shire has a population of 1,153 people.

The Shire is represented by seven Councillors. The Shire President is elected from among the Councillors.

3.2 Executive's

The Shire's Executive team⁽¹⁾ at the date of this APM are:

- Peter Naylor, CEO
- Phil Marshall, Deputy CEO

⁽¹⁾ As per the Shire's website

3.3 Governance

The Shire is governed by Council, which appoints the CEO to advise and provide information to the Council in relation to the Shire's functions and ensures the resources of the Shire are effectively and efficiently managed.

3.4 Regulation

In terms of financial reporting, the Shire is subject to the *Local Government Act 1995 (Act)* and the *Local Government (Financial Management) Regulations 1996 (Financial Management Regulations)*.

4 KEY DELIVERABLES

4.1 Financial report audit and opinions

The annual financial report will be general purpose financial statements for the financial year ending 30 June 2021. The Auditor General is required by the Act to provide an opinion on the financial report and other legal and regulatory requirements in accordance with the *Local Government (Audit) Regulations 1996 (Audit Regulations)*. The objective of the Auditor General's audit is to obtain reasonable assurance about whether the Shire's financial report, as a whole, is free from material misstatement, whether due to fraud or error and to issue an auditor's report.

The Auditor General's report will be sent to Council, the CEO and the Minister for Local Government in accordance with the Act. The Shire is required to publish the auditor's report with the annual financial report on its website. If the Auditor General has reported other significant matters, then the Shire is required to report the action it has taken about the matters to the Minister.

The Auditor General will also communicate with the Shire President and the CEO regarding, among other matters, any significant findings regarding deficiencies in internal control that may be identified during the audit.

4.2 Management letters

Significant findings, emerging issues and their recommended resolutions that arise during the audit will be progressively discussed and communicated by RSM and the OAG to the Shire. Any weaknesses in controls, which may be identified during the current year audit, will be highlighted in the management letter to Council and the CEO following the conclusion of the interim and final audits. The draft management letters will be reviewed by the OAG before being provided to the Shire for comment.

Prior year management letter points will be followed up as part of the current year audit procedures to determine if any control weaknesses, highlighted during prior year audits, have been properly resolved.

Findings	Rating
1. Assessment of new accounting standards AASB 15 and AASB 1058	Significant
2. Mt Weld Road upgrade project	Significant
3. Purchase orders dated post invoice dates	Significant
4. Purchasing policy - obtaining quotations	Significant
5. Review of property values input into SynergySoft	Moderate
6. Review of open purchase orders	Moderate
7. Cash float controls/cash handling processes	Minor

4.3 Matters of significance

In accordance with section 24(1) of the *Auditor General Act 2006*, the Auditor General is required to report on matters arising out of the performance of the Auditor General's functions that are, in the opinion of the Auditor General, of such significance as to require reporting.

5 MILESTONE MEETINGS



5.1 Pre-planning meeting

The pre-planning meeting will be with the Shire's Administration, OAG (if required) and RSM. The meeting will discuss current developments at the Shire and any changes in governance or systems. The meeting will form the basis for the preparation of the APM.

5.2 Entrance meeting

The entrance meeting will be held with the Audit (Finance and Risk) Committee, the Shire's Administration, OAG and RSM. The meeting will mainly cover the presentation and discussion of the APM. If it is not practicable for the Audit (Finance and Risk) Committee to meet for an audit entrance meeting, we suggest at least one Elected Member (the Chair of the Audit (Finance and Risk) Committee) attends the entrance meeting.

5.3 Interim audit findings meeting

The interim audit findings meeting with the Shire's Administration, OAG (if required) and RSM will mainly cover the presentation and discussion of the significant control matters as reported in the interim audit management letter, if any.

5.4 Final audit findings meeting

Significant accounting issues and audit findings, if any, noted during the final audit will be discussed with the Shire's Administration, OAG (if required) and RSM. If there are significant, unresolved matters, then a meeting will also be held with the Audit (Finance and Risk) Committee.

5.5 Final audit exit meeting

The exit meeting with the Audit (Finance and Risk) Committee, the Shire's Administration, OAG and RSM will mainly cover the presentation and discussion of the audit closing report, which will outline any significant audit related matters concerning the financial report, management letters and improvement suggestions for future audits.

5.6 Council and Audit Committee meetings

Meetings with Council and the Audit (Finance and Risk) Committee are by invitation and provides insight into matters that may have an impact on our audit approach. Generally, OAG and RSM will attend meetings as required.

6 TERMS OF ENGAGEMENT

6.1 Arrangements

Audits are not an absolute guarantee of the accuracy or reliability of the Shire's information and may not identify all matters of significance. This is because the work undertaken to form an opinion is permeated by judgement and most audit evidence is persuasive rather than conclusive. In addition, there are inherent limitations in any audit, including the use of testing, the effectiveness of internal control structures and the possibility of collusion.

Primary responsibility for the detection, investigation and prevention of irregularities rests with the Shire's Administration. Consequently, it is the Shire's Administration who remain responsible for keeping proper accounts and maintaining adequate systems of internal control, preparing and presenting the financial report, complying with the Act and the Financial Management Regulations.

Under the *Auditor General Act 2006*, audit staff have unrestricted access to information held by the Shire, irrespective of any restrictions on disclosures imposed, such as secrecy provisions.

Confidentiality of audit files and working papers is required under the *Auditor General Act 2006*. The OAG is an 'exempt agency' under the *Freedom of Information Act 1992*.

The signed contract between the Auditor General and RSM contains strict confidentiality clauses.

6.2 Management representation letter

The audit plan assumes that the Shire President and the CEO will be able to sign a management representation letter. The OAG and RSM will make available to the Shire a draft management representation letter during the course of the audit. The letter would be signed at the same time as the annual financial report is signed.

RSM and the OAG will rely on the Shire President and CEO signing the management representation letter as evidence to confirm they have:

- Fulfilled their responsibilities for the preparation and fair presentation of the financial statements in accordance with the Act and, to the extent that they are not inconsistent with the Act, Australian Accounting Standards;
- Established and maintained an adequate internal control structure and adequate financial records;
- Provided the auditors with access to all information of which they are aware, that is relevant to the preparation of the financial statements and the operation of controls, such as records, documentation and other matters;
- Recorded all transactions in the accounting and other records and are reflected in the financial statements;
- Advised the 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 statements; and
- Provided the auditors with the results of their assessment of the risk of fraud, any instances of fraud (not just material fraud) and any known data and security breaches.

7 AUDITOR GENERAL

7.1 Audit of local government

The *Local Government Amendment (Auditing) Act 2017* makes legislative changes to the Act to provide for the auditing of local governments by the Auditor General. The Act allows the Auditor General to contract out some or all of the financial audits, but all audits will be the responsibility of the Auditor General. It also allows for performance audits, which will examine the economy, efficiency and effectiveness of any aspect of local government operations. The Act also places an obligation on local governments to publish their annual report, including their annual financial report and auditor's report, on their website.

The Auditor General has been given the mandate to:

- Audit the annual financial report of WA local governments, related entities and subsidiaries;
- Conduct performance audits of local governments;
- Perform supplementary audits requested by the Minister; and

Report to Parliament on the results of financial and performance audits.

This change brings Western Australia in line with most other Australian jurisdictions and New Zealand.

7.2 Auditor General audits and reports

During the current financial period, the OAG has issued a number of reports, which may be relevant for the Shire to consider:

- Waste Management – Service Delivery (issued 20 August 2020). The report noted the waste planning at a sample of six local governments is inadequate and inconsistent and there is a need to do more to manage waste in line with current community and State expectations.
- Annual Report 2019-2020 (issued 24 September 2020). The report acknowledged the challenges faced by local government due to COVID-19. The report also noted that local government financial audits continue to take more time than comparably sized State government audits.
- Grant Administration (issued 28 January 2021). The audit found that a sample of eight State entities need to improve their grant administration practices.
- Application Controls Audits 2021 (issued 9 March 2021). The audit found that a sample of four State entities could improve their controls around user access, vulnerability management and situational awareness to address cyber risks.
- Regulation and Support of the Local Government Sector (issued 30 April 2021). The audit found the Department of Local Government, Sport and Cultural Industries use of its limited resources is not underpinned by a good understanding of risk and clear objectives for the local government sector. Moreover, its performance in regulating and supporting the sector does not currently reflect the expectations of local government entities and their communities.
- Local Government General Computer Controls (issued 12 May 2021). The audit found that a large selection of 50 local government entities needed to improve their general computer controls. The audit found weaknesses in controls for information security, business continuity, change management, physical security and IT operations. These weaknesses in controls could significantly compromise the confidentiality, integrity and availability of information systems. The OAG recommended that the local government entities should act promptly to address them. The OAG also reported a need to improve how local government entities identify and treat information risks.

Further details of the current and forward audit program can be found on the OAG website:

<https://audit.wa.gov.au/>

Also, the OAG website has a library of better practice guidance that the OAG has developed to help the Western Australian public sector perform efficiently and effectively.

8 STAKEHOLDER RELATIONSHIP

8.1 RSM's relationship with the Auditor General and the Shire

RSM has been contracted by the Auditor General to perform the audit of the financial report of the Shire and report on whether the annual financial report of the Shire:

- Is based on proper accounts and records; and
- Fairly represents, in all material respects, the results of the operations of the Shire for the financial year and its financial position at the end of that period in accordance with the Act and, to the extent that they are not inconsistent with the Act, Australian Accounting Standards.

RSM is also required by the Auditor General to report:

- Any material matters indicating non-compliance with Part 6 of the Act, the Financial Management Regulations or applicable financial controls of any other written law;
- Any significant adverse trends in the financial position of the Shire;
- Whether all required information and explanations were obtained;
- Whether all audit procedures were satisfactorily completed; and
- Whether the asset consumption ratio and asset renewal funding ratio included in the annual financial report are supported by verifiable information and reasonable assumptions.

RSM is also required to report any matter which may affect the Auditor General's responsibilities under sections 24 and 28 of the *Auditor General Act 2006*, section 7.12 AD of the Act and the Audit Regulations.

8.2 Term of the audit contract

RSM has been appointed by the OAG for a term of three years commencing with the financial year ending 30 June 2021.

RSM's services will be conducted under the overall direction of the Auditor General, who will retain responsibility for forming an audit opinion and issuing an audit report to the Shire. The contract requires RSM to use its audit approach and methodology.

8.3 Grant acquittals

Grants received by the Shire may need to be acquitted in accordance with the terms and conditions of the relevant Funding Agreement. Acquitting a grant means accurately reporting on the funded activities and the expenditure of the funding. Grant acquittal reports, providing activity and financial information, are generally required at certain stages during the funded project and / or on completion of the funded project. If satisfactory grant acquittal reports are not provided at the times and in the manner detailed in the Funding Agreement, there is a risk that any further payments due to the Shire will be withheld and the Shire may be ineligible to apply for further grants.

In most circumstances the grant acquittal reports are required to be audited. Generally, the Funding Agreement will require the Shire to engage an auditor to form an opinion that the receipts and payments are true and fair and that the Shire has complied with the terms and conditions of the Funding Agreement.

If RSM is invited by the Shire to complete the audit of grant acquittal reports, then RSM must first obtain approval from the OAG before the audit begins.

8.4 Independence

The Auditor General is an independent officer of the Western Australian Parliament, appointed under legislation to examine, on behalf of Parliament and Western Australian taxpayers, the management of resources within the public sector. The Auditor General is not subject to control or direction by either Parliament or the government. In conducting the audit, the Auditor General, staff and delegates will comply with all applicable independence requirements of the Australian accounting profession.

RSM Orb, our optimal risk-based audit methodology requires that we conduct an annual re-evaluation of our independence prior to the commencement of each assignment. We have fully satisfied ourselves that we do not have any actual or perceived conflict of interest.

We are fully compliant with our Ethics and Independence Policies, which are verified and tested each year by our Partner Responsible for Ethics and Independence. Each year we are required to submit certain information to our Partner Responsible for Ethics and Independence, which is analysed and subjected to a series of stringent tests. This system has been extensively reviewed by the Australian Securities and Investments Commission and found to be in accordance with Australian Auditing Standards, the *Corporations Act 2001* and better practice.

9 CURRENT YEAR DEVELOPMENTS

We had discussions with the Shire's Administration and reviewed the 30 June 2020 financial statements and the 30 June 2020 audit file to identify any significant matters that may affect the audit planning and process. As at the date of this audit plan, we have identified the following development, which is expected to impact the financial statements audit for the year ending 30 June 2021:

9.1 COVID-19

We will work with the Shire's Administration to minimise the risk for your staff and Councillors, our staff, and to your operations, while completing audits in the best timeframe possible under the circumstances. This will likely involve more audit work being performed remotely rather than at your premises, and / or delaying audit work if unforeseen circumstances arise.

9.2 AASB 1059 Service Concession Arrangement: Grantors

AASB 1059 was adopted by the Shire, effective 1 July 2020, and sets out how public sector entities that grant concessions to private sector operators for the delivery of specified public services should treat those grants. The grantor must recognise a service concession asset, measured at current replacement cost, when it controls or regulates what services the operator must provide with the asset, to whom it must provide them, and at what price, and when the grantor retains an interest in the asset at the end of the arrangement. It must also recognise a related service concession liability, which will usually be treated as unearned revenue, and recognised as income over the life of the concession. The Shire will review and provide its assessment on the impact of adoption of AASB 1059.

RSM audit response:

RSM will obtain and review the Shire's assessment of the impact of AASB 1059 and ensure it has properly accounted for during the current financial year.

9.3 ASA 540 Auditing Accounting Estimates

The recently revised ASA 540 *Auditing Accounting Estimates, Including Fair Value Accounting Estimates, and Related Disclosures* has implications for the Shire and those responsible for financial statement preparation and the determination of accounting estimates. The key implications of the new Standard means that the Shire will require more time to prepare sufficient appropriate documentation of the Shire's estimates and recognise that increased efforts may be required by auditors to audit the estimates. There is an expectation that the Shire will assist and review the level of detail and provide audit evidence available to support estimates within the financial statements along with an increase in audit effort. This will be achieved through two-way dialogue between auditors, management and audit committees about the critical aspects of accounting estimates.

RSM audit response:

RSM will obtain further understanding over the control environment, risk assessment procedures, information systems, control activities and monitoring procedures during our audit procedures. Testing over how management made the accounting estimates will be performed by performing a retrospective review of past estimates and judgements, obtaining audit evidence up to the date of the auditor's report and by developing an auditor's point estimate or range (Three Testing Approach). Based on the information gathered, we will determine if there are indicators of possible management bias and if there are, the implications for the audit.

9.4 Casual employees leave entitlement including long service leave under Long Service Leave Act 1958

The Shire should ensure it is in compliance with the Long Service Leave Act 1958. The Shire employing casual workers will need to consider whether a long service leave provision is required.

RSM audit response

RSM will review management's assessment on casual employees leave entitlement.

10 AUDIT APPROACH TO THE KEY AUDIT AREAS

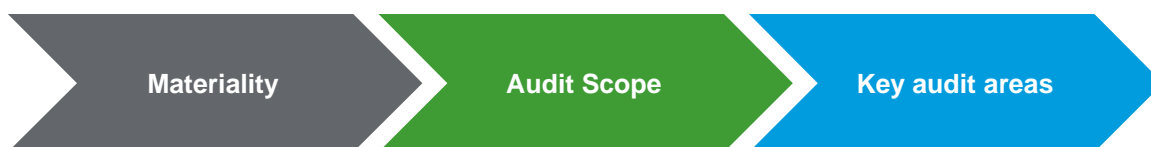
10.1 Risk assessment

Key audit areas are those areas that, in RSM's professional judgment, present the most significant risk in our audit of the financial report.

As part of our audit approach, we have conducted an initial financial report risk assessment to determine whether any of the risks identified are, in our judgment, significant. A significant risk is an identified and assessed risk of material misstatement in the financial report that, in our judgment, is a key audit area and requires special audit consideration.

Our assessment of key audit areas is based upon:

- Discussion with the Shire's Administration and the OAG;
- The complexity of transactions within each area;
- The degree of subjectivity in the measurement of financial information related to the risk, especially those measurements involving a wide range of uncertainty;
- The degree of susceptibility to fraud risk; and
- Consideration of any relevant matters that may be discussed during the audit planning stage.



10.2 Materiality

For the purpose of this APM, we referred to the audited 30 June 2020 financial report of the Shire and used our professional judgment to determine a planning materiality amount. In line with OAG policy, we have not disclosed the amount of planning materiality.

The scope of our audit is influenced by the application of materiality. Based on our professional judgment, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements. These, together with qualitative considerations, helped us to determine the nature, timing and extent of our audit procedures on the individual financial report line items and disclosures and to evaluate the effect of identified misstatements, both individually and in aggregate, on the financial report and on our opinion.

In assessing the risk profile of the Shire, and in consideration of the users of the financial report, we have adopted materiality guidelines in accordance with Australian Auditing Standards.

For the purpose of determining materiality, total assets are considered a key metric of interest to the users of the financial statements. Therefore, they will be used as the main benchmark for the calculation of overall materiality.

However, expenses are of significant interest to users of local government financial statements, as they seek to ensure funds are being spent appropriately. Therefore, we will consider a specific lower materiality for those account balances where there are circumstances (including qualitative factors) for which misstatements of lesser amounts than overall materiality could reasonably be expected to influence the economic decisions of users of the financial statements. For example, specific lower materiality will be calculated using total expenses as the benchmark for items such as revenue, other income, expenses, payroll and liability balances.

10.3 RSM approach to auditing significant risk

RSM's approach to auditing a class of transactions, account balance or disclosure is to initially assess whether there is a reasonable possibility that it could contain a material misstatement. Our risk assessment is based on both quantitative and qualitative criteria to determine whether they are significant.

Our audit strategy follows a hierarchy, which starts with testing of controls, then moves to substantive analytical review procedures and then finally, testing of details. The following diagram shows an example where a high level of reliance on controls, along with a moderate level of reliance on substantive analytics is likely to result in testing of details that can safely rely on smaller sample sizes.

Audit Reliance	High			
	Medium			
	Low			
		Controls	Substantive analytical review	Test of details
Audit technique				

Based on previous audit experience at the Shire and review of the Shire's financial information, we have assessed that we can rely on internal controls, we have concluded that we can rely on internal controls, which effectively means we can apply a moderate level of substantive analytics and limited testing of details. This controls based approach is both efficient and effective.

10.4 Professional scepticism

We approach all our audits with a degree of professional scepticism as required by Australian Auditing Standards. In addition, professional scepticism is a key component of delivering an effective public sector audit. ASA 200 *Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with Australian Auditing Standards* defines professional scepticism as 'an attitude that includes a questioning mind, being alert to conditions which may indicate possible misstatement due to error or fraud, and a critical assessment of audit evidence'.

Professional scepticism is particularly relevant in areas that involve assumptions by the Shire's Administration and / or estimates. It is also critical when evaluating audit evidence to reduce the risk of the auditor:

- Overlooking unusual circumstances; and
- Over generalising when drawing conclusions from observations using inappropriate assumptions in determining the nature, timing and extent of evidence gathering procedures and evaluating the results thereof.

11 SIGNIFICANT RISK AREAS

Using the 30 June 2020 financial report as a guide and referring to the RSM calculated materiality amount and risk assessment, RSM has identified the following potential significant risk areas for the current financial year:

Significant risk area	30 June 2020 \$'000	30 June 2019 \$'000
Revenue and receivables cycle		
Rates	5,303	4,684
Trade receivables (current and non-current)	926	1,388
Purchases and payment cycle		
Material and contracts	4,826	6,494
Property, Plant and Equipment (additions)	518	4,452
Infrastructure (additions)	9,235	12,280
Fixed assets cycle		
Property, Plant and Equipment	13,866	14,938
Infrastructure	139,888	133,339

11.1 Revenue and receivables cycle

Reasons why RSM considers this area a significant risk

Implementation of AASB 15 *Revenue from Contracts with Customers* and AASB 1058 *Income of Not-for-Profit Entities* are effective from prior year. The impact of AASB 15 and AASB1058 was correctly adopted by the Shire during prior year. The Shire will review all new revenue streams in accordance with AASB 15 and AASB 1058.

Revenue is measured by considering multiple elements, for example rates transactions are calculated by the application of a rate in the dollar to the Gross Rental Value (**GRV**) or Unimproved Value (**UV**), which is in turn determined by dividing the required rate collection amount by the total valuations on the roll. GRV's and UV's vary between the various property types, such as mining and pastoral. The GRV / UV is supplied by Landgate. Furthermore, rates revenue represents a significant portion of the Shire's annual operating income and is an important revenue stream in terms of the Shire's cash flows.

Fees and charges is a material amount and is measured by the application of an annual charge to rateable land supplied with specified services and other services provided by the Shire. For example, classic domestic bin services and swimming pool inspection fees. There are also further complexities with the application of the eligible pensioners rebate scheme. In addition, further complexity and risk is associated with the requirement for the Shire to comply with Part 6, Division 6 'Rates and service charges' of the Act.

Based on the above complexities and the high risk of management override by the Shire's Administration, revenue recognition for rates is considered significant risk.

RSM audit response

RSM will obtain and review the Shire's assessment of the impact of AASB 15 and AASB 1058 and ensure adequate disclosure in the notes to the financial statements.

RSM audit procedures will also include, among other things, assessment of the Shire's effectiveness of key internal controls operating within the revenue cycle, including application controls. RSM will perform a walkthrough of the key management controls over the revenue cycle and test key management controls. RSM will review, on a sample basis, the reconciliations and calculation of rates and compare these against historical results. In order to assess the completeness of recording revenue in the correct accounting period, RSM will perform revenue cut-off testing and review credit notes.

To determine the existence of the receivable balance and the recoverability thereof as at 30 June 2021 and the impact on the Shire's assessment of its expected credit loss calculation, RSM will review receivables balances on a sample basis and perform subsequent receipt testing. Furthermore, we will perform analytical procedures on rates through detailed comparison with prior year balances and budget forecasts. RSM will also determine if the disclosures in the notes to the financial report related to the Shire's revenue recognition policy are appropriate.

11.2 Purchases and payment cycle

Reasons why RSM considers this area a significant risk

All procurement made by the Shire is subject to the requirements of the Act and Part 4 of the *Local Government (Functions and General) Regulations 1996 (Functions and General Regulations)*, which is the basis for the Shire's purchasing policy (**Policy**). The Act and the Functions and General Regulations are there to guide the Shire in delivering best practice in the purchasing of goods, services and works that align with the principles of transparency, probity and good governance. Errors, uncertainty and unrealistic timelines can undermine market confidence, discredit a purchasing process and devalue the outcome of the procurement. Due to the strict and complex requirements of the Policy, including value for money, regulatory compliance, record management, transparency and professionalism, there is potential for insufficient knowledge of the Policy's requirements or failure to comply with the Policy.

RSM audit response

RSM will review the Shire's purchasing policies and assess the effectiveness of internal controls operating within the payment cycle. In addition, we will perform a walkthrough of the key controls over the purchase and payment cycle, including tendering, and perform tests of control on key controls over the purchase and payment cycle. Furthermore, we will perform analytical procedures on procurement through detailed comparison with prior year balances and budget forecasts. Our testing will include an evaluation of whether the Shire's purchasing activities have complied with the Act and the Functions and General Regulations.

11.3 Fixed assets cycle

Reasons why RSM considers this area a significant risk

Property, Plant and Equipment and Infrastructure respectively constituted 9% and 89% of the Shire's total assets as at 30 June 2020. Under regulation 17A of the Financial Management Regulations, the Shire's Plant and Equipment assets are to be measured under the cost model whereas Property and Infrastructure is to be carried at fair value less accumulated depreciation and accumulated impairment losses. Under regulation 17(4) of the Financial Management Regulations, the Shire is required to revalue an asset:

- Whenever the local government believes the fair value of the asset is likely to be materially different from its carrying amount; and
- In any event, within a period of not more than 5 years after the day on which the asset was last valued or revalued. We understand that the Shire will not be revaluing fixed assets for the year ending 30 June 2021.

Furthermore, in accordance with paragraph 9 of AASB 136 *Impairment of Assets*, the Shire is required to assess at reporting date whether there is any indication that an asset may be impaired.

RSM audit response

We will carry out internal control testing over the Shire's processes for determining inputs into fair value measurements and perform detailed substantive testing on a sample basis of the related fair value measurements. We will focus our testing on the key assumptions made by the valuer in determining the fair value, testing the mathematical accuracy of the calculation models, performing sensitivity analyses around the key assumption used in the models and reviewing the reference material used by the valuer to determine the Level 2 and 3 inputs.

We will review the Shire's assessment that the fair value of Property, Plant and Equipment and Infrastructure assets is not likely to be materially different from their carrying amounts and the Shire's consideration of any potential impairment indicators.

12 OTHER CRITICAL DISCLOSURES IN THE FINANCIAL REPORT

RSM will also audit the following critical disclosures in the financial report:

12.1 Related party disclosures

The Shire is subject to the requirements of AASB 124 *Related Party Disclosures*. The Standard requires disclosures for senior officers' compensation and certain transactions with related parties. A review will be conducted to ensure proper accounting and disclosure of related party transactions and executive remuneration.

Further, section 7.12AL of the Act applies section 17 of the *Auditor General Act 2006* to a local government, which requires the Shire to advise the Auditor General in writing of details of all related entities that are in existence.

RSM audit response:

We will review the disclosures and supporting material to ensure compliance with AASB 124. We will also assess the Shire's internal controls around the identification and proper disclosure of related party transactions and executive remuneration.

12.2 Financial ratios

Under regulation 50 of the Financial Management Regulations, the annual report is to include financial ratios. Financial ratios are designed to enable users of annual financial reports to interpret more clearly the Shire's performance and financial results, as well as provide a comparison of trends over several years.

These indicators provide a measure of the financial sustainability of local governments and complement the national criteria endorsed by the Local Government and Planning Ministers'. They provide for a comprehensive tool for monitoring the financial sustainability of local governments.

RSM audit response:

We will obtain and audit the ratios to assess compliance with regulation 50 of the Financial Management Regulations.

12.3 Capital and other commitments for expenditure

The Shire must disclose in the financial statements its capital and other commitments relating to future asset construction and replacements.

RSM audit response:

We will check the underlying calculations and review the evidence to support the amounts disclosed.

12.4 Reserve accounts

The Shire has established several reserve accounts under section 6.11 of the Act for the purpose of setting aside money for a specific purpose to be used in a future period. Cash reserves are required to be held in separate bank accounts. Although reserve accounts are aggregated with municipal funds in the financial statements, they are segregated in the notes to the financial statements as restricted funds.

RSM audit response:

RSM will review the reserve account reconciliations and test that the transfers to and from these accounts are in accordance with the specific purpose of the reserve.

12.5 Major land transactions

Regulation 46 of the Financial Management Regulations prescribes the disclosure requirement for major land transactions. The information to be disclosed by the Shire is set out in regulation 47 and includes:

- Details of the total income and expenditure for the transaction; and
- Details of the amount or value of any surplus of money or assets.

RSM audit response:

RSM will review the financial records of the Shire to assess whether all major land transactions have been identified and disclosed in accordance with regulation 47.

13 CONTROLS

13.1 Internal control

Internal controls are systems, policies and procedures that help an entity reliably and cost effectively meet its objectives. Sound internal controls enable the delivery of reliable, accurate and timely external and internal reporting. The Shire is responsible for developing and maintaining its internal control framework to enable:

- Preparation of accurate financial records and other information;
- Timely and reliable external and internal reporting;
- Appropriate safeguarding of assets; and
- Prevention or detection and correction of errors and other irregularities.

The annual financial audit enables RSM to form an opinion on the Shire's financial report. An integral part of this, and a requirement of Australian Auditing Standard ASA 315 *Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and its Environment*, is to assess the adequacy of an organisation's internal control framework and governance processes related to its financial reporting. While this understanding has a significant impact on our audit strategy, our audit of the Shire's financial report is not designed to assess, nor do we provide an opinion on, the effectiveness of internal controls.

We focus on the internal controls relating to financial reporting and assess whether the Shire has managed the risk that the financial report will not be complete and accurate. Poor controls diminish Administration's ability to achieve the organisation's objectives and comply with relevant legislation. They also increase the risk of fraud.

During our planning procedures we will gain an understanding of the following components of internal control:

- Control environment;
- Risk assessment procedures;
- Information systems;
- Control activities; and
- Monitoring procedures.

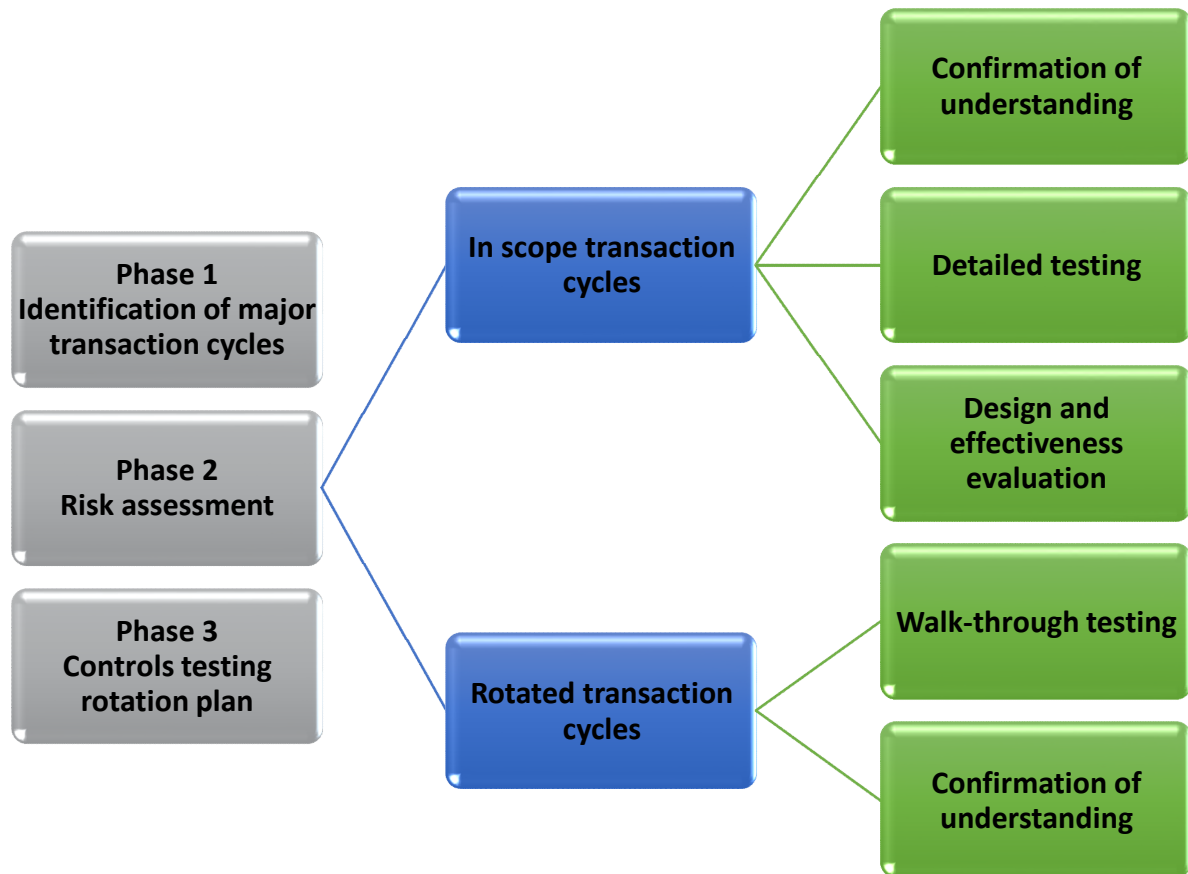
Our preliminary assessment of the internal control framework may indicate that the internal controls are likely to be effective in preventing or detecting and correcting material misstatements in the financial report. In these circumstances, we would plan to place reliance on the key internal controls relating to the material components in the financial report to support our audit opinion.

13.2 Significant changes to internal controls

The Shire has represented that there are no significant changes to internal controls for the 2021 financial period to date.

13.3 Rotation approach

In accordance with our rotational controls testing approach, we will conduct a risk assessment for each major transaction cycle during our initial engagement year. The risk assessment is benchmarked against our knowledge of each transaction cycle within the local government sector. Using the risk assessment, we design a control testing rotation plan that will bring certain transaction cycles into audit scope each year. Those cycles not in scope will be subject to our normal walkthrough procedures and confirmation of our understanding of the key controls.



During the current audit, we will use a rotation approach to test the design and effectiveness of key controls used in a sample of major transaction cycles linked to significant risk areas. Some transaction cycles will be rotated out and not subject to design and effectiveness testing. Instead, we will update our understanding of the controls and confirm our understanding using walk-through procedures.

14 FRAUD RISK

Under Australian Auditing Standard ASA 240 *The Auditor's Responsibility Relating to Fraud in an Audit of a Financial Report*, when planning and performing audit procedures and evaluating the results, the auditor must consider the risk of material misstatement in the financial report because of fraud and error.

Although ASA240 sets out the principles and procedures we must follow, the primary responsibility for the prevention and detection of fraud and error rests with the Shire. The Shire is responsible for maintaining accounting records and controls designed to prevent and detect fraud and error, and for the accounting policies and estimates inherent in the financial report.

Our audit procedures on fraud risk include the following:

- Forward a copy of the fraud control checklist for self-assessment to the Shire's Administration prior to our final audit visit. The checklist allows us to make inquiries of Administration, to obtain its understanding of the risk of fraud within the Shire and to determine whether Administration have any knowledge of fraud that has been perpetrated on or within the entity. We will review the fraud control self-assessment by the Shire;
- Review the Shire's fraud control procedures in place to reduce the risk of fraud occurring within the entity, including the Shire's code of conduct;
- Understand the Shire's fraud control environment;
- Understand the business rationale for significant or unusual transactions;
- Review current accounting estimates for biases;
- Review the appropriateness of year end accounting adjustments;
- Make enquiries of those charged with governance and others within the Shire;
- Incorporate an element of unpredictability in the selection of the nature, timing and extent of audit procedures to be performed as individuals within the entity who are familiar with the audit procedures normally performed on engagements may be more able to conceal fraudulent financial reporting; and
- Understand the Shire's journal entry process and testing journal entries posted including the authorisation of journals.

15 OTHER AUDIT MATTERS

15.1 Internal audit

The Shire has advised that no internal audit has been planned for the year ending 30 June 2021.

15.2 Audit preparation checklists

To assist the Shire to gather and collate the necessary audit information and documentation, we will issue in advance of each audit visit an electronic Interim Audit Preparation Checklist and a Final Audit Preparation Checklist utilising CaseWare Xtend.

The benefits of CaseWare Xtend include:

- Securely request, file and store sensitive data within the audit engagement.
- Collaborate and communicate in real time, allowing for a more adaptable and transparent workflow.
- Manage requests in one centralised location that is readily accessible.
- Track the status of audit requests.



CaseWare Xtend will facilitate the delivery of an efficient audit and help to minimise interruptions to the Town's staff.

We have found this facility to be very useful and clients have appreciated the savings in time and reduced disturbance by auditors during the audit fieldwork.

15.3 Important changes in governance, management or internal control environments

The Shire has advised that, other than those matters mentioned in the APM, there are no other major changes to its governance, Administration or internal control environment that may significantly impact the 30 June 2021 financial report.

15.4 Cumulative knowledge of accounting and computer systems and any expected changes

The Shire has represented that they are not aware of any significant changes to the accounting or computer systems.

16 INVOLVEMENT OF INFORMATION SYSTEMS AUDIT SPECIALIST

The Shire's financial information system is not complex and there is no requirement for RSM to engage an Information System Audit specialist. RSM will conduct a high-level review of IT General Controls.

RSM complies with Auditing Standard ASA 315 *Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and Its Environment*. Our approach to information systems audit is to obtain an understanding of the information system, including the related business processes, relevant to financial reporting, including (amongst others) how the information system captures events and conditions, other than transactions, that are significant to the financial statements.

17 TIMETABLE

Phase	Task	Indicative timeframe ⁽¹⁾	Action
Planning	Pre-planning meeting to review and update the overall audit approach and plan	3 June 2021	RSM OAG Shire
	Issue draft APM to the Shire for commentary	4 June 2021	RSM
	Entrance meeting with Audit (Finance and Risk) Committee, the Shire's Administration, OAG and RSM for the presentation and discussion of final APM	24 June 2021	RSM OAG Shire
Interim audit fieldwork	Issuing of Interim Audit Preparation Checklist to the Shire	12 May 2021	RSM
	Based on risk assessment, performance of cyclical controls testing, walkthrough of major business cycles and review of key reconciliation procedures for the 9 months ended 31 March 2021	14 – 18 June 2021	RSM
	Assessment of status of Management Letter points raised for the prior year		
	Review of audit file by the OAG	Early-July 2021	OAG
Interim audit reporting	Interim audit findings meeting with the Shire's Administration, the OAG and RSM to discuss any significant control matters surrounding the major transaction cycles and content of the management letter, if any	6 July 2021	RSM OAG Shire
	Issue the draft Interim Audit Management Letter (if any) for the year ending 30 June 2021 to the OAG for consideration and comment	8 July 2021	RSM OAG
	Issue of the draft Interim Audit Management Letter (if any) to the Shire for consideration and comment.	13 July 2021	RSM Shire
	Return of draft Interim Audit Management Letter (if any) to RSM with commentary	15 July 2021	Shire
	Issue the Interim Audit Management Letter (if any) to the OAG	19 July 2021	RSM
Draft financial report	The Shire submits proforma financial report to RSM for review and comment. This will be in the form of the statutory model with the previous year's actuals displayed.	31 August 2021	Shire

Phase	Task	Indicative timeframe ⁽¹⁾	Action
Final audit fieldwork	Issuing of Final Audit Preparation Checklist	1 September 2021	RSM
	Provision of trial balance as at 30 June 2021 to RSM	No later than 30 September 2021	Shire
	Shire to submit draft financial report as per the Act deadline.	No later than 30 September 2021	Shire
	Performance of substantive tests for revenue and expenditure cycles for the 3 months ending 30 June 2021	11 – 15 October 2021	RSM
	Performance of substantive tests for balance sheet accounts as at year end		
	Review of audit file by the OAG		OAG
Final audit reporting	Final audit findings meeting with the Shire's Administration, the OAG and RSM to discuss any significant control matters surrounding the major transaction cycles and content of the management letter, if any.	8 November 2021	RSM OAG Shire
	Issue the draft Final Audit Management Letter (if any) for the year ending 30 June 2021 to the OAG for consideration and comment	10 November 2021	RSM OAG
	Issue the draft Final Audit Management Letter (if any) for the year ending 30 June 2021 to the Shire for consideration and comment	12 November 2021	RSM Shire
	Return draft Final Audit Management Letter (if any) for the year ending 30 June 2021 to RSM with commentary	16 November 2021	Shire
	Issue the Final Audit Management Letter (if any) to the OAG	18 November 2021	RSM
	Issue draft Management Representation Letter and draft Financial Report to the Shire for consideration and comment	23 November 2021	RSM
	Issue final Management Representation Letter, Financial Report and Audit Closing Report at least 1 week before exit meeting.	26 November 2021	RSM
	Final audit exit meeting with the Audit (Finance and Risk) Committee, the Shire's Administration, OAG and RSM.	December 2021	RSM OAG Shire
	Independent Contract Auditor's Report issued	9 December 2021	RSM

Phase	Task	Indicative timeframe ⁽¹⁾	Action
	OAG to sign and issue the Audit Report	Within 5 working days of receiving the signed financial statements and reporting from RSM.	OAG
	Shire's Ordinary Council Meeting for the adoption of the 30 June 2021 Financial Report	December 2021	Shire

(1) The above dates are tentative at this stage and are subject to amendment as a result of staff availability from the Shire and OAG due to the COVID-19 crisis.

18 APPENDIX A: ADDITIONAL INFORMATION CONTACTS

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5. CLOSURE OF MEETING

The Presiding Person declared the meeting closed at 4:23pm

6. CERTIFICATION OF MINUTES

I, Patrick Hill, hereby certify that the Minutes of the Audit and Risk Committee Meeting held on 24 June 2021 are confirmed as a true and correct record, by resolution of the meeting of the Audit and Risk Committee held on 30 September 2021

SIGNED:



DATED:

17/3/2022.