

**PUBLIC AGENDA - AUDIT AND RISK MANAGEMENT  
COMMITTEE MEETING 16 MARCH 2021**



**SHIRE OF ASHBURTON  
AUDIT AND RISK MANAGEMENT  
COMMITTEE MEETING**

**AGENDA AND ATTACHMENTS  
(Public Document)**

**Onslow Sports Club  
Third Avenue, Onslow**

**16 March 2021  
9.30 am**

**PUBLIC AGENDA - AUDIT AND RISK MANAGEMENT  
COMMITTEE MEETING 16 MARCH 2021**

**SHIRE OF ASHBURTON**

**AUDIT AND RISK MANAGEMENT COMMITTEE MEETING**

Dear Councillor

Notice is hereby given that an Audit and Risk Management Committee of the Shire of Ashburton will be held on 16 March 2021 at the Onslow Sports Club, Third Avenue, Onslow commencing at 9.30 am.

The business to be transacted is shown in the Agenda.



Mr Kenn Donohoe  
**CHIEF EXECUTIVE OFFICER**

**DISCLAIMER**

*The recommendations contained in the Agenda are subject to confirmation by the Committee and endorsement by the Council. The Shire of Ashburton warns that anyone who has any application lodged with Council must obtain and should only rely on written confirmation of the outcomes of the application following the Council meeting, and any conditions attaching to the decision made by the Council in respect of the application. No responsibility whatsoever is implied or accepted by the Shire of Ashburton for any act, omission or statement or intimation occurring during a Council meeting.*

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**1. DECLARATION OF OPENING**

The Presiding Member declared the meeting open at    am.

**1.1 ACKNOWLEDGEMENT OF COUNTRY**

As representatives of the Shire of Ashburton Council, we respectfully acknowledge the local Indigenous people, the traditional custodians of this land where we are meeting upon today and pay our respects to them and all their elders both past, present and emerging.

**2. ATTENDANCE**

**2.1 PRESENT**

<b>Members:</b>	Cr P Foster Cr K White Cr L Rumble Cr M Lynch Cr D Diver Cr R de Pledge Cr J Richardson Cr D Dias	Tom Price Ward (Presiding Member) Onslow Ward Paraburdoo Ward Tom Price Ward Tom Price Ward Ashburton Ward Tablelands Ward Paraburdoo Ward
<b>Staff:</b>	Mr K Donohoe Mrs J Fell Mr A Majid Mrs C McGurk Mr M Khosravi Mr N Cain Mrs M Lewis Ms N Jeffery	Chief Executive Officer Acting Director Corporate Services Director Development Services Director Projects and Procurement Director Infrastructure Services Director Community Services Council Liaison Officer Executive Assistant Corporate Services
<b>Guests:</b>		
<b>Members of Public:</b>	There were _____ members of the public in attendance at the commencement of the meeting.	
<b>Members of Media:</b>	There were _____ members of the media in attendance at the commencement of the meeting.	

**2.2 APOLOGIES**

**2.3 APPROVED LEAVE OF ABSENCE**

Cr M Gallanagh                      Pannawonica Ward

**3. ANNOUNCEMENT OF VISITORS**

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**4. DECLARATION BY MEMBERS**

**4.1 DUE CONSIDERATION BY COUNCILLORS TO THE AGENDA**

All Councillors are requested to give due consideration to all matters contained in the Agenda presently before the meeting.

**4.2 DECLARATIONS OF INTEREST**

**Councillors to Note**

A member who has an Impartiality, Proximity or Financial Interest in any matter to be discussed at a Council or Committee Meeting, which will be attended by the member, must disclose the nature of the interest:

- (a) In a written notice given to the Chief Executive Officer before the Meeting or;
- (b) At the Meeting, immediately before the matter is discussed.

A member, who makes a disclosure in respect to an interest, must not:

- (a) Preside at the part of the Meeting, relating to the matter or;
- (b) Participate in, or be present during any discussion or decision-making procedure relative to the matter, unless to the extent that the disclosing member is allowed to do so under Section 5.68 or Section 5.69 of the *Local Government Act 1995*.

**NOTES ON DECLARING INTERESTS (FOR YOUR GUIDANCE)**

The following notes are a basic guide for Councillors when they are considering whether they have an interest in a matter.

These notes are included in each agenda for the time being so that Councillors may refresh their memory.

1. A Financial Interest requiring disclosure occurs when a Council decision might advantageously or detrimentally affect the Councillor or a person closely associated with the Councillor and is capable of being measure in money terms. There are exceptions in the *Local Government Act 1995* but they should not be relied on without advice, unless the situation is very clear.
2. If a Councillor is a member of an Association (which is a Body Corporate) with not less than 10 members i.e. sporting, social, religious etc.), and the Councillor is not a holder of office of profit or a guarantor, and has not leased land to or from the club, i.e., if the Councillor is an ordinary member of the Association, the Councillor has a common and not a financial interest in any matter to that Association.
3. If an interest is shared in common with a significant number of electors or ratepayers, then the obligation to disclose that interest does not arise. Each case needs to be considered.

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4. If in doubt declare.
5. As stated in (b) above, if written notice disclosing the interest has not been given to the Chief Executive Officer before the meeting, then it **MUST** be given when the matter arises in the Agenda, and immediately before the matter is discussed.
6. Ordinarily the disclosing Councillor must leave the meeting room before discussion commences. The **only** exceptions are:
  - 6.1 Where the Councillor discloses the **extent** of the interest, and Council carries a motion under s.5.68(1)(b)(ii) or the *Local Government Act*, or
  - 6.2 Where the Minister allows the Councillor to participate under s.5.69 (3) of the *Local Government Act*, with or without conditions.

**Declarations of Interest provided:**

Item Number/ Name	Type of Interest	Nature/Extent of Interest
There are no Declarations of Interest for this meeting.		

**5. CONFIRMATION OF MINUTES OF PREVIOUS MEETING**

**5.1 AUDIT AND RISK COMMITTEE MEETING HELD ON 16 FEBRUARY 2021**

**Officers Recommendation**

That the Unconfirmed Minutes of the Audit and Risk Management Committee Meeting held on 16 February 2021 (**ATTACHMENT 5.1**) be confirmed as a true and accurate record.

**6. TERMS OF REFERENCE**

**Audit and Risk Management Committee**

**Purpose**

The Audit Committee's role in accordance with Regulation 15 of the *Local Government (Audit) Regulations 1995* is to provide assistance and guidance to Council on the discharge of its duties under Part 6 and 7 of the *Local Government Act 1995 (the Act)*. The Audit Committee assists Council to monitor the integrity of the Shire's financial statements, risk management, internal controls and compliance with legislative requirements.

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**Responsibilities**

The Audit Committee is responsible for:

- 1.1 Guiding and assisting Council in carrying out its functions under:
  - (a) Part 6 of the *Act* and its functions relating to other audits and other matters related to financial management; and
  - (b) Part 7 of the *Act* in relating to auditing the Shire's financial accounts.
- 1.2 Reviewing the CEO's report required under regulation 17(3).
- 1.3 Monitoring and advising the CEO when the CEO is carrying out functions in relation to a review under:
  - (a) regulation 17 (1); and
  - (b) the *Local Government (Financial Management) Regulations 1996*, regulation 5(2)(c).
- 1.4 Support the Auditor conducting an audit and carrying out the Auditor's other duties under the *Act*.
- 1.5 Oversee the implementation of any action that Council
  - (a) is required to take, has stated it has taken or intends to take in respect to matters raised by the audit report;
  - (b) has accepted should be taken on receipt of the CEO's report of a review under regulation 17(1); and
  - (c) has accepted should be taken on receipt of the CEO's report under regulation 5(2)(c) of the *Local Government (Financial Management) Regulations 1996*.
- 1.6 The Audit Committee's duties include;
  - (a) considering the Auditor's interim audit of the Shire's accounting and internal control procedures for the financial year;
  - (b) reviewing the audited financial report for the previous financial year;
  - (c) reviewing the interim and final audit reports for the financial year;
  - (d) reviewing the annual Compliance Audit Return;
  - (e) reviewing the CEO's triennial report on the appropriateness and effectiveness of the Shire's systems and procedures regarding risk management, internal controls and legislative compliance;
  - (f) reviewing the CEO's triennial report on the appropriateness and effectiveness of the Shire's financial management systems and procedures; and
  - (g) considering the proposed timeline for Council to adopt the budget and the ten-year financial plan for the following financial year; and providing a report to council on those matters.

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**7. AGENDA ITEMS**

**7.1 INTERNAL AUDIT – YEAR ENDED 30 JUNE 2021**

<b>FILE REFERENCE:</b>	GR01
<b>AUTHOR'S NAME AND POSITION:</b>	Janelle Fell Acting Director Corporate Services
<b>AUTHORISING OFFICER AND POSITION:</b>	Kenn Donohoe Chief Executive Officer
<b>NAME OF APPLICANT/RESPONDENT:</b>	Not Applicable
<b>DATE REPORT WRITTEN:</b>	1 March 2021
<b>DISCLOSURE OF FINANCIAL INTEREST:</b>	The author and the authorising officer have no financial, proximity or impartiality interests in the proposal
<b>PREVIOUS MEETING REFERENCE:</b>	Item 7.1 (Minute No. 132/2020) – Audit and Risk Management Committee Meeting 8 September 2020 (carried En Bloc under 9.3.2 - Ordinary Meeting of Council 8 September 2020)

**Summary**

Moore Australia has completed an internal audit that focused on matters identified in the 2019 Financial Management Review, procurement systems and controls, risk management practices, grants application, payments and acquittals, and records management compliance. The Internal Audit Report is presented for Council's consideration.

**Background**

In an effort to improve the effectiveness of its risk management, governance and control processes, Councillors endorsed the Audit and Risk Management Committee's role in preparing a three year internal audit plan at the September 2020 Ordinary Meeting of Council. Further, Council acknowledged the Chief Executive Officer was undertaking an internal audit on key areas of concern in accordance with the Chief Executives obligations for the Financial Management Regulations 1996 as amended for the year ended 30 June 2021 was to focus on the following areas:

- Identified matters in the 2019 Financial Management Review;
- Procurement systems and controls;
- Risk management practices;
- Grants applications, payments and acquittals; and
- Records management compliance with regulations and systems review.

**Comment**

Moore Australia were engaged to undertake an internal audit in accordance with the Institute of Internal Auditors 'International Standards for the Professional Practice of Internal Auditing' as contained in the 'International Professional Practices Framework', with the following objectives:



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- Examine and evaluate actions implemented in response to matters identified in the 2019 FMR review;
- Review the appropriateness and effectiveness of internal controls pertaining to processes key to procurement activities, including credit card expenditure and tenders in accordance with statutory requirements;
- Determine the compliance, efficiency, and effectiveness of the risk management framework with legislative compliance requirements and its consideration of better practice principles;
- Review the appropriateness and effectiveness of systems and internal controls pertaining to management of grants;
- Assess the systems for records capture and retrieval, retention and disposal, risk of loss of vital information, and to identify potential improvements.

Moore Australia summarised the findings in the following table. Further details can be found in the Ashburton Draft Internal Audit Report 2020-21.

Summary of Findings				
Review Area:	High	Medium	Minor	Total
Identified Matters – 2019 FMR	-	3	-	3
Procurement Systems and Controls	12	12	-	24
Risk Management Practices	4	9	5	18
Grants Management	-	6	5	11
Records Management	7	7	-	14

**ATTACHMENT 7.1**

Specific training to assist the Shire in following best practice principles and processes focusing on procurement systems and controls is to be delivered in early 2021. A further report will be provided to the Audit and Risk Management Committee in June 2021 to update Council on progress of addressing the Recommendations.

**Consultation**

Executive Leadership Team  
Moore Australia

**Statutory Environment**

Regulation 5(2)(c) of the *Local Government (Financial Management) Regulations 1996* requires the CEO to undertake reviews of the appropriateness and effectiveness of the financial management systems and procedures of the local government regularly and report to the local government the result of those reviews.

Internal Auditor reports functionally to the Audit and Risk Management Committee and administratively to the CEO. In accordance with section 5.41 of the *Local Government Act 1995*, the CEO is responsible for the day-to-day management of council activities, which implicitly includes the internal audit function.

Regulation 17 of the *Local Government (Audit) Regulations 1996* requires the CEO to conduct bi-annual reviews of the appropriateness and effectiveness of a Local Governments systems and procedures in relation to risk management, legislative compliance and internal control. Internal auditing is an essential function in meeting the requirements of this regulation.

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**Financial Implications**

Estimated costs for the three-year scope of work is ~\$77,000 plus GST based on experience of other local governments. Annual budgets are adequately provisioned for engagement of consultants for these services.

**Strategic Implications**

Shire of Ashburton 10 Year Strategic Community Plan 2017-2027 (Desktop Review 2019)

Goal 05 Inspiring Governance  
Objective 3 Council leadership

**Risk Management**

Risk has been assessed on the basis of the Officers Recommendation.

Risk	Risk Likelihood	Risk Impact / Consequence	Risk Rating	Principal Risk Theme	Risk Action Plan
Adequate Internal Controls, risk management and legislative compliance not in place	Possible (3)	Moderate (3)	Moderate (9)	Compliance – short term non-compliance but with significant regulatory requirements imposed	Internal Audit Plan 2020 – 2023 with regular update to Audit and Risk Management Committee

The following Risk Matrix has been applied.

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

Adoption of this item has been evaluated against the Shire of Ashburton's Risk Management Policy CORP5 Risk Matrix. The perceived level of risk is considered to be moderate risk and can be managed by routine procedures and is unlikely to need specific application of resources.

**Policy Implications**

There are no known policy implications for this matter.

**Voting Requirement**

Simple Majority Required

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**Officers Recommendation**

That with respect to the Internal Audit – Year Ended 30 June 2021, Council:

1. Acknowledge the contents of the Draft Internal Audit Report dated 15 February 2021, **ATTACHMENT 7.1**;
2. Acknowledge the specific training to be delivered by Moore Australia to assist Shire Administration in following best practice principles and processes focusing on procurement systems and controls in early 2021; and
3. Request the Chief Executive Officer to prepare a report updating the committee on progress of the recommendations identified within the report for the June 2021 Audit and Risk Management Committee meeting.

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**7.2 LOCAL GOVERNMENT COMPLIANCE AUDIT RETURN 2020**

<b>FILE REFERENCE:</b>	GV32
<b>AUTHOR'S NAME AND POSITION:</b>	Danielle Hurstfield Manager Governance
<b>AUTHORISING OFFICER AND POSITION:</b>	Kenn Donohoe Chief Executive Officer
<b>NAME OF APPLICANT/RESPONDENT:</b>	Not Applicable
<b>DATE REPORT WRITTEN:</b>	24 March 2021
<b>DISCLOSURE OF FINANCIAL INTEREST:</b>	The author and the authorising officer have no financial, proximity or impartiality interests in the proposal
<b>PREVIOUS MEETING REFERENCE:</b>	Agenda Item 7.1 (Minute No. 22/2020) Ordinary Meeting of Council 10 March 2020

**Summary**

The Audit and Risk Management Committee is requested to consider the results of the Compliance Audit Return (CAR) for the 2020 calendar year and recommend its adoption by Council prior to being submitted to the Department of Local Government, Sport and Cultural Industries (DLGSC).

**Background**

The 2020 CAR was made available to Local government authorities by DLGSC via its centralised portal in January 2021. The structure of the CAR is similar to previous years with a focus on areas of compliance considered high risk. In accordance with the *Local Government Act 1995* and *Local Government (Audit) Regulations 1996* a Local government is required to complete an annual CAR for the period 1 January to 31 December each year. The CAR is to be forwarded to the DLGSC by 31 March each year after consideration by the Audit and Risk Committee and adopted by Council. The aim of the CAR is to build good governance by promoting and enforcing compliance and encouraging all local governments to move beyond minimum compliance through continuous improvement.

The CAR contains the following compliance categories:

- Commercial Enterprises by Local Governments
- Delegation of Power/Duty Disclosure of Interest
- Disposal of Property
- Elections
- Finance
- Integrated Planning and Reporting
- Local Government Employees
- Official Conduct
- Tenders for Providing Goods and Services

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**Comment**

The period examined by this audit is 1 January to 31 December 2020 and the completed return is required to be:

- 1 Reviewed by the Audit and Risk Committee;
- 2 Considered and adopted by Council;
- 3 Certified by the President and Chief Executive Officer following Council adoption; and
- 4 Submitted together with a copy of the Council Minutes to the Department by 31 March 2021.

The DLGSC continues to focus on high risk areas of compliance and statutory reporting as prescribed in Regulation 13 of the *Local Government (Audit) Regulations 1996*. The CAR for the period 1 January to 31 December 2020 comprises a total of 102 questions, down from 104 questions the previous year. Council achieved 97/102 (95%). The key focus areas covered in the CAR and a summary of our audit are as follows:

1. Commercial Enterprises by Local Governments (5 compliance areas)  
Compliance with all items.
2. Delegation of Power/Duty (13 compliance areas)  
Keeping written records by persons exercising a delegated power or duty has been identified as an area for improvement. In September 2020 the Attain system was implemented with a review of the Delegated Authority Register. Further training will provide improvement in this area.
3. Disclosure of Interest (21 compliance areas)  
Compliance with all items.
4. Disposal of Property (2 compliance areas)  
Compliance with all items.
5. Elections (3 compliance areas)  
Compliance with all items.
6. Finance (11 compliance areas)  
Auditors Report was not received by 31 December 2020.
7. Integrated Planning and Reporting (3 compliance areas)  
Compliance with all items.
8. Local Government Employees (6 compliance areas)  
Compliance with all items.
9. Official Conduct (4 compliance areas)  
Compliance with all items.
10. Optional Questions (10 compliance areas)  
Two instances for improvement - a Policy for the Continuing Professional Development of Councillors was not adopted, however Councillors are undertaking mandatory training. Endorsement of a Policy will be achieved by April 2021. In addition, Balanced Accounts were not submitted to the auditor by 30 September 2020; the first draft of the 2019/20 Balanced Accounts was forwarded to Auditor's RSM on 9 October 2020.
11. Tenders for Providing Goods and Services (24 compliance areas)

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The Shire did not have in place a compliant Regional Price Preference Policy for the entire reporting period. The policy was adopted on 10 November 2020.

### **Consultation**

A number of officers who have compliance responsibility relevant to the CAR were consulted. Source documents including minutes of meetings, declarations of interest, annual and primary returns, resolutions of Council, and public notices, were all utilised in evidencing the Shire's compliance with the requirements of the CAR. Guidance has been communicated by the DLGSC via government circulars and guidelines.

Chief Executive Officer  
Manager Finance  
Manager Human Resources  
Manager Land and Asset Compliance  
Senior Procurement Officer

### **Statutory Environment**

#### **Local Government (Audit) Regulations 1996**

##### *14. Compliance audits by local governments*

- (1) A local government is to carry out a compliance audit for the period 1 January to 31 December in each year.*
  - (2) After carrying out a compliance audit the local government is to prepare a compliance audit return in a form approved by the Minister.*
  - (3A) The local government's audit committee is to review the compliance audit return and is to report to the council the results of that review.*
  - (3) After the audit committee has reported to the council under subregulation (3A), the compliance audit return is to be —*
    - (a) presented to the council at a meeting of the council; and*
    - (b) adopted by the council; and*
    - (c) recorded in the minutes of the meeting at which it is adopted.*
- 15. Compliance audit return, certified copy of etc. to be given to Departmental CEO*
- (1) After the compliance audit return has been presented to the council in accordance with regulation 14(3) a certified copy of the return together with—*
    - (a) a copy of the relevant section of the minutes referred to in regulation 14(3)(c); and*
    - (b) any additional information explaining or qualifying the compliance audit, is to be submitted to the Departmental CEO by 31 March next following the period to which the return relates.*

### **Financial Implications**

There are no known financial implications for this matter.

### **Strategic Implications**

Shire of Ashburton 10 Year Strategic Community Plan 2017-2027 (Desktop Review 2019)

Goal 05 Inspiring Governance  
Objective 3 Council leadership

Desired outcome – Council effectively governing the Shire, demonstrating effective governance and town leadership.

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**Risk Management**

Risk has been assessed on the basis of the Officers Recommendation.

<b>Risk</b>	<b>Risk Likelihood</b>	<b>Risk Impact / Consequence</b>	<b>Risk Rating</b>	<b>Principal Risk Theme</b>	<b>Risk Action Plan (Controls or Treatment proposed)</b>
Legal and Compliance: The Compliance Audit Return This would result in non compliance with regulatory requirements imposed.	Unlikely (2)	Minor (2)	Low	Some temporary non compliances	Accept Officers recommendation

The following Risk Matrix has been applied.

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

Adoption of this item has been evaluated against the Shire of Ashburton’s Risk Management Policy CORP5 Risk Matrix. The perceived level of risk is considered to be low due to Council’s understanding of regulatory requirements.

**Policy Implications**

There are no known policy implications for this matter.

**Voting Requirement**

Simple Majority Required

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**Officers Recommendation**

That with respect to the Local Government Compliance Audit Return 2020 that the Audit and Risk Management Committee:

1. Endorse the completed Compliance Audit Return for the period 1 January 2020 to 31 December 2020; and
2. Recommend Council:
  - a) Adopt the completed 2020 Compliance Audit Return for the period 1 January 2020 to 31 December 2020 **ATTACHMENT 7.2**;
  - b) Authorise the Shire President and Chief Executive Officer to sign the joint certification and submit the completed Compliance Audit Return, and any additional information explaining or quantifying the compliance audit, to the Department of Local Government, Sport and Cultural Industries by 31 March 2021; and
  - c) Note the non-compliance and requests the Chief Executive Officer to address the areas of non-compliance and report back to the Audit and Risk Committee on the measures taken to mitigate the non-compliances no later than 20 June 2021.



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**7.3 REGULATION 17 REVIEW – 2020 PROGRAM**

<b>FILE REFERENCE:</b>	GV04
<b>AUTHOR'S NAME AND POSITION:</b>	Danielle Hurstfield Manager Governance
<b>AUTHORISING OFFICER AND POSITION:</b>	Kenn Donohoe Chief Executive Officer
<b>NAME OF APPLICANT/RESPONDENT:</b>	Not Applicable
<b>DATE REPORT WRITTEN:</b>	24 February 2021
<b>DISCLOSURE OF FINANCIAL INTEREST:</b>	The author and the authorising officer have no financial, proximity or impartiality interests in the proposal
<b>PREVIOUS MEETING REFERENCE:</b>	Ordinary Meeting of Council 8 September 2020 Adoption of Committee Minutes EnBloc.

**Summary**

This report sets out the findings of the Chief Executive Officer's review of systems and processes relating to legislative compliance, risk management and internal controls and provides actions to address these issues, as required by Regulation 17 of the *Local Government (Audit) Regulations*.

In accordance with Regulation 16 of the *Local Government (Audit) Regulations* requiring the Audit and Risk Committee to review a report given to it by the CEO under regulation 17(3) this item seeks the endorsement of the Audit and Risk Committee and recommendation to Council for adoption.

**Background**

Regulation 16(C) of the *Local Government (Audit) Regulations 1996* stipulates that the Audit Committee is to review a report given to it by the Chief Executive Officer (CEO) under Regulation 17 (3) of the *Local Government (Audit) Regulations 1996*. Regulation 17 of the *Local Government (Audit) Regulations 1996* provides that the CEO is to review the appropriateness and effectiveness of the local governments systems and procedures in relation to risk management, internal control and legislative compliance.

The Audit Committee is also required to report to the Council the results of that review and give a copy of the CEO's report to the Council.

Regulation 17 of the *Local Government (Audit) Regulations 1996* require the CEO to conduct a review of systems and procedures relating to legislative compliance, risk management and internal controls on a triennial basis.

The Regulation 17 Audit incorporates the requirement under Regulation 5 (2) (c) of the *Local Government (Financial Management) Regulations 1996* which provides the Chief Executive Officer is to: 'Undertake reviews of the appropriateness and effectiveness of the financial management systems and procedures of the local government regularly (and not less than once every 3 financial years) and report to the local government the results of those reviews.'

## PUBLIC AGENDA - AUDIT AND RISK MANAGEMENT COMMITTEE MEETING 16 MARCH 2021

### Comment

The attached table provides updates from September 2020 report from AMD Chartered Accountants and comments from Officers to address improvement opportunities.

### ATTACHMENT 7.3

### Consultation

Executive Leadership Team  
Manager Finance and Administration  
Manager Fleet  
ICT Specialist  
Manager Community Services  
Senior Procurement Officer

### Statutory Environment

*Local Government (Audit) Regulations 1996*

#### 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 —
  - (i) regulation 17(1); and*
  - (ii) the Local Government (Financial Management) Regulations 1996 regulation 5(2)(c);**

#### 17. *CEO to review certain systems and procedures*

- (1) The CEO is to review the appropriateness and effectiveness of a local government's systems and procedures in relation to —
  - (a) risk management; and*
  - (b) internal control; and*
  - (c) legislative compliance.**
- (2) The review may relate to any or all of the matters referred to in subregulation (1)(a), (b) and (c), but each of those matters is to be the subject of a review not less than once in every 3 financial years.*
- (3) The CEO is to report to the audit committee the results of that review.*

### Financial Implications

Implementing the recommendations of the Report that have financial impacts will be processed through normal budgetary processes.

### Strategic Implications

Shire of Ashburton 10 Year Strategic Community Plan 2017-2027 (Desktop Review 2019)

Goal 05 Inspiring Governance  
Objective 4 Exemplary team and work environment

**PUBLIC AGENDA - AUDIT AND RISK MANAGEMENT  
COMMITTEE MEETING 16 MARCH 2021**

**Risk Management**

Risk has been assessed on the basis of the Officers Recommendation.

<b>Risk</b>	<b>Risk Likelihood</b>	<b>Risk Impact / Consequence</b>	<b>Risk Rating</b>	<b>Principal Risk Theme</b>	<b>Risk Action Plan (Controls or Treatment proposed)</b>
Compliance Failure to address areas for improvement identified in the Regulation 17 report	Possible (3)	Minor (2)	Moderate (6)	Some temporary non compliances	Adopt Officer recommendation.

The following Risk Matrix has been applied.

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

Adoption of this item has been evaluated against the Shire of Ashburton's Risk Management Policy CORP5 Risk Matrix. The perceived level of risk is considered to be moderate. The plan addresses outstanding items and regular monitoring and reporting will be undertaken with quarterly reporting to the Audit and Risk Management Committee.

**Policy Implications**

Various policies may need to be amended to support implementation of improvements as a result of this review. This will take place over the coming months though the policy review process.

**Voting Requirement**

Simple Majority Required

**Officers Recommendation**

That with respect to the Regulation 17 Review - 2020 Program, the Audit and Risk Management Committee notes the progress of the program of suggested improvements/opportunities to address the Regulation 17 Risk Audit (**ATTACHMENT 7.3**).

**PUBLIC AGENDA - AUDIT AND RISK MANAGEMENT  
COMMITTEE MEETING 16 MARCH 2021**

**7.4 2019/20 INDEPENDENT FINANCIAL AUDIT REPORT AND  
MANAGEMENT REPORTS**

<b>FILE REFERENCE:</b>	FM09
<b>AUTHOR'S NAME AND POSITION:</b>	Janelle Fell Acting Director Corporate Service
<b>AUTHORISING OFFICER AND POSITION:</b>	Kenn Donohoe Chief Executive Officer
<b>NAME OF APPLICANT/ RESPONDENT:</b>	Not Applicable
<b>DATE REPORT WRITTEN:</b>	10 March 2021
<b>DISCLOSURE OF FINANCIAL INTEREST:</b>	The author and the authorising officer have no financial, proximity or impartiality interests in the proposal
<b>PREVIOUS MEETING REFERENCE:</b>	Agenda Item 7.1 (Minute No. 1/2021) 16 February 2021 – Audit and Risk Management Committee Meeting

**Summary**

The Auditors conducted the Annual Financial Audit for 2019/20 during October 2020 to January 2021. Council accepted the 2019/20 Annual Financial Report, Independent Auditors Report and Independent Audit Management Letter at the February 2021 Audit and Risk Management Committee Meeting.

The reports have now been formally issued by the Office of the Auditor General (OAG) and require acceptance by Council.

**Background**

Auditors RSM, as appointed by the Office of the Auditor General completed fieldwork during a visit to Tom Price in October.

Upon agreement by RSM and the OAG, the Shire was issued with the following documents for the Audit Exit Meeting held on Friday 10 February:

1. Exit Meeting Report
2. Audit Closing Report
3. Final Audit Management Letter

Two control weaknesses were identified during the Final Audit of the Shire:

1. Excess Leave Management
2. Related Party Declarations

Three control weaknesses were identified during the Interim Audit of the Shire:

1. Incorrect Capitalisation of Minor Assets
2. Procurement Controls

**PUBLIC AGENDA - AUDIT AND RISK MANAGEMENT  
COMMITTEE MEETING 16 MARCH 2021**

3. Petty Cash Controls

**Comment**

The OAG made available on 24 February 2021 the 2019/20 Opinion package which included:

1. Final Management Letter
2. Opinion
3. Financial Statements 30 June 2020
4. Transmittal Letter to CEO
5. Transmittal Letter to President

**ATTACHMENT 7.4A  
ATTACHMENT 7.4B  
ATTACHMENT 7.4C  
ATTACHMENT 7.4D  
ATTACHMENT 7.4E**

The Delegate of the Auditor General for Western Australia states in the Opinion letter:

*'In my opinion the annual financial report of the Shire of Ashburton:*

- 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.'*

The OAG has forwarded the reports to the CEO, President and the Minister as required by the *Local Government Act 1995*. As the annual reports, including the auditor's report and the audited financial report, are now fully executed and have been formally made available by the OAG, Council is requested to accept the reports after which they will be available on the Shire's website within 14 days of acceptance.

**Consultation**

Executive Leadership Team  
Office of Auditor General  
RSM (Auditors)

**Statutory Environment**

The Shire is required to prepare an Annual Report for each financial year in accordance with Part 5 Division 5 of *the Act*. The Report is to be accepted no later than 31 December by an absolute majority in accordance with section 5.54 of *the Act*. Section 7.12 of the *Act* also applies:

7.12A. *Duties of local government with respect to audits*

- (1) *A local government is to do everything in its power to—*
  - (a) *assist the auditor of the local government to conduct an audit and carry out his or her other duties under this Act in respect of the local government; and*
  - (b) *ensure that audits are conducted successfully and expeditiously.*
- (2) *Without limiting the generality of subsection (1), a local government is to meet with the auditor of the local government at least once in every year.*
- (3) *A local government is to examine the report of the auditor prepared under section 7.9(1), and any report prepared under section 7.9(3) forwarded to it, and is to—*
  - (a) *determine if any matters raised by the report, or reports, require action to be taken by the local government; and*

**PUBLIC AGENDA - AUDIT AND RISK MANAGEMENT  
COMMITTEE MEETING 16 MARCH 2021**

- (b) ensure that appropriate action is taken in respect of those matters.
- (4) A local government is to —
- (a) prepare a report on any actions under subsection (3) in respect of an audit conducted in respect of a financial year; and
- (b) forward a copy of that report to the Minister, by the end of the next financial year, or 6 months after the last report prepared under section 7.9 is received by the local government, whichever is the latest in time

**Financial Implications**

Outcomes of the Report will influence the current Budget as well as the Long-Term Financial Plan.

**Strategic Implications**

Shire of Ashburton 10 Year Strategic Community Plan 2017-2027 (Desktop Review 2019)

Goal 5 Inspiring Governance

Objective 3 Council leadership

**Risk Management**

Risk has been assessed on the basis of the Officers Recommendation.

Risk	Risk Likelihood	Risk Impact / Consequence	Risk Rating	Principal Risk Theme	Risk Action Plan (Controls or Treatment proposed)
Compliance	Rare (1)	Moderate (4)	Low (3)	Short term non-compliance with significant regulatory requirements imposed	Accept Officers Recommendation.

The following risk matrix has been applied.

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

Adoption of this item has been evaluated against the Shire of Ashburton’s Risk Management Policy CORP5 Risk Matrix. The perceived level of risk is considered to be low due to the legislative requirements for this to occur in a timely manner, which can be managed by routine procedures.

**Policy Implications**

There are no known policy implications for this matter.

**PUBLIC AGENDA - AUDIT AND RISK MANAGEMENT  
COMMITTEE MEETING 16 MARCH 2021**

**Voting Requirement**

Simple Majority Required

**Officers Recommendation**

That with respect to the 2019/20 Independent Financial Audit Report and the Management Reports, the Audit and Risk Management Committee note receipt of the Management Report for the year ended 30 June 2020 and recommend Council:

1. Accept the 2019/20 Office of Auditor General Opinion package including:
  - a) Final Management Letter **ATTACHMENT 7.4A**;
  - b) Opinion **ATTACHMENT 7.4B**; and
  - c) Financial Statements 30 June 2020 **ATTACHMENT 7.4C**; and
2. Authorise the Chief Executive Officer to make the reports available on the Shire of Ashburton's website within 14 days of acceptance.

**PUBLIC AGENDA - AUDIT AND RISK MANAGEMENT  
COMMITTEE MEETING 16 MARCH 2021**

**8. CONFIDENTIAL MATTERS**

*Under the Local Government Act 1995, Part 5, and Section 5.23, states in part:*

- (2) *If a meeting is being held by a council or by a committee referred to in subsection (1)(b), the council or committee may close to members of the public the meeting, or part of the meeting, if the meeting or the part of the meeting deals with any of the following —*
- (a) *a matter affecting an employee or employees; and*
  - (b) *the personal affairs of any person; and*
  - (c) *a contract entered into, or which may be entered into, by the local government and which relates to a matter to be discussed at the meeting;*
  - (d) *legal advice obtained, or which may be obtained, by the local government and which relates to a matter to be discussed at the meeting; and*
  - (e) *a matter that if disclosed, would reveal —*
    - (i) *a trade secret; or*
    - (ii) *information that has a commercial value to a person; or*
    - (iii) *information about the business, professional, commercial or financial affairs of a person, where the trade secret or information is held by, or is about, a person other than the local government; and*
  - (f) *a matter that if disclosed, could be reasonably expected to —*
    - (i) *impair the effectiveness of any lawful method or procedure for preventing,*  
*detecting, investigating or dealing with any contravention or possible contravention of the law; or*
    - (ii) *endanger the security of the local government's property; or*
    - (iii) *prejudice the maintenance or enforcement of a lawful measure for protecting public safety;*
  - (g) *information which is the subject of a direction given under section 23(1a) of the Parliamentary Commissioner Act 1971; and*
  - (h) *such other matters as may be prescribed.*



**PUBLIC AGENDA - AUDIT AND RISK MANAGEMENT  
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**8.1 CONFIDENTIAL ITEM - UPDATE ON WITTENOOM LITIGATION, USE OF DELEGATION, WITTENOOM STEERING COMMITTEE, AND SENIOR COUNSEL LEGAL BRIEF**

**FILE REFERENCE:** LS34

**AUTHOR'S NAME AND POSITION:** Janyce Smith  
Senior Administration Officer

**AUTHORISING OFFICER AND POSITION:** Janelle Fell  
Acting Director Corporate Services

**NAME OF APPLICANT/  
RESPONDENT:** Not Applicable

**DATE REPORT WRITTEN:** 25 February 2021

**DISCLOSURE OF FINANCIAL INTEREST:** The authors and the authorising officer have no financial proximity or impartiality interests in the proposal

**PREVIOUS MEETING REFERENCE:** Confidential Agenda Item 8.1 (Minute No. 216/2020)  
Audit and Risk Committee Meeting 11 December 2020

**REASON FOR CONFIDENTIALITY**

This Report is confidential in accordance with s5.23 (2) *the Local Government Act 1995* because it deals with matters affecting s5.23 (2):

- (b) *the personal affairs of any person;*
- (d) *legal advice obtained, or which may be obtained, by the local government and which relates to a matter to be discussed at the meeting.*

□

**Officers Recommendation**

That with respect to the Confidential Item – Update on Wittenoom Litigation, Use of Delegation, Wittenoom Steering Committee and Senior Counsel Legal Advice, the Audit and Risk Management Committee recommend Council:

1. Receive the Confidential Item – Update on Wittenoom Litigation, Use of Delegation, Wittenoom Steering Committee, Senior Counsel Brief and Advice and Roebourne - Wittenoom Road (**CONFIDENTIAL ATTACHMENT 8.1**) and remain confidential in accordance s5.23 (2)(b) & (d) of the *Local Government Act 1995*; and
2. Ensure that the Chief Executive Officer continues to provide Wittenoom related reports to the Audit and Risk Management Committee.

**9. NEXT MEETING**

The next Audit and Risk Management Committee Meeting will be held on Tuesday 15 June 2021 at the Ashburton Hall, Ashburton Avenue, Paraburdoo at a time to be advised.

**10. CLOSURE OF MEETING**

The Presiding Member closed the meeting at \_\_\_\_\_ am.

**MINUTES - AUDIT AND RISK MANAGEMENT COMMITTEE MEETING  
16 FEBRUARY 2021**



**SHIRE OF ASHBURTON  
AUDIT AND RISK MANAGEMENT  
COMMITTEE MEETING**

**MINUTES  
(Public Document)**

**Ashburton Hall, Ashburton Avenue  
Paraburdoo  
16 February 2021**

**8.30 am**

**MINUTES - AUDIT AND RISK MANAGEMENT COMMITTEE MEETING  
16 FEBRUARY 2021**

**SHIRE OF ASHBURTON**

**AUDIT AND RISK MANAGEMENT COMMITTEE MEETING**

The Chief Executive Officer recommends the endorsement of these minutes at the next Ordinary Meeting of Council.

**Mr K Donohoe  
CHIEF EXECUTIVE OFFICER**

Date: 16.02.2021

These minutes were confirmed by Council as a true and correct record of proceedings of the Ordinary Meeting of Council on the 16 February 2021.

**Presiding Member:** \_\_\_\_\_

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

**DISCLAIMER**

*The resolutions contained in the Minutes are subject to confirmation by Council. The Shire of Ashburton warns that anyone who has any application lodged with Council must obtain and should only rely on written confirmation of the outcomes of the application following the Council meeting, and any conditions attaching to the decision made by the Council in respect of the application. No responsibility whatsoever is implied or accepted by the Shire of Ashburton for any act, omission or statement or intimation occurring during a Council meeting.*

**MINUTES - AUDIT AND RISK MANAGEMENT COMMITTEE MEETING  
16 FEBRUARY 2021**

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UNCONFIRMED MINUTES

**MINUTES - AUDIT AND RISK MANAGEMENT COMMITTEE MEETING  
16 FEBRUARY 2021**

**1. DECLARATION OF OPENING**

The Presiding Member declared the meeting open at 8.34 am.

**1.1 ACKNOWLEDGEMENT OF COUNTRY**

As representatives of the Shire of Ashburton Council, we respectfully acknowledge the local Indigenous people, the traditional custodians of this land where we are meeting upon today and pay our respects to them and all their elders both past, present and emerging.

**2. ATTENDANCE**

**2.1 PRESENT**

<b>Members:</b>	Cr K White Cr L Rumble Cr M Lynch Cr D Diver Cr R de Pledge Cr D Dias	Onslow Ward (Presiding Member) Paraburdoo Ward Tom Price Ward Tom Price Ward Ashburton Ward Paraburdoo Ward
<b>Staff:</b>	Mr K Donohoe Mr A Majid Mrs C McGurk Mr M Khosravi Mrs J Fell Mrs M Lewis Mrs A Lennon	Chief Executive Officer Director Development Services Director Projects and Procurement Director Infrastructure Services Acting Director Corporate Services Council Liaison Officer Manager Media and Communication
<b>Guests:</b>	Efthalia Samaras Krushna Hirani David Wall	Office of the Auditor General (Dial in) RSM (Dial in) RSM (Dial in)
<b>Members of Public:</b>	There were no members of the public in attendance at the commencement of the meeting.	
<b>Members of Media:</b>	There were no members of the media in attendance at the commencement of the meeting.	

**2.2 APOLOGIES**

Cr M Gallanagh	Pannawonica Ward
Mr J Bingham	Director Corporate Services
Cr J Richardson	Tablelands Ward

**2.3 APPROVED LEAVE OF ABSENCE**

Cr P Foster	Tom Price Ward
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**3. ANNOUNCEMENT OF VISITORS**

There were no visitors for this meeting.

**4. DECLARATION BY MEMBERS**

## MINUTES - AUDIT AND RISK MANAGEMENT COMMITTEE MEETING 16 FEBRUARY 2021

### 4.1 DUE CONSIDERATION BY COUNCILLORS TO THE AGENDA

All Councillors noted that they had given due consideration to all matters contained in the Agenda presently before the meeting.

### 4.2 DECLARATIONS OF INTEREST

#### Councillors to Note

A member who has an Impartiality, Proximity or Financial Interest in any matter to be discussed at a Council or Committee Meeting, which will be attended by the member, must disclose the nature of the interest:

- (a) In a written notice given to the Chief Executive Officer before the Meeting or;
- (b) At the Meeting, immediately before the matter is discussed.

A member, who makes a disclosure in respect to an interest, must not:

- (a) Preside at the part of the Meeting, relating to the matter or;
- (b) Participate in, or be present during any discussion or decision-making procedure relative to the matter, unless to the extent that the disclosing member is allowed to do so under Section 5.68 or Section 5.69 of the *Local Government Act 1995*.

#### **NOTES ON DECLARING INTERESTS (FOR YOUR GUIDANCE)**

The following notes are a basic guide for Councillors when they are considering whether they have an interest in a matter.

These notes are included in each agenda for the time being so that Councillors may refresh their memory.

1. A Financial Interest requiring disclosure occurs when a Council decision might advantageously or detrimentally affect the Councillor or a person closely associated with the Councillor and is capable of being measure in money terms. There are exceptions in the *Local Government Act 1995* but they should not be relied on without advice, unless the situation is very clear.
2. If a Councillor is a member of an Association (which is a Body Corporate) with not less than 10 members i.e. sporting, social, religious etc.), and the Councillor is not a holder of office of profit or a guarantor, and has not leased land to or from the club, i.e., if the Councillor is an ordinary member of the Association, the Councillor has a common and not a financial interest in any matter to that Association.
3. If an interest is shared in common with a significant number of electors or ratepayers, then the obligation to disclose that interest does not arise. Each case needs to be considered.
4. If in doubt declare.
5. As stated in (b) above, if written notice disclosing the interest has not been given to the Chief Executive Officer before the meeting, then it **MUST** be given when the matter arises in the Agenda, and immediately before the matter is discussed.

## MINUTES - AUDIT AND RISK MANAGEMENT COMMITTEE MEETING 16 FEBRUARY 2021

6. Ordinarily the disclosing Councillor must leave the meeting room before discussion commences. The **only** exceptions are:
  - 6.1 Where the Councillor discloses the **extent** of the interest, and Council carries a motion under s.5.68(1)(b)(ii) or the *Local Government Act*; or
  - 6.2 Where the Minister allows the Councillor to participate under s.5.69 (3) of the *Local Government Act*, with or without conditions.

### Declarations of Interest provided:

Item Number/ Name	Type of Interest	Nature/Extent of Interest
There are no Declarations of Interest for this meeting.		

## 5. CONFIRMATION OF MINUTES OF PREVIOUS MEETING

### 5.1 AUDIT AND RISK COMMITTEE MEETING HELD ON 8 SEPTEMBER 2020

#### Officers Recommendation

Moved: Cr D Diver

Seconded: Cr M Lynch

That the Unconfirmed Minutes of the Audit and Risk Committee Meeting held on 11 December 2020 (ATTACHMENT 5.1) be confirmed as a true and accurate record.

CARRIED 6/0

## 6. TERMS OF REFERENCE

### Audit and Risk Management Committee

#### Purpose

The Audit Committee's role in accordance with Regulation 15 of the *Local Government (Audit) Regulations 1995* is to provide assistance and guidance to Council on the discharge of its duties under Part 6 and 7 of the *Local Government Act 1995 (the Act)*. The Audit Committee assists Council to monitor the integrity of the Shire's financial statements, risk management, internal controls and compliance with legislative requirements.

#### Responsibilities

The Audit Committee is responsible for:

- 1.1 Guiding and assisting Council in carrying out its functions under:
  - (a) Part 6 of the *Act* and its functions relating to other audits and other matters related to financial management; and
  - (b) Part 7 of the *Act* in relating to auditing the Shire's financial accounts.
- 1.2 Reviewing the CEO's report required under regulation 17(3).
- 1.3 Monitoring and advising the CEO when the CEO is carrying out functions in relation to a review under:
  - (a) regulation 17 (1); and

**MINUTES - AUDIT AND RISK MANAGEMENT COMMITTEE MEETING  
16 FEBRUARY 2021**

- (b) the *Local Government (Financial Management) Regulations 1996*, regulation 5(2)(c).
- 1.4 Support the Auditor conducting an audit and carrying out the Auditor's other duties under the *Act*.
- 1.5 Oversee the implementation of any action that Council
  - (a) is required to take, has stated it has taken or intends to take in respect to matters raised by the audit report;
  - (b) has accepted should be taken on receipt of the CEO's report of a review under regulation 17(1); and
  - (c) has accepted should be taken on receipt of the CEO's report under regulation 5(2)(c) of the *Local Government (Financial Management) Regulations 1996*.
- 1.6 The Audit Committee's duties include;
  - (a) considering the Auditor's interim audit of the Shire's accounting and internal control procedures for the financial year;
  - (b) reviewing the audited financial report for the previous financial year;
  - (c) reviewing the interim and final audit reports for the financial year;
  - (d) reviewing the annual Compliance Audit Return;
  - (e) reviewing the CEO's triennial report on the appropriateness and effectiveness of the Shire's systems and procedures regarding risk management, internal controls and legislative compliance;
  - (f) reviewing the CEO's triennial report on the appropriateness and effectiveness of the Shire's financial management systems and procedures; and
  - (g) considering the proposed timeline for Council to adopt the budget and the ten-year financial plan for the following financial year; and providing a report to council on those matters.



**MINUTES - AUDIT AND RISK MANAGEMENT COMMITTEE MEETING  
16 FEBRUARY 2021**

**7. AGENDA ITEMS**

**7.1 REVIEW OF 2019/20 INDEPENDENT FINANCIAL AUDIT REPORT AND MANAGEMENT REPORTS**

<b>FILE REFERENCE:</b>	FM09
<b>AUTHOR'S NAME AND POSITION:</b>	Gillian Smith Acting Manager Finance
<b>AUTHORISING OFFICER AND POSITION:</b>	Janelle Fell Acting Director Corporate Services.
<b>NAME OF APPLICANT/RESPONDENT:</b>	Not Applicable
<b>DATE REPORT WRITTEN:</b>	28 January 2021
<b>DISCLOSURE OF FINANCIAL INTEREST:</b>	The author and the authorising officer have no financial, proximity or impartiality interests in the proposal
<b>PREVIOUS MEETING REFERENCE:</b>	Not Applicable

**Summary**

Auditors RSM Australia conducted the Annual Financial Audit for 2019/20 during October 2020 to January 2021. This report discusses the outcomes of the Audit including the Independent Auditors Report and Management letter.

**Background**

In 2018/19 the Office of the Auditor General (OAG) was appointed as Councils auditor in accordance with the provisions of the *Local Government Amendment (Auditing) Act 2017*. Further to this appointment in February 2019 the OAG went to tender and advised RSM Australia would be the Shires external auditors for 2018/19 which was extended to include 2019/20.

RSM completed their fieldwork during a visit to Tom Price in October. At a de-brief meeting prior to departure, the Auditors confirmed there were no compliance issues nor detected any occurrences of fraud in relation to the *Local Government Act 1995* ("the Act") and the *Local Government (Financial Management) Regulations 2011* ("the Financial Regulations").

A list of outstanding information required by the Auditors plus completion of work papers by Finance Officers was finalised in January resulting in the Financial Report for the year ended 30 June 2020 being completed in the week beginning 8 February 2021.

**Comment**

This year the audit process has been more extensive than prior years due to significant changes to Australian Accounting Standards, COVID-19 implications and changes to *Local Government (Financial Management) Regulations 1996*, some of which were only introduced in November 2020 and being back dated to the 1 July 2019.

## MINUTES - AUDIT AND RISK MANAGEMENT COMMITTEE MEETING 16 FEBRUARY 2021

Key deliverables were:

- **Annual financial statements audit report** - an Independent Audit Report issuing Council with an *unqualified audit opinion* on the 2019/20 Financial Reports i.e. the financial statements are free from material misstatement whether due to fraud or error;

The Annual Financial Report includes a Statement of Financial Position as at 30 June 2020, a Statement of Comprehensive Income, a Statement of Changes in Equity, a Statement of Cash-flows and a Statement of Rate Setting Statement for the year ended 30 June 2020 inclusive of accounting policies and other explanatory notes and statements.

- **Other legal and regulatory requirements audit** - a report on compliance with requirements of the *Local Government Act 1995* ("the Act") or *Local Government (Financial Management) Regulations 1996* ("the Financial Management Regulations"). The auditors noted two material matters indicating non-compliance with part 6 of the Act, the *Financial Management Regulations* or applicable financial controls of any other written law;

### Management Letters

Two control weaknesses were identified during the Final Audit of the Shire:

1. Excess Leave Management
2. Related Party Declarations

These control weaknesses were identified during the Interim Audit of the Shire:

1. Incorrect Capitalisation of Minor Assets
2. Procurement Controls
3. Petty Cash Controls

Following on from this the Office of Auditor General made available on 12 February 2021 the 2019/20 Independent Audit Report, Management Letter and Financial Statements.

**ATTACHMENT 7.1A**  
**ATTACHMENT 7.1B**  
**ATTACHMENT 7.1C**  
**ATTACHMENT 7.1D**

The Audit and Risk Committee will be provided the opportunity to meet and discuss the Audit Report and Management Reports with the Auditor at the meeting.

### Consultation

Executive Leadership Team  
Finance Team and Manager  
RSM Australia (Auditor)

### Statutory Environment

The Shire is required to prepare an Annual Report for each financial year in accordance with Part 5 Division 5 of *the Act*. The Report is to be accepted no later than 31 December by an absolute majority in accordance with section 5.54 of *the Act*. Section 7.12 of the *Act* also applies:

- 7.12A. *Duties of local government with respect to audits*  
(1) A local government is to do everything in its power to —

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

**Financial Implications**

Outcomes of the Report will influence the current Budget as well as the Long Term Financial Plan.

**Strategic Implications**

Shire of Ashburton 10 Year Strategic Community Plan 2017-2027 (Desktop Review 2019)

Goal 05 Inspiring Governance

Objective 3 Council leadership

**Risk Management**

Risk has been assessed on the basis of the Officers Recommendation.

<b>Risk</b>	<b>Risk Likelihood</b>	<b>Risk Impact / Consequence</b>	<b>Risk Rating</b>	<b>Principal Risk Theme</b>	<b>Risk Action Plan (Controls or Treatment proposed)</b>
Compliance	Rare (1)	Moderate (4)	Low (3)	Short term non-compliance with significant regulatory requirements imposed	Accept Officer Recommendation

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The following risk matrix has been applied.

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

Adoption of this item has been evaluated against the Shire of Ashburton's Risk Management Policy CORP5 Risk Matrix. The perceived level of risk is considered to be low due to the legislative requirements for this to occur in a timely manner, which can be managed by routine procedures.

#### Policy Implications

There are no known policy implications for this matter.

#### Voting Requirement

Simple Majority Required

#### Committee Recommendation

That with respect to the Review of the 2019/20 Independent Financial Audit Report and Management Reports, that the Audit and Risk Committee note receipt of the Management Report for the year ended 30 June 2020 and recommend Council:

1. Note the presentation by the Auditor to the Committee;
2. Accept the 2019/20 Annual Financial Report ATTACHMENT 7.1A; and
3. Accept the Independent Auditors Report ATTACHMENT 7.1B and Final Audit Management Letter to the Electors of the Shire of Ashburton for the year ended 30 June 2020 ATTACHMENT 7.1C.

**MINUTES - AUDIT AND RISK MANAGEMENT COMMITTEE MEETING  
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**Motion****MINUTE:** 1/2021**Moved:** Cr M Lynch**Seconded:** Cr D Diver

**That with respect to the Review of the 2019/20 Independent Financial Audit Report and Management Reports, that the Audit and Risk Committee note receipt of the Management Report for the year ended 30 June 2020 and recommend Council:**

- 1. Note the presentation by the Auditor to the Committee;**
- 2. Accept the 2019/20 Annual Financial Report ATTACHMENT 7.1A; and**
- 3. Accept the Independent Auditors Report ATTACHMENT 7.1B and Final Audit Management Letter ATTACHMENT 7.1C and the Independent Audit Management Letter ATTACHMENT 7.1D to the Electors of the Shire of Ashburton for the year ended 30 June 2020.**

**CARRIED 6/0**

Danielle Hurstfield and Nicole Jeffery (Shire staff members) and Russell Barnes (Moore Australia) entered the meeting at 8.37 am.

Ben Witkowski (Shire staff member) entered the meeting at 8.45 am.

Alison Lennon (Shire staff member) entered the meeting at 8.50am.

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**8. CONFIDENTIAL MATTERS**

There were no Confidential Matters for this meeting.

*Under the Local Government Act 1995, Part 5, and Section 5.23, states in part:*

- (2) *If a meeting is being held by a council or by a committee referred to in subsection (1)(b), the council or committee may close to members of the public the meeting, or part of the meeting, if the meeting or the part of the meeting deals with any of the following —***
- (a) *a matter affecting an employee or employees; and***
  - (b) *the personal affairs of any person; and***
  - (c) *a contract entered into, or which may be entered into, by the local government and which relates to a matter to be discussed at the meeting;***
  - (d) *legal advice obtained, or which may be obtained, by the local government and which relates to a matter to be discussed at the meeting; and***
  - (e) *a matter that if disclosed, would reveal —***
    - (i) *a trade secret; or***
    - (ii) *information that has a commercial value to a person; or***
    - (iii) *information about the business, professional, commercial or financial affairs of a person, where the trade secret or information is held by, or is about, a person other than the local government; and***
  - (f) *a matter that if disclosed, could be reasonably expected to —***
    - (i) *impair the effectiveness of any lawful method or procedure for preventing, detecting, investigating or dealing with any contravention or possible contravention of the law; or***
    - (ii) *endanger the security of the local government's property; or***
    - (iii) *prejudice the maintenance or enforcement of a lawful measure for protecting public safety;***
  - (g) *information which is the subject of a direction given under section 23(1a) of the Parliamentary Commissioner Act 1971; and***
  - (h) *such other matters as may be prescribed.***

**MINUTES - AUDIT AND RISK MANAGEMENT COMMITTEE MEETING  
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**9. NEXT MEETING**

The next Audit and Risk Management Committee Meeting will be held on Tuesday 16 March 2021 at the Onslow Sports Club, Third Avenue, Onslow at a time to be advised.

**10. CLOSURE OF MEETING**

The Presiding Member closed the meeting at 8.58 am.

UNCONFIRMED MINUTES



## Internal Audit Program - 2020/21

Shire of Ashburton

Draft Internal Audit Report

15 February 2021





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# 1. Executive Summary

Moore Australia, in its capacity as outsourced internal audit provider, has completed a review of the following five audit topics as detailed in the Shire of Ashburton's ("Shire") three year internal audit program 1 July 2020 to 30 June 2023:

1. Identified matters in 2019 financial management review ("FMR");
2. Procurement systems and controls;
3. Risk management practices;
4. Grants applications/payments and acquittals; and
5. Records management compliance with regulations and systems review.

This report presents our observations and recommendations arising from the review.

## 1.1. Objective and Scope

The objective of the internal audit was to:

- Examine and evaluate actions implemented in response to matters identified in the 2019 FMR review;
- Review the appropriateness and effectiveness of internal controls pertaining to processes key to procurement activities, including credit card expenditure and tenders in accordance with statutory requirements;
- Determine the compliance, efficiency, and effectiveness of the risk management framework with legislative compliance requirements and its consideration of better practice principles;
- Review the appropriateness and effectiveness of systems and internal controls pertaining to management of grants;
- Assess the systems for records capture and retrieval, retention and disposal, risk of loss of vital information, and to identify potential improvements.

Specific training through an interactive onsite workshop to assist the Shire in following best practice principles and processes focusing on procurement systems and controls is to be delivered in early 2021.

## 1.2. Summary of Work Performed

This review has been conducted in accordance with the 'International Standards for the Professional Practice of Internal Auditing' contained in the 'International Professional Practices Framework' issued by the Institute of Internal Auditors. In our professional judgement, sufficient and appropriate audit procedures were completed, and appropriate evidence gathered to support the accuracy of the conclusions reached and contained in this report.

We have used a risk rating to identify the impact and priority of the finding. Definitions of the risk ratings are outlined in *Appendix 1 - Key to Significance of Risk Ratings*. We have received and to varying extents reviewed key documents of the Shire relating to our review. These are identified in *Appendix 2- Key Documents*. We have met with key personnel within the Shire to perform the review. Details of the personnel are outlined in *Appendix 3 - Personnel Contacted*.

The specific procedures performed are outlined in the relevant section of this report where the results are detailed.

## 1.3. Summary of Findings

The number of findings identified during this Internal Audit are outlined in the following table.

Summary of Findings				
Review Area:	High	Medium	Minor	Total
Identified Matters – 2019 FMR	-	3	-	3
Procurement Systems and Controls	12	12	-	24
Risk Management Practices	4	9	5	18
Grants Management	-	6	5	11
Records Management	7	7	-	14

### 1.3 Summary of Findings (continued)

In the course of the review, we examined documented procedures in place which included the Finance Manual. The Finance Manual was approved for publication on 31 May 2018 and sets out changes may only be authorised by the Director Corporate Services. A link to the most current electronic version of the document is available to Shire of Ashburton staff within the AIMS intranet/document library. The document has not been reviewed since it was approved in 2018.

We noted a general breakdown in systems and controls relating to the regular application and review of tasks required by the Finance Manual. Many positions noted within the manual as responsible or supervising officers are now redundant, some processes have been superseded (such as process for purchase orders) but not updated in the manual, and there does not appear to be sufficient controls in place where tasks required by the manual are reviewed for compliance.

Our discussions with some personnel also noted the high turnover of staff at the Shire may present challenges with continuity of systems and processes as they should provide sufficient clarification on the tasks expected.

There are a number of improvements which could be generally considered by the Shire, particularly the implementation of authorised checklists to evidence key points of control. Controlled, authorised checklists may assist in ensuring conformity with repetitive compliance related tasks which can then be subject to evidence-based review as required. Workflow process diagrams may also support / improve existing procedures by clearly identifying key controls and processes to be followed.

Record keeping practices at the Shire of Ashburton contribute to a number of findings within our review report. We experienced challenges in accessing information to support our sample selections due to documents being stored inconsistently with required record keeping practices procedures. Considering the turnover of staff at the Shire, sound record keeping practices are imperative to support corporate knowledge transfer, monitoring and review of compliance with the Shires activities. Further to this, we noted some staff do not appear to properly understand their obligations for records management and we also observed record keeping practices which were considered to be optional by others.

A risk-based training matrix may also assist the Shire in ensuring personnel understand their duties and obligations in relation to the duties they are required to perform. Each of the review areas examined during our review shared a commonality where training was not always provided or consistently applied through inductions.

Detailed observations and recommendations for each review area are presented, together with Managements comments, in Sections 3 – 6 Observations and Recommendations. A summary of findings to each review area is included below.

### 1.4. 2019 Financial Management Review

A financial management review was undertaken by the Shire in 2019 as required by Regulation 5(2)(c) of the *Local Government (Financial Management) Regulations 1996*. This review was considered at both the Audit and Risk Committee Meeting and the Ordinary Meeting of Council on 18 June 2019.

The review report contained agreed management actions to implement recommendations to address matters identified through the review.

#### 1.4.1. Identified Matters – 2019 FMR

The matters identified through the 2019 FMR included:

1. No periodic fixed asset count to verify the accuracy and completeness of the Fixed Asset Register;
2. No monthly reconciliation of the General Ledger to the Fixed Asset Register between July 2018 and April 2019;
3. Sundry Debtors Reconciliation Review to the General Ledger Forms have not been signed and reviewed promptly after the month end; and
4. Municipal and Trust Fund Bank Reconciliations have not been signed, reviewed and countersigned as evidence of review and that the reconciliation has been completed satisfactorily.

Agreed management actions were allocated in reports alongside ownership and timing to the Audit and Risk Committee Meeting and Council, with actions to planned be implemented in June 2019. Our review tested the progress and continuity of these actions and other systems to address matters noted in the FMR.

## 1.4. 2019 Financial Management Review (continued)

### 1.4.2. Key Observations

#### Fixed Asset Register (Recommendation 1 and 2)

**Risk Rating: Medium**

Actions implemented to address matters relating to fixed assets are assessed as inadequate. Evidence to support the actions whereby the Manager of Finance and the Finance Officer Assets and Reconciliations have undertaken an asset verification to confirm the accuracy of the Fixed Asset Register was not available for our review. We also noted there were no reviewed, dated and signed off monthly reconciliations of the General Ledger to the Fixed Asset Register between January 2020 to June 2020.

There are improvement opportunities to maintain basic controls over assets, and to minimise the risk of errors and/or omissions in the Fixed Asset Register, which may include:

- Implement systems and processes to enforce the routine and periodic review of assets to confirm the correctness and currency of the Fixed Asset Register; and
- Review systems to ensure procedures relating to routine reviews of monthly Fixed Asset Register reconciliations by a senior officer independent of preparation of reconciliations are maintained;

#### Debtors (Recommendation 3)

**Risk Rating: Medium**

Procedures to monitor rates and sundry debtors accounts receivable have not been consistently maintained as per agreed management actions within the FMR Report. We noted the following issues when reviewing monthly reconciliation review forms for rates and sundry debtors from January:

- The March 2020 sundry debtors reconciliation form noted the reconciling officer signature dated 14/04/2020, however the reviewer signature is dated 24/02/2020;
- There was no evidence of a review being undertaken by a senior officer for the May 2020 sundry debtors reconciliation review;
- The reviewing officer signature for the June 2020 sundry debtors reconciliation review was not dated, therefore unable to ascertain if the review was undertaken in a timely manner;
- There was no evidence of a review being undertaken for rates reconciliation reviews for August 2020, September 2020 or October 2020.

The absence or delay of independent review / checking for monthly reconciliations by the Manager of Finance and Administration for rates and sundry debtors potentially risks errors or misstatements not being identified or rectified in a timely manner. The absence of regular, timely and routine reviews of these reconciliations also risks reconciliations not being performed at all.

#### Bank Reconciliations (Recommendation 4)

**Risk Rating: Medium**

Improvements to processes and controls noted in the agreed management actions within the FMR report relating to monthly bank reconciliations are assessed as inadequate. We reviewed reconciliations from January to April 2020 for the municipal and trust funds and noted the following:

- There was no evidence of the January 2020 municipal fund reconciliation being reviewed;
- The date of preparation for the Trust Fund reconciliations were not included within the reconciliation reviews which to evidence the timely undertaking of the reconciliation being performed; and
- Trust Fund reconciliations reviewed by us for January 2020, February 2020 and April 2020 did not contain any evidence of review.

Controls in relation to bank account reconciliations are intended to assist in ensuring the reduction of risk where errors, omissions, misstatements or discrepancies are detected, reported and actioned appropriately in a timely manner. The absence of independent reviews may result in reconciliations not being performed within expected timeframes, and may also contribute to errors being more difficult to isolate/rectify.

Improvements in evidencing the regular and routine preparation and review of bank reconciliations should be implemented and maintained.

## 1.5. Procurement Systems and Controls

The *Local Government (Functions and General) Regulations 1996* provides guidance for local governments in relation to procurement activities. Purchasing activities should align with general principles of transparency, probity and good governance as well as compliance.

In accordance with the Annual Internal Audit Plan of the Shire of Ashburton, a high-level review of procurement activities has been undertaken.

### 1.5.1. Key Observations

#### **Procurement Policies and Procedures (Recommendations 1 to 10) Risk Rating: Medium to High**

We reviewed the key documents to guide procurement activities for the Shire. We noted some inconsistencies and weaknesses within current documents and practices including:

- Inconsistent thresholds between the adopted Council policy, operating procedure and management directive;
- Discrepancies in permitted processes between the operating procedure and management directive relating to purchase orders;
- Lack of support documentation for processes required by operational procedures;
- The exercise of delegations relating to procurement appears to be recorded incorrectly, making it unclear if the delegation is being correctly (and compliantly) exercised; and
- No set training program is in place to assist with ensuring staff are offered relevant training to ensure their knowledge of legislative and operational requirements is maintained and up to date.

Improvements to address these matters may include undertaking a detailed review of guiding policies, procedures and delegations to provide clear and consistent direction to staff undertaking procurement activities. Regular training should be considered to support staff in their understanding and capability to perform tasks and responsibilities assigned to them.

#### **Process – Planning Procurement and Approaching the Market (Recommendations 11 and 12) Risk Rating: Medium to High**

There are some significant risks to the Shire with current procurement planning processes. There are improvement opportunities for consideration which include:

- More robust processes and controls in project planning, scope definition and cost estimates by appropriately qualified personnel;
- Improved support to officers responsible with procurement activities in developing specifications and procurement invitations; and
- Processes or authorised checklists to ensure procurement plans are developed, declarations or conflicts of interests and confidentiality are undertaken and recorded appropriately.

#### **Procurement Invitations, Evaluations and Compliance (Recommendations 13 to 18) Risk Rating: Medium to High**

Whilst there are some sound practices in place for high level procurement activities, we noted areas of non-compliance, as well as improvement opportunities:

- Non-compliance with regulations and delegated authority relating to a variation to a contract already entered into;
- Inconsistencies in processes to demonstrate probity and fairness in the evaluation of procurement options, such as tender exempt purchases or purchases below tender thresholds;
- Inability to demonstrate compliance with the operation of a panel of pre-qualified suppliers. Consideration should be given to undertaking a well-considered, risk based approach prior to any further use of panels to minimise the risk of non-compliance with legislation; and
- Review management directive FIN22 Procurement Directive to remove conditions to enter into variations which do not comply with adopted Council policy.

## 1.5 Procurement Systems and Controls (continued)

### 1.5.1. Key Observations (continued)

#### Accounts Payable (Recommendations 19 to 24)

**Risk Rating: Medium to High**

In testing the accounts payable function, we considered a number of factors including the segregation of duties, compliance with policies/procedures, approval of invoices, vendor / supplier Masterfile maintenance, purchase order tracking and progress payments, exemptions applied to purchasing activities and credit card usage. Through this review, we noted the following improvements which should be considered:

- Review levels of IT permissions and current processes to ensure appropriate segregation of duties are in place. Controls should allow appropriate interventions and independent senior review of tasks performed to reduce the risk of fraud and collusion;
- Implementation of authorised checklists to assist with compliance with documented policies and procedures including purchase order authorisation, support documentation, and approval processes;
- Enforce individual accountability for compliance with documented processes; and
- Review procedures to align with current practices and for consistency with adopted policies for compliance.

#### Other (Recommendations 25 to 27)

**Risk Rating: Medium**

As part of our review and testing, we also noted the following improvement recommendations for consideration with procurement activities:

- Update processes to assist with detection of deviation from established procedures and controls relating to credit card activity. Actions to address instances of non-compliance should be appropriately documented and managed;
- Listing of accounts paid by delegated authority presented to Council should not be contained in a confidential attachment to the agenda. Principles of good governance relating to transparency and accountability may not be able to be demonstrated where information is not available for public scrutiny and review; and
- Regional Price Preferencing was applied following a policy review in November 2017, which did not comply with legislation. This issue was remedied in November 2020, however systems and controls require review to ensure legislative compliance is continually maintained into the future.

## 1.6. Risk Management

We have reviewed the risk management function of the Shire of Ashburton by examining four topics to assess the status of risk management within the Shire. Our findings for each area are summarised below.

### 1.6.1. Key Observations

#### Capability and Culture (Recommendations 28 to 34)

**Risk Rating: Minor Medium**

Risk Management Capability and Culture for the Shire is assessed as inadequate.

Issues noted during our review include:

- There are no dedicated resources and regular review of the resourcing of the risk management function. The de-centralised model for risk management effectiveness is limited by this the lack of dedicated resource to ensure a consistent approach;
- The Shire of Ashburton Living Life Strategic Plan 2017 to 2027 does not appropriately reference how effective risk management is in place. There is no consideration of the current, new, and emerging risks and the strategy in place to management those risks;
- CORP5 Risk Management Policy adopted by Council sets out minimal risk management functions and responsibilities for the Council, and no defined risk management responsibilities for the Audit and Risk Management Committee. We believe risk management is a key function of the Council and the Audit and Risk Management Committee;

## 1.6 Risk Management (continued)

### 1.6.1. Key Observations (continued)

#### Capability and Culture (continued)

- The Audit & Risk Management Committee Terms of Reference does not reference the date when it was approved by Council. It appears to be out of date and not consistent with better practice principles;
- There is no risk management calendar and/or annual work plan which identifies the risk management activities to demonstrate that an effective risk management function is in place and to ensure that all deadlines are achieved on a timely basis;
- There is no formal induction, regular training or training calendar to support risk management within the Shire;
- There is no evidence of the consideration of the need for risk experts with the risk management function; and
- Systems are not in place for the allocation of current responsibilities relating to risk management activities when a risk owner leaves the organisation.

#### Risk Management Framework (Recommendations 35 to 39)

**Risk Rating: Medium to High**

The risk management framework within the Shire is assessed as inadequate. The following matters were identified during the review:

- Risk register does not adequately document risk identification, business unit risk registers, regular risk assessment, risk assessment using an effective weighting of elements, management of shared risks, and useful risk categories. These observations limit the effectiveness of risk management. This is a significant risk to the Shire;
- There is no evidence of risk appetite, risk tolerance statement and treatment action plans within the risk management framework. Without these key items within the risk management framework it is difficult to understand how risks are being managed within the acceptable level of the Council;
- There is no risk management strategy which sets out the proposed approach to risk management and how current, new and emerging risks will be managed. There is a gap between the risk management framework represented by the risk management policy and the practical application of this;
- There is no formal process for the identification and notification of special activities and project risks which may affect the Shire's risk profile. Ad-hoc templates are prepared by consultants where required and provided to the Shire for assessment; and
- Embedded risk management is not evident. The risk management policy does not appear to be supported by embedded risk management processes and practices.

#### Reporting (Recommendations 40 and 41)

**Risk Rating: Medium**

Risk management reporting is assessed as being inadequate. We identified improvement opportunities which include:

- Comprehensive reporting by the Audit & Risk Management Committee to the Council. Currently the Council only reviews a copy of the Audit & Risk Management Committee minutes;
- Comprehensive reporting of the risk management activities to the Audit & Risk Management Committee or summary of risk management activities and current, new and emerging risks and how these are being managed; and
- Comprehensive reporting of the risk management activities to the Executive Leadership Team (ELT). Currently there is no standard or regular agenda for risk management and risk assessments (where performed) are tabled for information only.

## 1.6 Risk Management (continued)

### 1.6.1. Key Observations (continued)

#### Performance Measurement (Recommendations 42 to 45)

**Risk Rating: Minor**

Performance Measurement of risk management is assessed as inadequate. There are improvement opportunities identified for performance measurement, including:

- Assessment of compliance with legislative provisions for risk management to identify non-compliance;
- Implement reviews of staff adherence to risk management practices to understand the level of compliance or reviews and audits;
- Articulate performance indicators to measure performance of the risk management function; and
- Conduct surveys of select management, staff, contractors and volunteers to gauge feedback on the current risk management system.

## 1.7. Grants Management

In accordance with the Annual Internal Audit Plan of the Shire of Ashburton, a high-level review of 4 topics relating to grants management activities has been undertaken. Our key findings and observations are summarised below.

### 1.7.1. Key Observations

#### Application of Grants (Recommendations 46 and 47)

**Risk Rating: Medium**

Minimal documentation is maintained to support proposals for grant applications. It appears some grant applications are opportunistic as funding is identified or becomes available, with minimal planning undertaken to consider the need for the program, if objectives are clearly defined, whether relevant factors and risks are thoroughly analysed and assessed (needs analysis, cost/benefit, risk analysis etc) and appropriate options for delivery. Incomplete consideration of these factors appears to be contributing to the Shire's ability to effectively deliver grant programs.

There are improvement opportunities which include:

- Establishing set criterion to support decision making and authorisation for grant applications; and
- Enforce individual accountability for compliance with the Shire's documented procedures relating to grants management.

#### Grants Management (Recommendations 48 and 49)

**Risk Rating: Medium**

Systems to manage grants are not consistently maintained. Centralisation of information relating to requirements for grant management including acquittals which are routinely monitored and reviewed, is recommended to provide assurance grants are being managed effectively and to required timelines with necessary information being maintained. Improvements to existing practices include:

- Review documented procedures to include clearer requirements to support grant acquittals to assist with a higher level review for the timely completion and submission of acquittals and audits; and
- Establish authorised checklists to be completed by each department managing grants to evidence the routine review of grants and the provision of any required information as required by internal policies and procedures.

#### Compliance with Grant Conditions (Recommendations 50 and 51)

**Risk Rating: Medium**

We understand significant grant funds have been returned to funding bodies by the Shire in recent years, as grant programs were not able to be completed / delivered as required. We also noted there were no systems or controls in place to manage and maintain records of compliance and non-compliance for grants. Improvements to address this may include:

- Create a grants matrix to allow higher level analysis and review of compliance with grant conditions and clauses; and
- In addition to the recording of compliance for grant programs, establish a register to maintain records of compliance and non-compliance documenting what remedial action (if any) has been undertaken where grant conditions were not met, or where individual accountability for compliance was required to be enforced.



## 1.7 Grants Management (continued)

### 1.7.1. Key Observations (continued)

#### Governance (Recommendations 52 to 56)

**Risk Rating: Minor**

Existing procedures do not provide adequate direction to users. It highlights *desired* practices, but does not clearly define *required* practices. This appears to result in requirements being interpreted as being optional and not routinely applied. Improvements which may assist to address this issue include:

- Update internal resource library (intranet) to maintain live documents as required by documented procedures;
- Improve definition of expected compliance requirements within authorised procedures and create support documents to facilitate compliance;
- Enforce individual accountability with documented procedures; and
- Undertake an evaluation of current grant programs to identify non-compliant grants and implement remedial action as required.

Further to this, controls to support Shire sponsored grants are considered inadequate with only high-level guidance available to administer these grants. Low value grants of this nature should be reviewed to remedy administrative inefficiencies, and to establish appropriate documented procedures to manage the grant programs.

The overall program for Shire sponsored grants to the community should undergo similar levels of planning as incoming grants to consider matters such as:

- whether the grant program can achieve its intended outcome;
- an assessment of the quality of benefits; and
- available plans in place to efficiently deliver the program.

## 1.8. Records Management

The State Records Office of WA's recordkeeping maturity model was applied to assess the current status of the Shire's records management practices. Our key findings and observations are summarised below.

### 1.8.1. Key Observations

#### Policy and Procedures (Recommendations 57 to 62)

**Risk Rating: Medium to High**

Policy and procedures within the Shire relating to record keeping are assessed as being inadequate. We noted the following issues during our review:

- ADM04 Record Keeping Procedure and Record Keeping Plan 2015040 requires staff members to store their records in the Shire's electronic document and records management system (EDRMS), SynergySoft Records module. Based on our review and testing, it appears the rate of compliance is low. Based on our inquiries, records are stored in various locations such as staff's email folders, shared drives, Sharepoint, One Drive, etc. Without controls, business information becomes fractured across various siloed and disparate repositories. Record deletion and loss as well as violation of security and confidentiality is likely to increase; and
- Record Keeping Plan 2015040 requires review with a report to be submitted to the State Records Office by 10 March 2021. At the time of our site visit in December 2020, the review of the Recordkeeping Plan was not started and an extension had not been applied for or granted by the State Records Office to perform the review. The Recordkeeping Plan is the primary means of demonstrating compliance with legislative requirements and the review should update the current Plan to ensure it is commensurate with current systems and practices.

## 1.8 Records Management (continued)

### 1.8.1. Key Observations (continued)

#### Language Control (Recommendations 63 and 64)

**Risk Rating: High**

Language control within the Shire is assessed as being inadequate. As part of our testing in other audit topics / review areas, we requested sample records and information from the Records Coordinator and other staff members. Some of the information was not able to be located in the EDRMS. There are improvement opportunities identified for language control. These include:

- Review historic records to identify high risk records which require examination and updates for compliance with approved record keeping practices; and
- Review, improve and update the systems and controls for language control within record keeping systems.

#### Training (Recommendations 65 to 67)

**Risk Rating: High**

Training upon commencement of employment and regular refresher training is a mechanism to ensure staff / contractors are aware of their recordkeeping obligations. Lack of refresher training may lead to employees becoming complacent of their recordkeeping roles and responsibilities. Training in records is inconsistently applied with new employees, and routine refresher training is not offered by the Shire. Improvements to address this may include:

- Review and update systems and processes for records training to be routinely and consistently included with general commencement inductions;
- In addition to the induction training, regular refresher training be conducted for all management, staff, contractors, and volunteers. Records training could, for example, initially be undertaken annually then increased in timeframe when there is evidence of improvement in compliance posture; and
- Training of a records management champion in either each core business unit, or as a general support function, to provide support and guidance to all staff on records management matters. This will allow for an "expert" in the field, with hands on understanding of the challenges of each system.

#### Backup Procedures (Recommendations 68)

**Risk Rating: Medium**

Based on our enquiries, the back-up media of the Shire's electronic records are not regularly tested. Backups should be tested for usability and readability on a regular basis to reduce the risk of data loss in unplanned events such as disaster or business interruption.

#### Key Performance Indicators (Recommendations 69 and 70)

**Risk Rating: Medium**

There is currently no mechanism in place to capture and measure the effectiveness and efficiency of records management within the Shire. The Record Keeping Plan lists two performance indicators, however statistics for these measures have not been captured as required. Improvements to be considered include:

- Refine and develop criteria to assess the performance of the recordkeeping program / function; and
- Implement a survey mechanism to measure levels of staff satisfaction with recordkeeping operations, to assist with identifying corrective action required to respond to problems with record keeping systems and controls.

#### Website Management (Recommendation 71)

**Risk Rating: Medium**

Currently there no controls to capture the information published on the Shire's social media and website. This can result in difficulties in determining what information has been published at any point in time. An appropriate system solution should be investigated and implemented to capture this information to align with State record keeping requirements.

## 2. Scope and Approach – 2019 Financial Management Review

### 2.1. Introduction

A financial management review was undertaken in early 2019 by the Shire of Ashburton to assess the appropriateness and effectiveness of financial management systems and procedures as required by Regulation 5(2)(c) of the *Local Government (Financial Management) Regulations 1996*. This review was considered at both the Audit and Risk Committee Meeting and the Ordinary Meeting of Council on 18 June 2019. The review report contained agreed management actions relating to points raised in the report, as well as ownership and timing of tasks, with actions planned to be implemented in June 2019.

In accordance with the Annual Internal Audit Plan of the Shire, a high-level review of the implementation and progress of agreed management actions noted in the FMR report was undertaken.

### 2.2. Risks

The review considered the following risks:

- Insufficient controls over assets including the detection and rectification of inaccuracies to the Fixed Assets Register; and
- Inadequate controls to detect inaccuracies or errors within financial management systems.

### 2.3. Objective and Scope

The objective of the 2019 Financial Management Review internal audit topic was to examine and evaluate actions implemented in response to the matters identified in the 2019 FMR review, and to identify potential improvements.

The scope included consideration of actions to address the following matters noted in the FMR:

- No periodic fixed asset count to verify the accuracy and completeness of the Fixed Asset Register;
- No monthly reconciliation of the General Ledger to the Fixed Asset Register between July 2018 and April 2019;
- Sundry Debtors Reconciliation Review to the General Ledger Forms have not been signed and reviewed promptly after the month end; and
- Municipal and Trust Fund Bank Reconciliations have not been signed, reviewed and countersigned as evidence of review and that the reconciliation has been completed satisfactorily.

### 2.4. Review Approach

Our internal audit was performed in accordance with the International Standards for the Professional Practice of Internal Auditing and the Moore Australia (WA) Pty Ltd Internal Audit Methodology.

Our review tested the progress and continuity of the actions and other systems to address matters noted in the FMR to implement recommendations to address matters identified through the review.

In summary our approach included:

- review of policies and procedures in place to support agreed management actions noted within the FMR report;
- a selection of samples to test the implementation, progress and continuity of actions; and
- any opportunities for improvement and efficiency in processes, compliance, monitoring or otherwise.

## 2. Observations and Recommendations – 2019 Financial Management Review

Ref #	Findings	Rating	Recommendation	Management Comment	Responsibility
2.1.0	<b>Fixed Asset Register</b>				
2.1.1	<p>KCA 11 Fixed Assets (Asset Management) within the Finance Manual provides guidance to staff on procedures to be followed in relation to the management of fixed assets, including a table of tasks expected to be completed as part of approved systems and processes. This table also provides direction as to the officer responsible for each task, the evidence required to support each action as well as officers / management responsible for review.</p> <p>One of the tasks within this table includes the requirement for asset register stock takes to be undertaken biennially, with stock take records to be sighted and signed. The procedure also requires the preparation and review of reconciliation of the fixed asset register to the general ledger monthly, required to be evidenced through signing after reconciliation to control accounts have been reviewed.</p> <p>The FMR highlighted these tasks were not being undertaken. We noted the following matters from our testing of the agreed management actions relating to fixed assets within the 2019 Financial Management Review:</p> <ul style="list-style-type: none"> <li>Evidence of a review / physical stock take to confirm the accuracy of the Fixed Asset Register was not available for our review; and</li> <li>Our sample selection from January 2020 to June 2020 noted reconciliation of the Fixed Asset Register to the general ledger had been performed by staff, however there was no evidence to support the reconciliations had been reviewed as required.</li> </ul> <p>The Finance Manual was approved for publication on 31 May 2018 and is available to staff through the Finance Library on AIMS. The version control history of the document indicates a review has not been performed since it was published.</p> <p>Although KCA 11 requires a biennial stocktake of the Fixed Asset Register, it appears the review has not been performed or maintained as required by the procedure. Consideration might be given to the high turnover of staff in the finance department, and whether existing systems and processes are adequately communicated to new staff to ensure they understand their responsibilities.</p> <p><b>Implications: Inadequate systems to maintain basic controls over assets</b></p> <p><b>Potential risk of errors and/or omissions in the Fixed Asset Register which may not be detected and remedied in a timely manner.</b></p>	<b>Medium</b>	<ol style="list-style-type: none"> <li>Review systems to ensure practices for routine reviews of the Fixed Asset Register and reconciliations are undertaken and maintained as required by documented procedures.</li> <li>Enforce individual accountability for compliance with the Shire's documented procedures.</li> </ol>		

Ref #	Findings	Rating	Recommendation	Management Comment	Responsibility
2.2.0	<b>Debtors</b>				
2.2.1	<p>KCA 6 Accounts Receivable (Sundry Debtors) requires the review of the sundry debtors aged reconciliation to the general ledger to be undertaken at least monthly. This review is required to be evidenced through signing a control account reconciliation form.</p> <p>The FMR contained matters which indicated these tasks were not being routinely performed. We noted the following issues with our testing of the agreed management actions within the 2019 Financial Management Review:</p> <ul style="list-style-type: none"> <li>• The March 2020 sundry debtors reconciliation form recorded the reconciling officer signature dated on 14/04/2020, however the reviewer signature pre-dates this and is recorded at 24/02/2020;</li> <li>• There was no evidence of a review being undertaken by a senior officer for the May 2020 sundry debtors reconciliation review;</li> <li>• The reviewing officer signature for the June 2020 sundry debtors reconciliation review was not dated, therefore unable to ascertain if the review was undertaken in a timely manner.</li> </ul> <p>The Finance Manual also provides for KCA 5 Rates, which includes a similar task table within the procedure relating to documenting the reconciliation and review of aged rates receivables to the general ledger. We noted the following issues with our testing of the agreed management actions within the 2019 Financial Management Review:</p> <ul style="list-style-type: none"> <li>• There was no evidence of a review being undertaken for rates reconciliations for August 2020, September 2020 or October 2020.</li> </ul> <p>Agreed management actions to address findings relating to controls for debtors were to be implemented in June 2019. Our testing from January 2020 noted these agreed actions have not been consistently applied and maintained.</p> <p><b>Implications: The absence or delay of independent review / checking for monthly reconciliations by the Manager of Finance and Administration for rates and sundry debtors potentially risks errors or misstatements not being identified or rectified in a timely manner.</b></p> <p><b>The absence of regular, timely and routine reviews of these reconciliations also risks reconciliations not being performed at all.</b></p>	<b>Medium</b>	<p>3. Implement checklists to evidence preparation, review and monitoring of tasks as required by Finance Manual procedures. This will allow for management to routinely monitor compliance and to assist with ensuring procedural requirements are adhered to in a timely manner.</p>		

Ref #	Findings	Rating	Recommendation	Management Comment	Responsibility
<b>2.3.0</b>	<b>Bank Reconciliations</b>				
<b>2.3.1</b>	<p>KCA 7 Bank Accounts and Banking (Municipal Fund and Banking) within the Finance Manual requires bank reconciliations with supporting documentation to be prepared at least monthly and reviewed by management. This procedure also requires the Trust Fund to be reconciled at least monthly to the GL control account and a reconciliation form to be signed.</p> <p>We noted the following issues with our testing of the agreed management actions within the 2019 Financial Management Review:</p> <ul style="list-style-type: none"> <li>• There was no evidence of the January 2020 municipal fund reconciliation being reviewed;</li> <li>• The date of preparation for the Trust Fund reconciliations were not included within the reconciliation reviews to evidence the timely undertaking of the reconciliation being performed; and</li> <li>• Trust Fund reconciliations reviewed by us for January 2020, February 2020 and April 2020 did not contain any evidence of review.</li> </ul> <p><b>Implications: Controls in relation to bank account reconciliations are intended to identify errors, omissions, misstatements or discrepancies so they can be detected, reported and actioned appropriately in a timely manner.</b></p> <p><b>The absence of independent reviews may result in reconciliations not being performed within expected timeframes, and may also contribute to errors being more difficult to isolate/rectify.</b></p>	<b>Medium</b>	4. Review and update systems to facilitate compliance with the Finance Manual and agreed documented management actions noted in the FMR.		

## 3. Scope and Approach – Procurement

### 3.1. Introduction

The *Local Government (Functions and General) Regulations 1996* provides guidance for local governments in relation to procurement activities. Purchasing activities should align with general principles of transparency, probity and good governance as well as compliance.

In accordance with the Annual Internal Audit Plan of the Shire of Ashburton, a high-level review of procurement activities has been undertaken.

### 3.2. Risks

The review considered the following risks:

- Inadequate and/or inappropriate financial management;
- Poor management and oversight of risk; and
- Failure to comply with requirements of the Act, and relevant legislation.

### 3.3. Objective and Scope

The objective of the Procurement internal audit topic was to assess the controls of the end-to-end process of the procurement cycle and the controls applied, and to identify potential improvements.

The scope included consideration of:

- Alignment of procurement and contract management policies and procedures;
- Procurement processes, including probity management;
- Panel arrangements;
- Compliance with procurement thresholds;
- Consideration of the vulnerability for invoice splitting;
- Vendor master file management;
- Delegation of authority;
- Systems used by the Shire and system access control;
- Segregation of duties;
- Monitoring, review and management of procurement activities (including variation, extensions of time, risk management, delegated financial authority); and
- Payment approval processes (Accounts Payable).

### 3.4. Review Approach

Our internal audit was performed in accordance with the International Standards for the Professional Practice of Internal Auditing and the Moore Australia (WA) Pty Ltd Internal Audit Methodology. In summary our approach included:

- Discussions with key stakeholders to understand the process and controls in respect to procurement activities;
- Review of policies and procedures in place guiding procurement activities;
- A selection of samples to test compliance with established policies, procedures and legislation; and
- Consult with management about practical improvement opportunities, where necessary.

### 3. Observations and Recommendations – Procurement

Ref #	Findings	Rating	Recommendation	Management Comment	Responsibility
<b>3.1.0</b>	<b>Procurement Policies and Procedures</b>				
<b>3.1.1</b>	<p><b>Documented Policies and Procedures</b></p> <p>There are three key documents to guide procurement activities at the Shire of Ashburton:</p> <ul style="list-style-type: none"> <li>• FIN12 Purchasing Policy (last reviewed 8 September 2020);</li> <li>• KCA 10 Purchasing, Creditors, Procurement and Payments (Finance Manual approved 31 May 2018); and</li> <li>• FIN22 Procurement Directive (management directive approved 28 July 2020).</li> </ul> <p>The FIN12 Purchasing Policy, as adopted by Council, should govern operational procedures and directives. There are a number of inconsistencies between the three documents noted above, which may cause confusion amongst staff, and could potentially result in non-compliance where conflicting information is referenced. Some of the inconsistencies noted include:</p> <ul style="list-style-type: none"> <li>• FIN12 Purchasing Policy refers to GST exclusive thresholds, whereas KCA 10 Purchasing, Creditors, Procurement and Payments and FIN22 Procurement Directive refer to GST inclusive thresholds;</li> <li>• FIN22 Procurement Directive lists the positions of officers who may authorise purchase orders and the limitation of the authority for each. We noted Muzzy's Hardware provides for purchase orders (per transaction) up to \$499;</li> <li>• KCA 10 Purchasing, Creditors, Procurement and Payments makes reference to monthly purchase orders being permitted for some suppliers (including Muzzy's Hardware) noting each individual purchase must be under \$1,000, which does not align with FIN22 Procurement Directive (requiring purchase orders for each transaction at Muzzy's Hardware to be limited to \$499 for certain officers).</li> </ul> <p>Our enquiries with staff noted there is much confusion relating to transactions at Muzzy's Hardware, particularly around controls for authorised officers who may procure goods against open / general purchase orders being used. We believe FIN22 Procurement Directive requires a purchase order to be issued for each transaction at Muzzy's Hardware by an officer authorised by the directive, and should the process of general or 'open' monthly purchase orders should cease.</p> <p>KCA 10 Purchasing, Creditors, Procurement and Payments provides guidance / instruction in relation to purchase orders for the Shire. This information is no longer current and has not been updated. We also noted a number of tasks within the procedure to assist with compliance where protocols / training was to be developed. This does not appear to have been completed, and many tasks are performed without a clear structure, without review, or not performed at all.</p>	<b>High</b>	<p>5. Review and update KCA 10 Purchasing, Creditors, Procurement and Payments and FIN22 Procurement Directive to align with and provide consistent and correct direction to staff for procurement activities.</p> <p>6. Create checklists for tasks and controls noted within documented policies and procedures to assist with and to evidence compliance.</p>		



Ref #	Findings	Rating	Recommendation	Management Comment	Responsibility
3.1.0	<b>Procurement Policies and Procedures (continued)</b>				
3.1.1	<p><b>Documented Policies and Procedures (continued)</b></p> <p><b>Implications: Lack of clearly defined policies and processes compromises the Shire's ability to demonstrate equitable and transparent procurement activities.</b></p> <p><b>Potential non-compliance with documented policies and procedures where systems and controls are inconsistent and do not align.</b></p>				
3.1.2	<p><b>Delegation of Authority</b></p> <p>Delegation 1.1.21 Payments from the Municipal and Trust Funds was last reviewed and adopted by Council 8 September 2020 by resolution 139/2020. The delegation to the CEO includes sub-delegation to the Executive Leadership Team (ELT) and requires two delegates to jointly approve payments by cheque and EFT. One of these two delegates must be the Director or Acting Director of Corporate Services.</p> <p>We noted the record of exercise of delegated powers or duties includes several approvals for payments from the municipal fund, however the extract examined by us did not include a record of the Director Corporate Services exercising the delegation for any payments from the municipal fund as required by the policy and the record only notes one director having approved the payment. Further examination of creditors reports noted payments were approved by two Directors, however this exercise of delegated authority has not been included in the record of exercise of delegated powers or duties.</p> <p>During our review, we noted a creditors payment batch approved for payment from the municipal fund was approved by two Directors, which did not include the Director Corporate Services. No commentary was available to support why the Director Corporate Services had not approved the payment as required by Delegation 1.1.21 in the record of exercise of delegated powers or duties.</p> <p><b>Implication: Potential non-compliance with adopted delegations.</b></p>	<b>High</b>	<p>7. Enforce individual accountability for compliance with the Shire's recordkeeping requirements and documented procedures.</p> <p>8. Review delegation 1.1.21 and consider updates where required if there are impracticalities to a single officer being required to approve all payments made from the municipal and/or trust fund.</p> <p>9. Implement systems and controls where reviews of the record of exercise of delegated powers or duties are performed for compliance and accuracy verification.</p>		

Ref #	Findings	Rating	Rating	Management Comment	Responsibility
3.1.0	<b>Procurement Policies and Procedures (continued)</b>				
3.1.3	<p><b>Training</b></p> <p>There is no set training program in place for staff who are responsible for procurement activities, with a strong reliance on documented procedures to guide staff to understand their responsibilities. In recent times, more responsibility is being placed on individual departments to manage their own procurement activities where tenders are not called / required. This includes development of scope, evaluation etc.</p> <p>Accounts payable staff who are noted within KCA 10 Purchasing, Creditors, Procurement and Payments as being tasked to assist with monitoring and compliance activities do not routinely undergo initial and refresher training to support these activities.</p> <p>Training is essential for numerous procurement activities across the Shire to ensure everyone understands their responsibilities in accordance with approved policy, procedure and legislative compliance requirements.</p> <p><b>Implication: Staff may not be aware of their responsibilities or be capable to perform all duties assigned to them</b></p>	<b>Medium</b>	10. A risk based training matrix be implemented to assist with ensuring staff are offered relevant training to ensure their knowledge of legislative and operational requirements is maintained up to date.		
3.2.0	<b>Process – Planning Procurement and Approaching the Market</b>				
3.2.1	<p><b>Conflicts of Interest and Confidentiality</b></p> <p>Declarations of conflict of interest and confidentiality are not in place to require these declarations to be signed prior to assessments being undertaken for high value purchases. It appears this process is completed for tender evaluations, however it is not routinely applied to tender exempt or purchases below the tender threshold.</p> <p>Persons assessing any significant procurement should be required to declare any matters which may impact or be perceived to impact on their independence. Procedures for the declaration of interests prior to procurement assessments being undertaken should also be documented for high value purchases as well as tenders.</p> <p>These declarations should also be completed by support staff (records, administrative staff etc) who although may not be directly involved in assessment of procurement options, are still privy to confidential information. Controls should be in place to ensure confidential commercial information is not disseminated.</p> <p><b>Implications: Where conflicts of interest are not managed and / or documented well, allegations of perceived bias may be raised resulting in reputational risk to the Shire.</b></p> <p><b>Confidential information may be disseminated if proper procedures are not in place to ensure information is secure at all times.</b></p>	<b>Medium</b>	11. Persons assessing or handling any significant procurement should be required to declare any matters which may impact or be perceived to impact on their independence prior to the evaluation being undertaken. Procedures for the declaration of interests prior to procurement assessments being undertaken should also be documented for high value purchases and tenders.		

Ref #	Findings	Rating	Recommendation	Management Comment	Responsibility
3.2.0	<b>Process – Planning Procurement and Approaching the Market (continued)</b>				
3.2.2	<p data-bbox="190 271 1097 311"><b>Scope and Planning of Projects including Cost Estimates</b></p> <p data-bbox="190 319 1097 486">During our testing with procurement activities, we noted several variation request forms which are required to be authorised by the CEO in instances where variations to contracts already awarded are requested. Further review of a sample of some of these variation requests noted significant differences between estimated project expenditure and adopted budgeted expenditure. We also noted a legal dispute in relation to a tender and subsequent works performed by a contractor.</p> <p data-bbox="190 502 1097 750">In relation to the legal dispute, and most of the variation forms we sampled, it appeared there are limited controls in place for scoping of works prior to procuring goods and services. This has contributed to a number of projects being over expended, as poor specifications have resulted in scope creep with associated works which have been difficult to monitor/manage. With the high turnover of staff experienced by the Shire of Ashburton, knowledge transfer for large scale projects which have limited documentation and records to support the projects, creates a significant risk for works to be completed to the required standard and within budget.</p> <p data-bbox="190 766 1097 901">Insufficient planning of works, scope and budget estimates may result in incorrect procurement activities being undertaken, where estimated thresholds are exceeded. This presents issues where procedural fairness has not been applied, in that suppliers may not have been afforded the opportunity to quote for works due to procurement being initially sought for a lower value threshold.</p> <p data-bbox="190 917 1097 1085">Based on our enquiries, some departments consider they are not well equipped to undertake procurement activities, particularly with developing scope prior to testing the market. The procurement department is available to provide some assistance when requested, however improved documented guidance should be investigated to support officers in developing the required skillset to competently undertake procurement activities.</p> <p data-bbox="190 1101 1097 1189"><b>Implications: Poor planning of projects resulting in costs exceeding budgeted expenditure may result in non-compliance with procurement policy and legislative requirements.</b></p> <p data-bbox="190 1204 1097 1260"><b>Potential for anti-avoidance or circumvention of procurement policy where splitting of may services occur.</b></p> <p data-bbox="190 1276 1097 1300"><b>Reputation risk where good governance principles are not observed.</b></p>	<b>High</b>	12. In addition to the implementation of a risk based training matrix, consider mechanism where project plans and cost estimates are reviewed by appropriately qualified personnel prior to invitations to provide goods/services being issued.		

Ref #	Findings	Rating	Recommendation	Management Comment	Responsibility
3.3.0	<b>Procurement Invitations, Evaluations and Compliance</b>				
3.3.1	<p><b>Tenders</b></p> <p>One of the tenders selected for sampling as part of our review was Tender 25.19 Footpath Construction and Renewal Program. The Request for Tender (RFT) invited tenders to submit responses for a two year term with a one year extension option for estimated 1000m2 of footpath renewal over a three year period (total 3,000m2) and 800m2 new footpath over a three year period (total 2,400m2). An addendum to the tender also included an additional 2,300m2 of construction was to be undertaken in Year 1 (2019/20 financial year) only. The tender specifications also noted the quantities in the schedules may be increased or reduced by the Principal to align tender prices with funds available in the budget.</p> <p>In Year 2 of the contract (2020/21 financial year), the Shire sought to significantly increase the area of footpath renewal works, resulting in an increase in estimated budget from approximately \$300,000 to approximately \$1.7m (ex GST). It was considered that as the tender specifications noted quantities may increase or decrease, the variation was permitted based on the CEO's authorisation to manage the contract.</p> <p>Delegation 1.1.17 Tenders for Good and Services authorises the CEO to negotiate minor contract variations prior to entering into a contract, and also to vary a contract that has been entered into with a successful tenderer, provided the variation/s do not change the scope of the original contract or increase the contract value beyond 10% or \$2M in total. <i>Local Government (Functions and General) Regulations 1996</i> provides a contract must not be varied after it has been entered into with a successful tenderer unless the variation is necessary to deliver the goods or services and where it does not change the scope of the contract (Regulation 21A).</p> <p>The variation to the contract awarded for Tender 25.19 results in the contract value (over the minimum two year term of the contract) to exceed \$2m, which does not comply with Delegation 1.1.17. We believe the variation to the contract does not comply with the <i>Local Government (Functions and General) Regulations 1996</i> in that the variation was not necessary in the delivery of services under the existing contract, given the variation was not going to impact on the ability to deliver the original works as per Tender 25.19. We also believe the scope of the original contract was changed, given the significant increase in works to be performed.</p> <p>Unsuccessful tenderers who responded to Tender 25.19 may argue their response/pricing may have been different had they been aware of the increased scope of works. The variation could also result in allegations the Shire did not act in a transparent and equitable manner in procuring the services for additional footpath works, which presents a reputation risk to the organisation.</p> <p><b>Implication: Non-compliance with legislation.</b></p> <p><b>Potential for allegations of inequitable procurement activities to be received.</b></p>	<b>High</b>	13. Review systems and controls in relation to contract management and compliance with tenders to ensure processes remain compliant and align with general good governance principles. Training may also assist for staff involved in tender processes (including contract management) to understand their obligations in relation to legislative compliance.		

Ref #	Findings	Rating	Recommendation	Management Comment	Responsibility
3.3.0	<b>Procurement Invitations, Evaluations and Compliance (continued)</b>				
3.3.2	<p><b>Evaluations</b></p> <p>Evaluation processes appear to be well structured in assessing tenders, with good records maintained of the processes undertaken. Tender exempt and purchases below the tender threshold however do not appear to consistently have the same level of probity. Declarations of interest and confidentiality, evaluation systems and processes etc appear to vary depending on the department and the individuals performing the evaluation. In some instances, the number of people undertaking the evaluation will vary with minimal documentation is maintained to support the process undertaken.</p> <p>Reference checking does not appear to be routinely performed (including with some tenders) as part of procurement evaluation processes. This has resulted in some contract management issues arising in relation to contractors satisfactorily performing works. In particular, where previous experience is a selection criteria established through the procurement plan, reference checks should be performed and recorded to verify and validate the responses received.</p> <p><b>Implication: Procedures may not adequately provide for probity and fairness in evaluation of procurement options.</b></p>	<b>Medium</b>	14. To help ensure probity and fairness when assessing high value procurement options, at least three persons should assess the procurement option independently of each other. Documented processes should require a higher level of probity and due diligence (including reference checking), the higher the value or risk associated with the purchase.		
3.3.3	<p><b>Panels of Pre-Qualified Suppliers</b></p> <p>A Panel of pre-qualified suppliers previously existed which related to tender 04.18. This panel contract recently expired. We were unable to verify compliance with the operation of the panel in accordance with legislation as support documentation was unable to be provided for testing.</p> <p>There are numerous and complex legislative compliance requirements in establishing and maintaining a Panel. The significant procurement controls required in managing Panels and their activities carries a high risk of non-compliance with these requirements. High levels of records management and additional record keeping requirements as well as highly detailed procurement processes and activities required in maintaining a Panel of pre-qualified suppliers.</p> <p>We understand the Shire is considering establishing panels of pre-qualified suppliers for additional services in the near future. There is a real risk confusion may arise between the procurement controls required by regular purchasing activities and the additional / extensive requirements associated with Pre-Qualified Supplier Panels. Appropriate systems and controls should be established to assist with compliance and for staff involved in Panel activities to understand their responsibilities and obligations.</p> <p><b>Implication: Potential non-compliance with legislation.</b></p>	<b>Medium</b>	15. Undertake a well considered, risk based approach prior to assessing the merits of establishing and subsequently complying with Pre-Qualified Supplier Panels. Ensure robust processes, systems and controls are in place to support and monitor compliance.		

Ref # Findings	Rating	Recommendation	Management Comment	Responsibility
<b>3.3.0 Procurement Invitations, Evaluations and Compliance (continued)</b>				
<p><b>3.3.4 Variations</b></p> <p>FIN22 Procurement Directive provides for 'Conditions of Approval when entering into contract variations that consider the barter or exchange of services or facilities'. We do not believe this condition to permit variations to contracts already awarded supports principles of good governance (particularly transparent and equitable processes) and the inclusion of this condition in the management directive does not align with Council policy FIN12 Purchasing. The purchasing policy does not provide these types of variations to occur, and as such the management directive should be amended to align with Council's adopted purchasing policy.</p> <p>Use of CEO approvals for variations to awarded contracts appear to be utilised with some frequency. Review of randomly selected samples of these variations indicate significant variations being requested, where cumulative project expenditure will far exceed the original budget. Where this occurs, it appears budget amendments are being recommended to accommodate these variations. Further investigation may be required to investigate the cause of these variations, and improved project planning to ensure scope, planned works and costs estimates have been properly considered.</p> <p>CEO approved variations to awarded contracts should not be utilised to circumvent procurement requirements, and should only be applied where required variations comply with Council policies.</p> <p>KCA 10 Purchasing, Creditors, Procurement and Payments within the Finance Manual contains processes for staff to follow in relation to variances. This information is outdated as it is not aligned to current policies. This could create confusion amongst staff who may need to apply for a variation which may not align with current systems and controls.</p> <p><b>Implication: Non-compliance with adopted policies and procedures.</b> <b>Poor project and / or contract management practices may present difficulties in monitoring costs and budget constraints.</b></p>	<b>High</b>	<p>16. Review and update FIN22 Procurement Directive to remove the 'conditions of approvals for when entering into contract variations that consider the barter or exchange of services or facilities'. Any ability to enter into contract variations should align with FIN12 Purchasing policy as adopted by Council.</p> <p>17. Enforce individual accountability with documented procurement policies and procedures and consider disciplinary action for repetitive compliance breaches.</p> <p>18. Update KCA 10 Purchasing, Creditors, Procurement and Payments to provide for current requirements in relation to variations and approvals.</p>		
<b>3.4.0 Accounts Payable</b>				
<p><b>3.4.1 Segregation of Duties</b></p> <p>There appear to be limited controls to segregate duties within the accounts payable team. Any staff member with access to the creditors module of the Shire's ERP are able to amend/change bank account details for creditors. The ability for individuals (who may not require it) to access and manipulate data within the ERP may provide an opportunity for fraudulent transactions to occur. Access and permissions should be reviewed to minimise opportunities where collusion or fraud may occur.</p>	<b>Medium</b>	<p>19. Review and update levels of permissions within the Shire's ERP to support segregation of duties.</p>		

Ref # Findings	Rating	Recommendation	Management Comment	Responsibility
<b>3.4.0 Accounts Payable (continued)</b>				
<p><b>3.4.1 Segregation of Duties (continued)</b></p> <p>Whilst there are internal practices occurring where reviews are performed to changes made to creditor details, accuracy of entries to creditors payment runs etc, it appears most of checks performed are peer reviewed, with limited detail as to the checks being performed by senior officers independent to accounts payable processing.</p> <p><b>Implication: Inadequate segregation of duties and independent oversight may create opportunities for fraud / collusion to occur.</b></p>		<p>20. Update procedures to ensure appropriate interventions are available at various stages of the procurement process, including routine reviews of controls to ensure they are being observed and maintained as required.</p>		
<p><b>3.4.2 Approval of Invoices, Compliance with Policies/Procedures</b></p> <p>The review of supporting documentation to approve invoices for payment does not appear to be routinely applied by all staff with purchasing authorisation. Our examination of creditor payment batches and supporting invoices noted the accounts payable team frequently had to issue correspondence to support invoices forwarded for processing where insufficient information was included to comply with policies and procedures, where incorrect documentation had been supplied or where information supplied did not align with approved procedures. Some queries required follow up by accounts payable staff on several occasions prior to being able to be processed.</p> <p>In addition to review of some creditor batch transactions, we also selected a random sample of fourteen payments from various purchasing thresholds for compliance testing and noted the following issues:</p> <ul style="list-style-type: none"> <li>• An invoice amount for less than \$10,000 was authorised for payment by an officer/position not included on the authorised officer list;</li> <li>• Several invoices for Muzzy's hardware did not have individual purchase orders, and were provided for by an open purchase order (see finding 3.1.1 above);</li> <li>• Four of the purchase orders in the sample selection recorded names of the requester and authorisers, but the orders were not signed;</li> <li>• A part payment/invoice for a tender awarded with a total contract value for more than \$500,000 had a purchase order issued by an officer with an authorisation of \$99,999;</li> <li>• We noted a purchase order did not pre-date an invoice with an amount of more than \$120,000.</li> <li>• A payment was authorised for an invoice for more than \$10,000 by an officer/position not included on the authorised officer list;</li> </ul>	<b>Medium</b>	<p>21. Consider the implementation of authorised checklists and / or workflow diagrams to assist with compliance and understanding of systems and processes to be followed.</p>		

Ref #	Findings	Rating	Recommendation	Management Comment	Responsibility
3.4.0	<b>Accounts Payable (continued)</b>				
3.4.2	<p><b>Approval of Invoices, Compliance with Policies/Procedures (continued)</b></p> <ul style="list-style-type: none"> <li>• A part payment/invoice of more than \$400,000 for a tender awarded had a purchase order issued by an officer with an authorisation of \$249,999. An email was included in supporting documentation indicating the CEO had authorised the payment, however there is no additional information to support this claim (such as a signature or support email from the CEO); and</li> <li>• A purchase order was issued for an estimated contract value of more than \$80,000 by an officer with an authorisation of only \$49,999. Although an exemption form had been approved by the appropriate Director and CEO for the purchasing activity to occur, the purchase order is still required to be authorised by an officer with the appropriate level of authorisation.</li> </ul> <p>Where new staff commence in a role, procedures are amended or new procedures are developed, impacted staff must be advised of the procedure and where required specific training provided to ensure all persons with a role in the control have a full understanding of the procedure. It appears there are some breakdowns in controls, and staff may not have an adequate understanding of their obligations to comply with policies and procedures.</p> <p><b>Implication: Potential non-compliance with adopted policies and procedures.</b></p>				
3.4.3	<p><b>Vendor / Supplier Masterfile and Maintenance</b></p> <p>Currently, where changes are required to creditor masterfile (including bank detail changes), there appear to be checks performed by staff to validate the change request and its origin. Supporting documentation will usually accompany forms to support checks performed by staff. The changes are performed and peer reviewed and signed by a senior officer, however controls should be improved to monitor the changes made in the Enterprise Resource Planning System (ERPS).</p> <p>Similarly, new creditor details are entered based on trust of managers approving the form having performed validation checks on new creditor account details. Procedures should be updated to ensure the following matters are appropriately considered and controls are adequate to:</p> <ul style="list-style-type: none"> <li>• Validate the change request and its origin;</li> <li>• Authority exists for the change request; and</li> <li>• Validate and control the changes once completed.</li> </ul> <p>The 'Management of Supplier Masterfiles' (Report 16:March 2019) published by the Officer of the Auditor General provides a list of better practice principles which may be of assistance in considering the areas to addressed in reviewing processes for vendor / supplier masterfile maintenance.</p> <p><b>Implication: Weaknesses in controls for vendor / supplier masterfile maintenance may create opportunities for misconduct / fraudulent activities to occur.</b></p>	High	22. Review and update processes and forms for additions / amendments to the vendor / supplier masterfile to include declarations to support the verification of change requests and their origin, authority to support the change request, validation checks for changes once completed (including routine monitoring of audit trails to ensure all changes performed have been authorised).		



Ref # Findings	Rating	Recommendation	Management Comment	Responsibility
<b>3.4.0 Accounts Payable (continued)</b>				
<p><b>3.4.4 Progress Payments and Purchase Order Tracking</b></p> <p>KCA10 Purchasing, Creditors, Procurement and Payments contains a section 'Outstanding Purchase Order Monitoring' requiring the review of outstanding purchase orders with follow up action on partially invoiced purchase orders and outstanding purchase orders to be undertaken by accounts payable staff. This process appears to be occurring, however there is no review or action by senior staff to monitor the information being circulated to purchasing officers. The reports are for noting, rather than a mechanism to review and follow up status of outstanding purchase orders.</p> <p>Clarifying the purpose and process for the monitoring of purchase orders, including progress payments against purchase orders may also assist with project management reviews if information was available for review regarding the status of outstanding and partially outstanding purchase orders.</p> <p><b>Implication: Risk of invoices not being processed in a timely manner and in accordance with the purchasing policy.</b></p> <p><b>Issues relating to poor cost monitoring by purchasing officers may not be detected in a timely manner.</b></p>	<b>Medium</b>	23. Update procedures to include review of the status of outstanding purchase orders as part of end of month processes. Ensure any controls developed are routinely and consistently applied.		
<p><b>3.4.5 Exemptions for Purchasing Activities</b></p> <p>FIN12 Purchasing Policy (last reviewed 8 September 2020) sets out few opportunities for exemptions from purchasing activities to occur. Exemptions to purchasing activities required by the policy is permitted in emergency situations where there is an imminent risk to public safety, property or infrastructure assets. We noted during our testing CEO 099 Exemption forms (permitted by the former purchasing policy) were utilised after the purchasing policy was reviewed, for approval to bypass the purchasing activities required by the purchasing policy. Procedures should be updated and communicated to all staff with purchasing authorisation to understand their obligations in relation to procurement activities and to comply with the current policy adopted by Council.</p> <p><b>Implication: Potential non-compliance with adopted policies and procedures.</b></p>	<b>Medium</b>	24. Update policies and procedures to provide clearer instruction and alignment for exemptions to occur.		

Ref # Findings	Rating	Recommendation	Management Comment	Responsibility	
3.5.0	Other				
3.5.1	Medium	25. Ensure processes exist to maintain adherence to and detect any deviation from established documented procedures and controls.			
<p>We observed staff utilising credit cards which were held by Directors for purchases at local businesses. When this issue was raised with management, we were advised this was a common practice, and procedures were in place where purchase requests were required to be made to and then authorised by the card holder prior to the credit card being handed out for use. In the course of our review and discussions with staff, we were advised some administrative support staff will hold card details for use as required/directed. We believe credit cards should physically held by the person in whose name they are issued, and credit card details should not be shared with other staff.</p> <p>EMP24 Corporate Credit Card Policy requires procedures to be in place to manage credit card activity in accordance with Council policy. KCA10 Purchasing, Creditors, Procurement and Payments contains a section 'Credit Cards' which sets out these procedures. One of these requirements includes for credit cards not to be used for private or personal transactions.</p> <p>Our testing noted an instance where a Director's credit card had been used to record payment details on another employee's personal PayPal account to procure goods on behalf of the Shire. This transaction was approved on the credit card reconciliation by the Director and was not detected until Accounts Payable staff were reconciling and entering credit card statements into the Shire's ERPS.</p> <p><b>Implication: Potential non-compliance with documented policies and procedures.</b></p> <p><b>Potential for fraudulent transactions to occur.</b></p>					
3.5.2	Medium	26. The list of payments made by the CEO under delegated authority should be presented to Council with only the minimum information required by legislation, and not as a separate confidential attachment.			
<p><b>Accounts for payment listing to Council</b></p> <p>Legislation requires a listing of payments made by delegated authority to be presented to Council, detailing the payments which have occurred. This listing is presented as a confidential attachment to the Shire of Ashburton Council, which is not available for public inspection. Although public provision of a high level of detail to support the list of payments increases the risk of IT related fraud and may result in disclosure of confidential commercial information, the list also serves to promote transparent and accountable practices to the community and other stakeholders. The list of payments made by the CEO under delegated authority should be presented to Council with only the minimum information required by legislation, and not as a separate confidential attachment.</p> <p><b>Implication: Principles of good governance relating to transparency and accountability may not be able to be demonstrated.</b></p>					

Ref #	Findings	Rating	Recommendation	Management Comment	Responsibility
3.5.0	Other				
3.5.3	<p><b>Regional Price Preference Policy</b></p> <p>The FIN04 Buy Local Regional Price Preference Policy was reviewed 21 November 2017 and consolidated with FIN12 Purchasing Policy. We noted when reviewing tenders and other procurement activities, regional price preferences were considered / applied after FIN04 Buy Local Regional Price Preference policy was removed from the policy manual.</p> <p>The <i>Local Government (Functions and General) Regulations 1996</i> provides for the application of regional price preferencing, including parameter, the requirement to have a regional price preference policy in place which has been prepared, advertised, submissions considered, adopted and then statewide public notice given prior to the application of the policy. We do not believe the application of regional price preferencing was compliant with legislation following the consolidation of FIN04 Buy Local Regional Price Preference Policy from 21 November 2017.</p> <p>We note this issue has since been corrected, following the preparation of a compliant policy, which has followed the processes set out by <i>Local Government (Functions and General) Regulations 1996</i>. This policy was adopted by Council on 11 November 2020 and advertised to come into effect 13 November 2020.</p> <p><b>Implication: Non-compliance with legislation.</b></p>	Medium	27. Where regional price preferencing is to be applied to tender considerations, ensure policies remain in place which have complied with legislative requirements.		

## 4. Scope and Approach – Risk Management

### 4.1. Introduction

In accordance with the Annual Internal Audit Plan, a review of Risk Management was conducted for the Shire of Ashburton. Effective Risk Management would expect to deliver the following outcomes:

- **Action planning and accountability** - Ensuring that issues and opportunities are addressed within a formalised process within acceptable risk level
- **Allocation of resources** - Allocation and utilisation of limited resources.
- **Assurance** - Providing transparency and comfort to stakeholders that risks and opportunities are being managed.
- **Business Intelligence** - Sharing business knowledge and insights.
- **Change agent** - Driving organisational change to improve business efficiency, effectiveness and healthy risk culture.
- **Compliance** - Needs to meet the requirements of relevant regulatory standards and policy obligations.
- **Decision making** - Providing a framework for making improved and informed risk-based decisions within defined parameters.
- **Strategic achievement** - Achieving Strategic objectives.

### 4.2. Risks

The review considered the following risks:

- Strategic, enterprise and key operational risks – risks are not managed effectively within risk appetite;
- Compliance risk – non-adherence to Treasurer’s Instructions (as applicable per scope);
- Fraud risk – inappropriate and unauthorised activities; and
- Control risk – inappropriate and ineffective systems of control to manage strategic, enterprise and operational risks.

### 4.3. Objective and Scope

The objective of the review was to determine the compliance, efficiency, and effectiveness of the Risk Management Framework with legislative compliance requirements and its consideration of better practice principles.

The scope included consideration of:

- policy framework and practices;
- implementation of the above policy framework;
- extent of consideration of better practice principles; and
- any opportunities for improvement and efficiency in processes, compliance, monitoring or otherwise.

### 4.4. Review Approach

Our internal audit was performed in accordance with the International Standards for the Professional Practice of Internal Auditing and the Moore Australia (WA) Pty Ltd Internal Audit Methodology. The review was conducted primarily by applying discussion, observation and review techniques, concentrating on:

- performance of process walkthroughs with staff;
- adherence to Shire policies and procedures; and
- high-level review of practice within FY20 (from 1 January to current) to identify if practice represents Shire policy.

## 4. Observations and Recommendations – Risk Management

Ref #	Findings	Rating	Recommendation	Management Comment	Responsibility
4.1.0	<b>Capability and Culture – The ability and capacity of staff, tone, commitment education and awareness, established norms of behaviour</b>				
4.1.1	<p><b>Resourcing</b></p> <p>There are currently limited resources for risk management, with no dedicated officers allocated to support activities. Risk management, where undertaken and applied, is within individual departments of the Shire.</p> <p>Management has advised there is a de-centralised model in place where risk owners are responsible for risk management. In our opinion the risk management function is not comprehensive and coordinated relative to the nature and size of the Shire. It requires a dedicated resource to be responsible for all the risk management functions and activities to provide a consistent approach to risk management. Currently the risk management function appears disparate across the Shire.</p> <p>Further to this, there has been no recent or regular assessment of the adequacy of the resourcing of the risk management function. This is required to ensure the level of resources is current and commensurate with the Shire's risk appetite.</p> <p><b>Implication: Risk Management may be ineffective with the insufficient resourced central coordination.</b></p>	Medium	28. Appointment of dedicated risk manager who is responsible for the for the coordination of risk management activities. Regularly consider the resourcing of the risk management function and if it currently meets expectations. This may include the convening of a risk management group to support the risk manager.		
4.1.2	<p><b>Alignment to Strategic Plan and Business Plan</b></p> <p>The Shire of Ashburton Living Life Strategic Plan 2017 to 2027 does not reference risk management or risks other than refer to these at a framework level. The Corporate Business Plan 2018-2022 does provide for risks, however this document has not been reviewed since it was adopted in 2018.</p> <p>Council and management should consider the documentation of current and emerging risks affecting/ potentially affecting the Shire in the development of these documents and the controls and initiatives to reduce these risks to an acceptable level. They need to demonstrate that effective systems of effective risk management have been implemented. The Shire should explain how their approach to managing current and emerging risks will support achievement of their strategic goals, vision, mission, and purpose.</p> <p><b>Implication: Risk Management may not be effective.</b></p>	Medium	29. Consider and document current and emerging risks in the Strategic Community Plan 2017-2027 and the Corporate Business Plan and how effective risk management is in place.		

Ref #	Findings	Rating	Recommendation	Management Comment	Responsibility
4.1.0	<b>Capability and Culture – The ability and capacity of staff, tone, commitment education and awareness, established norms of behaviour (continued)</b>				
4.1.3	<p><b>Council and Audit &amp; Risk Management Committee</b></p> <p>CORP5 Risk Management Policy adopted by Council sets out minimal risk management functions and responsibilities for the Council, and no defined risk management responsibilities for the Audit and Risk Management Committee. We believe it is a key function of the Council and the Audit and Risk Management Committee to oversee the management of risk of the Shire.</p> <p>As well as not defining risk management responsibilities of the committee, the current Terms of Reference for the Audit &amp; Risk Management Committee does not include the date when it was approved by Council. It does not reflect better practice principles and key elements of the Office of the Auditor General's Audit Committee Charter which was included within their Better Practice Guide tabled in Parliament in June 2020. A contemporary and effective Audit &amp; Risk Management Committee should have a contemporary Terms of Reference for good governance.</p> <p><b>Implication: Sound governance reflecting better practice principles for Risk Management may not be implemented.</b></p>	Medium	<p>30. Review CORP5 Risk Management Policy to better define the responsibilities of the Council, the Audit &amp; Risk Committee, management and other stakeholders.</p> <p>31. Review the current Audit and Risk Management Committee Terms of Reference to Include risk management responsibilities and to align with better practice principles.</p>		
4.1.4	<p><b>Risk Management Annual Work Plan and Calendar</b></p> <p>There is currently no risk management annual work plan and/or calendar which has outcomes and activities identified, prioritised, performed with the status reported to management. There is a risk the risk management activities are not performed as they are not balanced with other work priorities of the ELT.</p> <p><b>Implication: Key Risk Management activities may not be performed on a timely basis.</b></p>	Minor	<p>32. Develop, approve, document, monitor and report on a risk management calendar and annual work plan, which identifies the risk management events that are scheduled to occur to ensure that all deadlines are met.</p>		
4.1.5	<p><b>Training</b></p> <p>There is no risk management training calendar. There has been no induction or regular training of the Risk owners, staff, contractors, and volunteers generally on risk management.</p> <p>Formal risk management training is essential to ensure everyone understands their responsibilities in accordance with the approved risk management framework and policy and compliance requirements.</p> <p><b>Implication: Staff may not be aware of their responsibilities or be capable to perform risk management</b></p>	Minor	<p>33. Develop, approve, monitor and report on a risk management training calendar and perform induction and regular training for management, staff, contractors and volunteers. Ensure that the risk manager and risk owners have induction and regular training to ensure they understand their role and responsibility and better practice principles. This can be performed via online training and be integrated with other training performed by the Shire.</p>		

Ref #	Findings	Rating	Recommendation	Management Comment	Responsibility
4.1.0	<b>Capability and Culture – The ability and capacity of staff, tone, commitment education and awareness, established norms of behaviour (continued)</b>				
4.1.6	<p><b>Risk Expert</b></p> <p>There is no documentation of consideration of the need for an expert with an appropriate knowledge of risks to assist with the identification or management of current or emerging risks within risk appetite. Experts can assist with effective risk management. If no experts are required, then this can be documented.</p> <p><b>Implication: Risk management may not be effective if the Shire does not have the expertise to manage a specific risk.</b></p>	Minor	34. Document consideration of the need for a risk expert in the identification and management of key risks.		
4.1.7	<p><b>Risk Owners</b></p> <p>In the absence of a risk manager at the Shire, when management and staff leave there are minimal controls in place to ensure that another risk owner is allocated the risks to manage.</p> <p>Risk owners are responsible for the effective management of the specific risk. A risk owner ensures there is accountability for the residual risk is within risk appetite.</p> <p><b>Implication: Risks may not be managed in the absence of a Risk Owner.</b></p>	Medium	35. Review off boarding processes and ensure risk management processes and controls are updated to remove terminated staff and to identify new risk owners.		
4.2.0	<b>Risk Management Framework- To assist an organisation in integrating risk management into significant activities and functions. The key parts of a Risk Management Framework is Integration, Design, Implementation, Evaluation, Improvement which is centred around Leadership and Commitment.</b>				
4.2.1	<p><b>Risk Register</b></p> <p><i>Risk Identification</i></p> <p>Risk profiles were last updated through a workshop with consultants and the ELT in May 2017. The Risk Profile and Reporting tool serves as the Shire's risk register and has not been updated since the initial workshop where it was developed.</p> <p>Of the risks, controls and treatments considered, many of the risks are operational in nature and do not include the type of risks we would expect to see as strategic risks for the Shire which cover all aspects of the Shire of Ashburton. Many operational risks noted in the reporting tool appear to be ad-hoc, overlap, duplicate, are vague, not easy to manage and report. Furthermore, the risk reporting tool is limited to certain staff and is not regularly measured, reported or updated. It does not appear to be an effective method to manage risks. In our view, high turnover of personnel for the Shire of Ashburton may contribute to the low level of effectiveness of risk management activities currently undertaken.</p>	High			

Ref #	Findings	Rating	Recommendation	Management Comment	Responsibility
4.2.0	<b>Risk Management Framework- To assist an organisation in integrating risk management into significant activities and functions. The key parts of a Risk Management Framework is Integration, Design, Implementation, Evaluation, Improvement which is centred around Leadership and Commitment (continued)</b>				
4.2.1	<p><b>Risk Register (continued)</b></p> <p><i>Risk Identification (continued)</i></p> <p>Other strategic risks are considered and reviewed at weekly ELT meetings, however these risks relate more to topical items for general reference and consideration at meetings. The risks considered are not routinely updated into a risk register.</p> <p><i>Business Unit Risk Registers</i></p> <p>Business unit risk registers are not used within the Shire. Where risks are identified and/or considered by risk owners, the information is not escalated to the ELT to update the risk profile and reporting tool. Business unit risk registers can be an effective way to manage risks across the Shire. Themes, trends, issues, gaps and duplication can be more easily identified.</p> <p><i>Regularity of risk review</i></p> <p>It is the Shire of Ashburton's policy for CORP 5 Risk Management Policy to be reviewed on an biennial basis. Management are responsible for implementing a monitor and review process to report on risk management activities, however this has not been defined or reviewed. We believe there needs to be a more structured and regular review of risks to ensure risks are being actively managed and it is informing decision making.</p> <p><i>Risk Assessment</i></p> <p>Risk assessments are not routinely performed, as a risk register is not maintained by the Shire. It is unclear whether risk ratings (when assessments are performed by risk owners) is based on the quality of the controls identified, or by the number of controls in place. If risk ratings are calculated based on the number of controls in place, rather than the quality of the controls, it may remove professional judgement consideration. Professional judgement may be valuable when assessing the qualitative and quantitative aspects of identified controls and can play an important part in the assessment of the effectiveness of controls.</p> <p><i>Shared Risks</i></p> <p>Through discussions with the ELT of the Shire we identified shared risks with third parties which exist, however there is no evidence this information has been used to inform decision making. Shared risks are those which are not owned by one risk owner or where more than one organisation is exposed to or can significantly influence the risk. Often the shared risks (for example, road works, grants) are assessed using the assessment criteria of a third party, which may result in risks being taken which do not align to the risk appetite of the Shire of Ashburton. Shared risks require shared oversight management, monitoring and reporting.</p>		<p>36. Create, implement and maintain an organisational Risk Register and consider:</p> <ul style="list-style-type: none"> <li>- overlap, duplication and risk owners, shared risks and whether a residual risk falls within or outside the Shire's risk appetite</li> <li>- where business unit risk registers can be used as an effective risk management tool</li> <li>- more regular reviews of risks, more than annually.</li> <li>- regular assessment of the shared risks and the impact on the Shire.</li> <li>- the risk management categories to ensure they appropriately assist with risk identification and management.</li> <li>- application of professional judgement in assessment of effectiveness of risk controls in line with documented systems and controls.</li> </ul>		



Ref #	Findings	Rating	Recommendation	Management Comment	Responsibility
4.2.0	<b>Risk Management Framework- To assist an organisation in integrating risk management into significant activities and functions. The key parts of a Risk Management Framework is Integration, Design, Implementation, Evaluation, Improvement which is centred around Leadership and Commitment (continued)</b>				
4.2.1	<p><b>Risk Register (continued)</b></p> <p><i>Risk Categories</i></p> <p>The risk profile and reporting tool includes approximately 15 risk categories, some of which appear to be operational areas of the Shire rather than risk categories. Some elements expected to appear in risk categories are present however these appear to be adhoc and not to the level expected for an organisation the size of the Shire of Ashburton.</p> <p>Risk categories provide a link between general business strategy and risk management. Risk categories should reflect the whole entity, provide guidance on what is acceptable and not acceptable and should be used to aggregate specific risks for reporting purposes.</p> <p>Risk categories could be for example Strategic, Financial, Environmental, Safety, People, Reputation, Business Continuity Information Technology, Compliance, Operational.</p> <p>Sub-categories could subsequently be used. For example Finance, these might include Liquidity, Market, Credit.</p> <p><b>Implication: Risk management may not be effective.</b></p>				
4.2.2	<p><b>Risk Appetite, Risk Tolerance Statements and Treatment Action Plans</b></p> <p>There is no reference to a risk appetite statement, risk tolerance statement or treatment action plans within the Shire of Ashburton's Strategic Plan, Corporate Business Plan, Audit and Risk Management Committee Terms of Reference, Risk Management Policy or Risk Profile and Reporting Tool.</p> <p>It is critical for effective risk management to articulate what is the Shire's risk appetite for each key risk so they can monitor the residual risks for each key risk to ensure it remains within the risk appetite. It is also important to articulate a risk tolerance statement to document the levels of risk taking acceptable to achieve a specific objective or manage a category of risk.</p> <p>In the event that controls are not operating effectively or there is not enough current controls, treatment action plans will have to be implemented.</p> <p><b>Implication: Risk may not be managed within acceptable levels to the Shire of Ashburton.</b></p>	<b>High</b>	37. Develop, approve, monitor and report on a risk appetite, risk tolerance and treatment action plans and then consider these within documented risk management practices. Consider the effectiveness of controls to ensure that treatment action plans are not required to reduce risk to within risk appetite.		

Ref #	Findings	Rating	Recommendation	Management Comment	Responsibility
4.2.0	<b>Risk Management Framework- To assist an organisation in integrating risk management into significant activities and functions. The key parts of a Risk Management Framework is Integration, Design, Implementation, Evaluation, Improvement which is centred around Leadership and Commitment (continued)</b>				
4.2.3	<p><b>Risk Management Strategy</b></p> <p>There is no risk management strategy which identifies:</p> <ul style="list-style-type: none"> <li>• summary of current material and emerging risks affecting or potentially affecting the Shire,</li> <li>• approach to managing these risks,</li> <li>• policies and procedures dealing with risk management matters,</li> <li>• the role and responsibilities of the risk management function,</li> <li>• description of the risk governance relationship between the Council, its Committees and Management, with regard to the risk management framework and</li> <li>• outline of the approach to ensure that all management, staff, contractors and volunteers have an awareness of the risk management framework to promote a mature risk culture across the Shire.</li> <li>• Extent of compliance with legislative requirements.</li> </ul> <p>The risk management policy does not adequately document these items above. They are at the framework level but not at the application level.</p> <p><b>Implication: Risk management may not be effective and managed within risk appetite.</b></p>	<b>Medium</b>	38. Develop, a risk management strategy and review this at least on an annual basis or when material risks are identified.		
4.2.4	<p><b>Special Activities and Project Risks</b></p> <p>There is no formal policy/procedure for risks relating to a project or special activities to be identified, risk assessed, monitored and reported within the Shire to a risk manager.</p> <p>There are a number of large scale, high value and potentially high risk projects being undertaken by the Shire where risk assessments have not been performed. Management have explained risk assessments for some projects will be undertaken by consultants engaged to assist with project management at a later date.</p> <p>The risk assessments, when performed, by management, staff and contractors are using their own format which may not be comprehensive and reflect approved or acceptable criteria.</p> <p>There is a risk that activities can be performed with no risk assessment and impact on Shire activities.</p> <p><b>Implication: Risks may not be effectively identified and managed within risk appetite.</b></p>	<b>High</b>	39. Develop an approved risk assessment tool for special projects and activities which are being considered to be undertaken		

Ref #	Findings	Rating	Recommendation	Management Comment	Responsibility
4.2.0	<b>Risk Management Framework- To assist an organisation in integrating risk management into significant activities and functions. The key parts of a Risk Management Framework is Integration, Design, Implementation, Evaluation, Improvement which is centred around Leadership and Commitment (continued)</b>				
4.2.5	<p><b>Embedded Risk Management</b></p> <p>It is not documented how risk management is integrated and embedded within the Shire and how the risk management policy is applied to Shire processes, ensuring decision making is aligned with effective risk management. The risk profile and reporting tool appears to be database of general risks and what the individual risk owners who have raised risks believe are their assessment of risks, however this is not compared to a risk appetite of the Shire.</p> <p><b>Implication: Risk management may not be effective and outside of Risk Appetite.</b></p>	High	40. Consider and document how the risk management is integrated and embedded within Shire processes. Strategies that can be considered include risk champions, workshops with management and staff.		
4.3.0	<b>Reporting – Enhances the quality of dialogue with stakeholders and support Management and oversight bodies in meeting their responsibilities.</b>				
4.3.1	<p><b>Audit and Risk Management Committee</b></p> <p>There is no standard agenda item presented to the Audit &amp; Risk Management Committee with adequate information and assurance that current, new and emerging risks are being identified and managed.</p> <p>We believe it is good governance for the Audit &amp; Risk Committee to receive information at each meeting to summarise the risk management activities and to discuss current, new, emerging risks, status of the risk management annual work plan, risk management calendar and approval of key policies etc.</p> <p><b>Implication: Risk management is not transparent and does not inform decision making by the Shire of Ashburton.</b></p>	Medium	41. Include a summary of the risk management activities as an agenda paper for Audit & Risk Management Committee meetings.		
4.3.2	<p><b>Executive Leadership Team (ELT)</b></p> <p>The ELT does not have a standard or regular agenda item for risk management. There is a list of topical items used primarily as reference points for the ELT to consider at meetings, however the outcomes of these discussions do not result in formal risk management updates or activities being undertaken.</p> <p>We believe it is good governance for the executive leadership team to receive a paper at each meeting to summarise the risk management activities and to discuss current, new, emerging risks, status of the risk management annual work plan, risk management calendar and approval of key policies etc.</p> <p><b>Implication: Risk management is not transparent and does not inform decision making by the Executive Leadership Team.</b></p>	Medium	42. Include a summary of the risk management activities as a agenda paper for Executive Leadership Team meetings.		

Ref #	Findings	Rating	Recommendation	Management Comment	Responsibility
4.4.0	<b>Performance Monitoring – Assessing the extent to which the actual performance meets/ exceeds expectations including compliance requirements.</b>				
4.4.1	<p><b>Compliance with Legislative Requirements</b></p> <p>There has been no documented assessment of the compliance with legislative requirements for Risk Management such as the current Risk Management Standard (ISO 31000: 2018).</p> <p>A review was undertaken and finalised for the Shire in August 2020 on the appropriateness and effectiveness of the Shire's risk management, internal controls and legislative compliance systems and procedures as required by the <i>Local Government (Audit) Regulations 1996 Regulation 17</i>. The review report commented on the appropriateness and effectiveness of internal controls, but not on legislative compliance or risk management. The review scope was also limited.</p> <p>The current CORP5 Risk Management Policy reflects the Shire's commitment to organisation wide risk management principles, systems and processes aimed at optimising the achievement of objectives, embedding controls to mitigate risk, improving corporate governance and planning for continuity of critical operations. The policy also requires review of Risk Management Framework and procedures, however a framework and formal risk management procedures have not been developed.</p> <p>Development and application of risk management systems and processes are required to be implemented throughout the organisation in order for risk management processes and procedures to be considered compliant with legislation.</p> <p><b>Implication: Potential non-compliance with legislation</b></p>	Medium	43. Develop and implement a risk management framework / strategy and supporting systems and procedures aligned to the current risk Management Standard, ISO 31000:2018.		
4.4.2	<p><b>Staff Adherence and Audits</b></p> <p>Staff adherence to the risk management policy is not assessed by the Shire or an independent service provider on a regular basis.</p> <p>Risk management is a key area of the Shire, to ensure that current and emerging risks are identified and managed effectively within risk appetite. Internal or external independent assessment of the extent of compliance is considered good governance.</p> <p>Apart from this internal audit of the risk management function, there is no evidence this has been performed.</p> <p><b>Implication: Risk management may not be effective and go undetected for some time.</b></p>	Medium	44. Perform regular external or internal independent assessment of Risk Management to identify improvement opportunities.		

Ref #	Findings	Rating	Recommendation	Management Comment	Responsibility
4.4.0	<b>Performance Monitoring – Assessing the extent to which the actual performance meets/ exceeds expectations including compliance requirements (continued)</b>				
4.4.3	<p><b>Performance Indicators</b></p> <p>There are currently no performance indicators or measures for the risk management function. the setting of performance indicators allows expected performance to be set and agreed and actual performance to be compared to expectations.</p> <p>Performance targets is discussed in the <i>Treasurer Instruction 825 Risk Management and Information Security</i> as an element of effective risk management.</p> <p><b>Implication: Risk management may not meet expectations.</b></p>	Minor	45. Develop, approve, document, monitor and report risk management performance indicators or measures to allow expected performance and actual performance to be compared.		
4.4.4	<p><b>Survey of Risk Owners, Management and Staff, Contractors and Volunteers</b></p> <p>A survey of a selection of risk owners, management, staff, contractors and/ or volunteers has not been performed.</p> <p>A survey is a good way to seek the pulse of the Shire as to the confidence that people have in their role and responsibilities and their ability to manage risks. A survey is discussed in <i>Treasurer Instruction 825 Risk Management and Information Security</i> as an element of effective risk management. It is also an emerging trend for organisation's to assess their risk culture as this is a key element for effective risk management.</p> <p><b>Implication: Risk management may not be effective, efficient or supported by Management, staff, contractors and volunteers.</b></p>	Minor	46. Survey a selection of risk owners, management, staff, contractors and/ or volunteers to identify continuous improvement opportunities.		

## 5. Scope and Approach – Grants Management Introduction

In accordance with the Annual Internal Audit Plan of the Shire of Ashburton, a high-level review of grants management activities has been undertaken.

### 5.2. Risks

The review considered the following risks:

- Grant work is not effectively managed resulting in portion of the grant having to be repaid to the funding body due to a failure to meet deadlines or funding conditions;
- Future grants not being awarded to the Shire due to poor performance or missed opportunities for significant funding options; and
- Insufficient controls in managing grants being awarded by the Shire (transparency, efficiency, probity and good governance).

### 5.3. Objective and Scope

The objective of the Grants Management internal audit topic was to assess the systems for correctly accounting for and managing grants, and to identify potential improvements.

The scope included consideration of:

- alignment of grants management policies and procedures;
- grants management processes and reporting; and
- any opportunities for improvement and efficiency in processes, compliance, monitoring or otherwise.

### 5.4. Review Approach

Our internal audit was performed in accordance with the International Standards for the Professional Practice of Internal Auditing and the Moore Australia (WA) Pty Ltd Internal Audit Methodology.

In summary our approach included discussions with key stakeholders to understand the process and controls in respect to:

- application of grants;
- acquittal of grants;
- compliance with grant conditions; and
- governance and administration arrangements.

## 5. Observations and Recommendations – Grants Management

Ref #	Findings	Rating	Recommendation	Management Comment	Responsibility
5.1.0	<b>Application of Grants</b>				
5.1.1	<p>Minimal documentation is maintained to support proposals for grant applications. It appears some grant applications are opportunistic as funding is identified or becomes available, with minimal planning undertaken to consider the following:</p> <ul style="list-style-type: none"> <li>• Need for the program;</li> <li>• Objective clearly defined;</li> <li>• Relevant factors and risks are thoroughly analysed and assessed (needs analysis, cost/benefit, risk analysis);</li> <li>• Appropriate options for delivery.</li> </ul> <p>Some grants are applied for with limited consideration to other (including incomplete) grant programs and resourcing available for delivery. With the high turnover of staff at the Shire of Ashburton, it appears some grant programs are not able to be delivered effectively, often due to personnel responsible for program implementation and/or delivery leaving the Shire.</p> <p>KCA 3 Grants within the Finance Manual requires approval for grant applications to be obtained from all relevant personnel prior to submitting an application, but does not define responsibility or authority for the final decision to pursue the grant program.</p> <p>The procedure also requires the Grants and Budgeting Officer (GBO) to be notified of successful applications and forwarded supporting documentation for the Grants Register to be updated accordingly. The GBO is not always advised of successful grant applications, and the accurate maintenance of the grant register is highly dependent upon the GBO analysing nature and type classifications to identify grant revenue as it is received (where grants have been successful), and then identify the department responsible for the grant revenue to complete and update the register.</p> <p>Improved controls to support decision making prior to grant applications being submitted should be implemented to assist with higher level management of oversight of grants being managed within the Shire.</p> <p><b>Implications: Inadequate resourcing may be available to manage and deliver grants.</b></p> <p><b>Inability to meet grant conditions or deliver the program, resulting in funds having to be returned to funding bodies.</b></p>	<b>Medium</b>	<p>46. Improve systems and controls through establishing set criterion to support decision making and authorisation for grant applications.</p> <p>47. Enforce individual accountability for compliance with the Shire's documented procedures.</p>		

Ref #	Findings	Rating	Recommendation	Management Comment	Responsibility
<b>5.2.0 Acquittal of Grants</b>					
5.2.1	<p>Each department is responsible for their respective grant acquittals, with the GBO available to assist where requested. In instances where the GBO assists with acquittal processes, some testing will be performed by the GBO for compliance with grant conditions, particularly where the grant acquittal does not require independent audit.</p> <p>KCA 3 Grants procedure sets out that acquittals should be reviewed by the Finance Department with a signing memo completed prior to acquittals being submitted to the funding body, however this is not routinely applied as it is not documented in the procedure as a requirement.</p> <p>The procedure also sets out for the comparison of grant revenue to year to date budget estimates on a monthly basis, with the intent for significant variances to be raised with management to review and action as required. The GBO appears to have systems in place where this information is being prepared and maintained, however a breakdown in systems and controls has resulted in this information not being reviewed by management as required by the procedure.</p> <p>Considering the high levels of staff turnover experienced by the Shire of Ashburton, centralisation of information relating to requirements for grant acquittals which are routinely monitored and reviewed, is considered appropriate to provide some assurance grants are being managed to required timelines with necessary information requirements being maintained. KCA 3 Grants procedure should be modified to improve on existing requirements to implement this initiative.</p> <p><b>Implication: Inadequate controls for the review and monitoring of timelines for grant acquittals, as well as integrity of data for performance results of grants, may not allow for the timely detection and action to address issues which may occur.</b></p>	<b>Medium</b>	<p>48. Review documented procedures to include clearer requirements to support grant acquittals to assist with a higher level review for the timely completion and submission of acquittals and audits.</p> <p>49. Establish authorised checklists to be completed by each department managing grants to evidence the routine review of grants and the provision of any required information as required by internal policies and procedures.</p>		
<b>5.3.0 Compliance with Grant Conditions</b>					
5.3.1	<p>Grant managers are responsible for compliance with grant conditions and clauses outlined. Some grant managers have established Gantt charts to monitor milestones and reporting, however there is no formal or independent monitoring of performance criteria, reporting or compliance with terms and conditions of executed grant agreements.</p>		<p>50. Create a grants matrix to allow higher level analysis and review of compliance with grant conditions and clauses.</p>		



Ref #	Findings	Rating	Recommendation	Management Comment	Responsibility
5.3.0	<b>Compliance with Grant Conditions (continued)</b>				
5.3.1	<p>A system to monitor grants being managed by the Shire may assist to identify gaps where performance issues exist, so they may be remedied at the earliest opportunity. Understanding the current status of grants (as well as the number of grants currently being managed by the Shire) may assist in assessing the risks of undertaking additional programs, performance with current programs (where departments are not efficiently delivering programs), as well as providing clarity with shared responsibilities (where partnerships exist with multiple bodies). KCA 3 Grants does note a strategic overview of grants to be reviewed monthly by the executive. There is no formal review undertaken other than general reference to grants at ELT meetings.</p> <p>During our review, we became aware significant grant funds have been returned to funding bodies by the Shire in recent years, as grant programs were not able to be completed / delivered as required. We also noted there were no systems or controls in place to maintain records of compliance and non-compliance for grants being managed by the Shire.</p> <p>A structured mechanism to monitor compliance and non-compliance with grant conditions may assist in reducing future instances of non-compliance which could impact on the Shire's ability to secure future funding. It also serves to centrally record actions taken where breaches in compliance do occur. Currently, there is no central record/resource available documenting what remedial action (if any) has been undertaken where grant conditions were not met, or where individual accountability for compliance was required to be enforced.</p> <p><b>Implications: Where systems and controls are not available for higher level monitoring of compliance with grant programs by management, issues may not be detected in a timely manner.</b></p> <p><b>Reputation risk to the Shire where grant funds are required to be repaid through non-compliance or failure to deliver grant programs as agreed.</b></p>	<b>Medium</b>	51. In addition to the recording of compliance for grant programs, establish a register to maintain records of compliance and non-compliance.		

Ref #	Findings	Rating	Recommendation	Management Comment	Responsibility
5.4.0	<b>Governance</b>				
5.4.1	<p>The grants register required to be maintained KCA 3 Grants is intended to be a live document, however the Shire's intranet does not allow for live documents to be maintained. This results in the live register not being updated and maintained at the time grants are applied for by each department, and instead relies heavily on the Grants and Budgeting Officer (GBO) to identify successful grants and update the register for monitoring as required.</p> <p>The procedure appears to intend to provide guidance to users toward desired practices but does not clearly set out required practices. As a result, some controls which may be intended and required by the procedure are instead considered optional and not routinely followed. This includes:</p> <ul style="list-style-type: none"> <li>• Creating records in the EDRMS (Synergysoft) for grant agreements and other documents. These documents and acquittals are stored in various locations and shared drives and are not easily accessible;</li> <li>• Evidencing acquittal reviews prior to submission to funding bodies (we did not observe this occurring except where the GBO had been requested to assist);</li> <li>• Provision of grant documentation to GBO for financial reporting (this information had to be sourced from multiple individuals); and</li> <li>• Monitoring of compliance with grant terms (no formal centralised record).</li> </ul> <p>The Shire might also consider an evaluation of current grants, to identify those which are not meeting compliance or timing criteria to determine:</p> <ul style="list-style-type: none"> <li>• Whether the grant program can achieve its intended outcome;</li> <li>• Assessment of the quality of benefits;</li> <li>• If any necessary adjustments to the operations of the program be made; and</li> <li>• Available plans in place to deliver the program more efficiently (operationally and financially) if the grant was to continue after the grant review.</li> </ul> <p><b>Implication: Corrective actions cannot be undertaken in response to problems with the grants management program and/or system of there is no mechanism to measure the efficiency and effectiveness of the whole organisation's grants management.</b></p>	<b>Minor</b>	<p>52. Update internal resource library (intranet) to maintain live documents as required by documented procedures.</p> <p>53. Clarify KCA 3 Grants to define expected compliance requirements and create support documents as required to facilitate compliance.</p> <p>54. Enforce individual accountability with documented procedures.</p> <p>55. Undertake an evaluation of current grant programs to identify non-compliant grants and action as required.</p>		

Ref #	Findings	Rating	Recommendation	Management Comment	Responsibility
5.4.0	<b>Governance (Continued)</b>				
5.4.2	<p>Outgoing grants to community groups undergo a process whereby an invitation to apply for community grants is advertised, with applications to be submitted via the Shire's website. A summary of these low value grants are presented to Council for approval. Once approved, grants are managed by staff, including acquittals. Acquittals are recorded into the Shire's EDRMS, however the acquittals are not reviewed or approved by an independent senior officer.</p> <p>Based on our enquiries, where community grants are underspent, a recommendation will be prepared to Council whether the grant requires to repayment, or a change of purpose. Considering the low value of these grants, administrative efficiencies should be investigated whether this process could be more effectively managed through management/ELT rather than being presented to Council for a change of purpose, particularly where low values (&lt;\$2,500) are being considered.</p> <p>Council Policy REC 08 provides high level guidance for community grants, however outgoing grants made by the Shire are not provided for in operational procedures examined as part of the review.</p> <p><b>Implications: Administrative inefficiencies for low value grants may result in time delays to complete grant programs.</b></p> <p><b>The absence of independent reviews of acquittals does not promote transparent and accountable practices.</b></p>	<b>Minor</b>	56. Document appropriate procedures relating to management of community support grants.		

## 6. Scope and Approach – Records Management

### 6.1. Introduction

The *State Records Act 2000* provides the requirements for the keeping of State records created or received by a government organisation employee or contractor in the course of the work for the organisation. Records are a business asset that evidence business transactions. Appropriate management of records provides a basis for making transparent and informed decisions, an information resource that can be used to demonstrate and account for organisational activities and provides consistency, continuity and efficiency in administration and management within an organisation.

In accordance with the Annual Internal Audit Plan of Shire of Ashburton, a high-level review of Records Management had been undertaken.

### 6.2. Risks

The review considered the following risks:

- Inadequate records management practices could result in a breach of *State Records Keeping Act 2000* and loss of information.
- Records cannot be located in a timely and effective manner.

### 6.3. Objective and Scope

The objective of the Records Management internal audit was to assess the systems for records capture and retrieval, retention and disposal, risk of loss of vital information, and to identify potential improvements.

The scope included consideration of:

- the extent to which an information management framework exists; and compare to compliance requirements of the Shire of Ashburton and better practice, which is fit for purpose.
- a selection of records capture, retrieval, retention, and disposal practices.
- storage mechanisms.
- any opportunities for improvement and efficiency in processes, compliance, monitoring or otherwise.

### 6.4. Review Approach

Our internal audit was performed in accordance with the International Standards for the Professional Practice of Internal Auditing and the Moore Australia (WA) Pty Ltd Internal Audit Methodology.

In summary our approach included:

- Discussions with key stakeholders to understand the process and controls in respect to:
  - lifecycle of a record;
  - recordkeeping policies, procedures and practices;
  - compliance with relevant legislation;
  - preservation of records and disaster recovery plan; and
  - retention and disposal of records.
- Consider current processes at the Shire of Ashburton against applicable Standards<sup>1</sup>; and
- Consult with management about practical improvement opportunities, where necessary.

<sup>1</sup> State Record Commission of Western Australia, SRC Standard 2

## 6. Observations and Recommendations – Records Management

Ref #	Findings	Rating	Recommendation	Management Comment	Responsibility
6.1.0	<b>Policy and Procedures</b>				
6.1.1	<p><b>Record Keeping Practices</b></p> <p>The Shire's Policy, procedure and Recordkeeping Plan requires staff members must store their records in the electronic data and records management systems (EDRMS) Synergysoft Records module. It appears the rate of compliance is low.</p> <p>Based on our inquiries, records are held in multiple local systems, such as staff's email folders, shared drives, Sharepoint, One Drive, etc., often inaccessible without referral to the immediate users. There is little awareness of the need to capture records arising from activities conducted in business systems. Identification and capture of records is sporadic and is dependent on individual judgement. This means it is likely that a substantial amount of corporate records are not reaching the Synergysoft Records module where retention and destruction schedules can be applied, security and confidentiality requirements can be enforced, records protected from deletion. Timely location of information is therefore almost impossible.</p> <p>In the present environment, the Shire does not have visibility of the corporate information that resides in various repositories, which are mostly unstructured, unindexed and unknown. Appropriate capability is therefore required to identify these "dark data", assess its value and sensitivity to allow for deletion or moving them into the Synergysoft Records module.</p> <p>The ramifications of poor recordkeeping can be far reaching. We understand there are currently a number of legal challenges and subsequent discovery requests which the Shire receives periodically relating to records for the former Wittenoom mine and litigation resulting from environmental impacts during the mine's operation. Significant resources have been allocated to digitising the records however limited parameters and instruction were considered to undertake this project which has not improved the intensive resources required or delays to retrieve and access information.</p> <p>Our inquiries with staff also noted a legal dispute with a contractor in relation to works performed, and the difficulties noted by staff in collating the paperwork required to support the Shire's claim. An estimated 100hrs of staff time was required to locate the necessary documentation, none of which had been recorded in the EDRMS as required by policies and procedures in place.</p> <p>We understand the Shire is seeking to update its EDRMS. A risk based approach should be undertaken to ensure any updates to the EDRMS are compliant with legislation.</p> <p><b>Implications: Records cannot be located in a timely manner impacting on operational efficiency and effectiveness.</b></p> <p><b>Potential non-compliance with legislative requirements.</b></p>	Medium	<p>57. The Shire investigate an automated approach to manage information that can detect and classify high risk and high value information across different repositories including Email, Shared Drives, Sharepoint, One Drive etc.</p> <p>58. The Executive Leadership Team reinforces the importance of recordkeeping with the relevant business units' Management. The message should cascade down from the top to all levels within the organisation.</p> <p>59. Enforce individual accountability for compliance with the Shire's recordkeeping requirements.</p> <p>60. Ensure any updates the EDRMS comply with legislation and appropriate systems and controls are in place to facilitate its application throughout the organisation.</p>		

Ref #	Findings	Rating	Recommendation	Management Comment	Responsibility
6.1.0	<b>Policy and Procedures (continued)</b>				
6.1.2	<p><b>Record Keeping Plan 2015040</b></p> <p>The Shire's Record Keeping Plan 2015040 required review within five years of its approval, with a report to be submitted to the State Records Office by 10 March 2021. Based on our inquiries, at the time of our site visit in December 2020, the review of the Recordkeeping Plan was yet to commence and no extension had been applied for or granted by the State Records Office to perform the review.</p> <p>Considering the level of information required to be collated, reviewed and assessed in reviewing the plan, it is imperative appropriate resources are allocated to ensure the review will achieve the implementation and maintenance of sound and compliant record keeping practices. The Recordkeeping Plan is the primary means of demonstrating compliance with legislative requirements and the review should update the current Plan to ensure it is commensurate with current systems and practices.</p> <p><b>Implications: Inability to meaningfully address review requirements or implement improvements.</b></p> <p><b>Potential non-compliance with legislative requirements.</b></p>	<b>High</b>	<p>61. The Shire consider and implement necessary resources to commence immediate review of the Recordkeeping Plan 2015040.</p> <p>62. Develop appropriate systems to monitor the implementation of improvements within the Plan, including self evaluated improvements and any actions noted by the State Records Office.</p>		
6.2.0	<b>Language Control</b>				
6.2.1	<p>The Record Keeping Plan 2015040 at the time it was reviewed self assessed Principle 3 – Language Control as being effective, including the 'ease of retrieval' of records.</p> <p>As part of our testing in other audit topics, we requested sample records and information from the Records Coordinator and other staff members. Some of the information was not able to be located in the EDRMS.</p> <p>Our inquiries also highlighted similar issues with discovery requests for legal matters relating to Wittenoom claims as previously highlighted. The language controls for records appears to have not been effective, in that some historical has not been easily retrieved.</p> <p><b>Implications: Inability to retrieve documents to support legal claims against the Shire.</b></p> <p><b>Potential non-compliance with legislative requirements.</b></p>	<b>High</b>	<p>63. Review, improve and update the systems and controls for language control within record keeping systems.</p> <p>64. Consider review of historic records to identify any high risk considerations which require examination and updates for compliance with approved record keeping practices.</p>		

Ref #	Findings	Rating	Recommendation	Management Comment	Responsibility
<b>6.3.0</b>	<b>Training</b>				
<b>6.3.1</b>	<p>Historically, induction programs have been in place to include records training for new employees to communicate approved record keeping procedures. This was performed as mix of online and in person training. The application and delivery of this training appears to be inconsistent, as inquiries with various personnel indicated some received records training as part of their induction, whilst others had not had any training or records induction. We believe the high turnover of personnel at the Shire has contributed to the consistency and compliance in delivering records induction training to all staff as required by the RecordKeeping Plan.</p> <p>Whilst the induction program (where performed) conducted for new employees includes records training, there is no refresher training to reinforce the Shire's Recordkeeping Plan, policies practices.</p> <p>It is important that there is regular promotion of basic recordkeeping rules to Management, staff, contractors and volunteers including explanation of recordkeeping responsibilities. Often recordkeeping is overlooked when prioritising operational activities.</p> <p><b>Implications: Staff/contractors may be unaware of their recordkeeping obligations leading to non-compliance.</b></p> <p><b>Lack of refresher training may lead to employees becoming complacent of their recordkeeping roles and responsibilities.</b></p>	<b>High</b>	<p>65. Review and update systems and processes for records training to be routinely and consistently included with general commencement inductions.</p> <p>66. In addition to the induction training, refresher training is conducted for all Management, staff, contractors and volunteers periodically. Records training could, for example, initially be undertaken annually then increased in timeframe when there is evidence of improvement in compliance posture.</p> <p>67. Training of a records management champion in either each core business unit, or as a general support function, to provide support and guidance to all staff on records management matters. This will allow for an "expert" in the field, with hands on understanding of the challenges of each system</p>		
<b>6.4.0</b>	<b>Backup Procedures</b>				
<b>6.4.1</b>	<p>Better recordkeeping practice indicates that strategies should be in place to facilitate the recovery of hard copy and electronic records in the event of a recovery process. Fundamental to this is backup procedures, usability and readability of backup tapes/discs needs to be regularly tested.</p> <p>Based on our enquiries, the back-up media of the Shire's electronic records are not regularly tested.</p> <p><b>Implication: Without regularly testing the backup tapes, restoration issues may not be identified. In the unlikely disaster or unplanned event, records may not be retrievable which may result in loss to the Shire.</b></p>	<b>Medium</b>	<p>68. Test backup procedures, usability and readability of backup tapes/discs on a regular basis.</p>		

Ref # Findings	Rating	Recommendation	Management Comment	Responsibility
<b>6.5.0 Key Performance Indicators</b>				
<p><b>6.5.1</b> Better recordkeeping practice suggests that organisations should develop Performance Indicators to measure the efficiency and effectiveness of the organisation's recordkeeping systems.</p> <p>Section 6.2 of the Record Keeping Plan lists two performance indicators. Our enquiries indicated the Shire has not captured statistics for these indicators as suggested under Principle 6 of the State Records Commission Standard 2. Furthermore, some of these performance indicators need to be modified to ensure they are capable of being measured.</p> <p>Monitoring these performance indicators are vital to allow corrective action to be taken as appropriate and the results feed into continuous improvement activities and inform system reviews.</p> <p><b>Implication: Corrective actions cannot be undertaken in response to problems with the recordkeeping program and/or system of there is no mechanism to measure the efficiency and effectiveness of whole organisation's records management.</b></p>	<b>Medium</b>	<p>69. Refine and develop criteria to assess the performance of the recordkeeping program.</p> <p>70. Implement a survey mechanism to measure levels of staff satisfaction with recordkeeping operations.</p>		
<b>6.6.0 Website Management</b>				
<p><b>6.6.1</b> Currently there is no website management to capture all information published on the Shire's website within the EDRMS. It is important the Shire has the capability to take a "snapshot" of the information published on its website as they represent information relied on by members of the public, as well as information required to be published by legislation.</p> <p>Additionally, perhaps as a corollary of the above issue, it does not appear the Record keeping Plan contains statements or evidence of:</p> <ul style="list-style-type: none"> <li>• guidelines to determine the purpose of the Shire's website (e.g. informational/transactional); and</li> <li>• capture of all information published to the website within the corporate system, either in hard copy or to another electronic medium.</li> </ul> <p><b>Implications: The Shire of Ashburton is unable to determine what information it has published on the website at a point in time.</b></p> <p><b>Non-alignment with the State's recordkeeping requirements.</b></p> <p><b>Compliance relating to information required to be published on the Shire's website cannot be validated or denied.</b></p>	<b>Medium</b>	<p>71. Investigate appropriate system solution to capture corporate information published in social media, including internet website.</p>		



## 7. Other

### 7.1. Disclaimers

Moore Australia (WA) Pty Ltd as agent, an independent member of Moore Global Network Limited, and a Perth based partnership of trusts carries on business separately and independently from other Moore Global Network Limited member firms worldwide.

Services provided under this engagement are provided by Moore Stephens (WA) Pty Ltd as agent and not by any other independent Moore Global Network Limited member firms worldwide. No other independent Moore Global Network Limited member has any liability for services provided.

### 7.2. Basis of Use

This report has been prepared in accordance with the objectives and approach agreed in the engagement document and subject to the following limitations:

- This information has been prepared for use by you subject to the terms of our engagement that include confidentiality conditions limiting the extent to which this document may be disclosed to individuals and the purposes for which it may be used. Please refer to Moore Australia (WA) Pty Ltd's terms of engagement.
- Moore Australia (WA) Pty Ltd reserves the right to change, amend or update our findings and this report, should additional information become available.
- Statements contained in this report are given in good faith, however, in the preparation of this report Moore Australia (WA) Pty Ltd has relied upon the information provided to us which we understand to be reliable, complete, and not misleading.
- Moore Australia (WA) Pty Ltd does not warrant or imply, nor should it be construed, that it has conducted an audit, or verification of the information provided to us which we have relied upon, however we have no reason to believe that any of the information provided, is false or materially incorrect.
- Because of the inherent limitations of any internal control structure, it is possible that errors or irregularities may occur and not be detected. Our procedures were not designed to detect all weaknesses in control procedures as they were not performed continuously throughout a specified period and any tests performed were on a sample basis.
- The matters raised in this report are only those which came to our attention during the course of performing our procedures and are not necessarily a comprehensive statement of all the weaknesses that exist or improvements that might be made. We cannot, in practice, examine every activity and procedure, nor can we be a substitute for management's responsibility to maintain adequate controls over all levels of operations and their responsibility to prevent and detect irregularities, including fraud. Accordingly, management should not rely on our report to identify all weaknesses that may exist in the systems and procedures under examination, or potential instances of non-compliance that may exist. Any projection of the evaluation of the control procedures to future periods is subject to the risk that the systems may become inadequate because of changes in conditions, or that the degree of compliance with them may deteriorate.
- We believe that the statements made in this report are accurate, but no warranty of completeness, accuracy or reliability is given in relation to statements and representations made by, and the information and documentation provided by, the client Management and personnel. We have indicated within this report the sources of the information provided. We have not sought to independently verify those sources unless otherwise noted within the report. We are under no obligation in any circumstance to update this report, in either oral or written form, for events occurring after the report has been issued unless specifically agreed with the client. The findings expressed in this report have been formed on the above basis.
- Recommendations for improvement should be assessed by management for their full commercial impact before they are implemented.

## 7. Other (continued)

### 7.2. Basis of Use (continued)

- This Report is not to be used by any other party for any purpose nor should any other party seek to rely on the opinions, advice or any information contained within this Report. In this regard, we recommend that parties seek their own independent advice. Moore Australia disclaims all liability to any party other than the client for which it was prepared in respect of or in consequence of anything done, or omitted to be done, by any party in reliance, whether whole or partial, upon any information contained in this Report. Any party, other than the client for which it was prepared, who chooses to rely in any way on the contents of this Report, does it so at their own risk.
- The information in this Report and in any related oral presentation made by Moore Australia is confidential between Moore Australia and the client for which it was prepared and should not be disclosed, used or duplicated in whole or in part for any purpose except with the prior written consent of Moore Australia.

### 7.3. Conflicts of Interest

The firm is not aware of any existing or potential relationship, transaction or holding that would compromise its objectivity in the conduct of the services rendered. Should the possibility of a perceived or actual conflict arise the matter would be raised with the Chief Executive Officer immediately and activities suspended until the issue was resolved to your satisfaction.

### 7.4. Liability

Moore Australia (WA) Pty Ltd trading as agent – ABN 99 433 544 961, an independent member of Moore Global Network Limited - members in principal cities throughout the world.

Liability limited by a scheme approved under Professional Standards Legislation.

## Appendix 1: Key to Significance of Risk Rating

Rating	Definition	Guidance	Action required
<b>High</b>	Issue represents a control weakness, which could cause or is causing major disruption of the process or major adverse effect on the ability of the process to achieve its objectives.	<p>Material errors and departures from the organisation's policies and procedures.</p> <p>Financial management / accountability / probity concerns.</p> <p>Non-compliance with governing legislation and regulations may result in fines or other penalties.</p> <p>Collective impact of many medium or low issues.</p>	<p>Requires significant senior management intervention and may require significant mobilisation of resources, including external assistance.</p> <p>A detailed plan of action to be approved by Management with resolution within no later than 30 days.</p>
<b>Medium</b>	Issue represents a control weakness, which could cause or is causing medium adverse effect on the ability of the process to meet its objectives.	<p>Events, operational, business, and financial risks could expose the organisation to losses which could be marginally material to the organisation.</p> <p>Departures from best practice management procedures, and/or processes.</p>	<p>Requires substantial management intervention and may require possible external assistance.</p> <p>Timeframe for action is subject to competing priorities and cost benefit analysis but should not exceed 3 months.</p>
<b>Low</b>	Issue represents a minor control weakness, with minimal but reportable impact on the ability to achieve process objectives.	<p>Events, operational and business risks could expose the organisation to losses which are not material due to the low probability of occurrence of the event and insignificant impact on the operating capacity, reputation, and / or regulatory compliance.</p> <p>Departures from management procedures and/or processes, however, appropriate monitoring and governance generally mitigates these risks.</p>	<p>Requires management attention and possible use of external resources.</p> <p>Minor treatment is desirable. Action should be completed within 6 months.</p>

## Appendix 2: Key Documents

Key documents were received and to varying extents reviewed within the internal audit included the following

- Financial Management Review 2019
- KCA 5 Rates (Finance Manual)
- KCA 6 Accounts Receivable (Sundry Debtors) (Finance Manual)
- KCA 7 Bank Accounts and Banking (Municipal Fund and Banking)
- KCA 11 Fixed Assets (Asset Management) (Finance Manual)
- Tender Register (2019 & 2020)
- Contracts Register
- Council Meeting EOM Payment List (July 2019 to June 2020, September 2020 to October 2020)
- FIN 04 Regional Price Preference Policy (adopted 10 November 2020)
- FIN12 Purchasing Policy (adopted 8 September 2020)
- FIN25 Panels of Prequalified Suppliers (adopted 8 September 2020)
- FIN22 Procurement Directive
- Accounts Payable Procedure Manual (Draft 23.07.2020)
- KCA10 Purchasing, Creditors, Procurement and Payments (Finance Manual)
- Risk Profile and Reporting Tool (May 2017)
- CORP5 Risk Management Policy (adopted 17 December 2019)
- Living Life Strategic Community Plan 2017-2027
- Corporate Business Plan 2018-2022
- Grants Reconciliation Workpaper (2019/20)
- KCA 3 Grants (Finance Manual)
- REC08 Community Donations, Grants and Funding Policy
- ADM04 Record Keeping Procedure
- ELM16 Elected Members Record Keeping Policy
- Record Keeping Plan RKP 2015040

## Appendix 3: Personnel Contacted

We would like to thank the following personnel for their assistance in the conduct of this audit.

Name	Role
Kenn Donohoe	Chief Executive Officer
John Bingham	Director Corporate Services
Adam Majid	Director Development Services
Alan Sheridan	Acting Director Infrastructure Services
Chantelle McGurk	Director Procurement and Projects
Danielle Hurstfield	Manager Governance
Helen Pickering	Manager Waste Services
Mark Reid	Fleet Manager
Adele Heraty	Manager Human Resources
Megan Walsh	COO Airport and Tourism
Mitch Connop	ICT Administrator
Marney Stewart	HR Coordinator
Rachel Cassidy	HR Coordinator
Janice Nottingham	Records Coordinator
Sarah Barlow	Acting Senior Procurement Officer
Wongani Harawa	Grants and Budget Officer
Dee Walkington	Customer Service / Records Officer
Renae Lynch	Procurement Officer
Fiona Butler	Finance Officer – Expenditure
Melinda Wagstaff	Finance Officer – Rates
Erina Rau	Administration Officer – Fleet
Jacqui Emery	EA Community Services

## CONTACT US

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## Ashburton - Compliance Audit Return 2020

### Certified Copy of Return

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

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



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

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





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



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No	Reference	Question	Response	Comments	Respondent
14	s5.89A(7)	Have copies of all records removed from the register under section 5.89A (6) been kept for a period of at least five years after the person ceases to be a person required to make a disclosure?	Yes		Danielle Hurstfield
15	Rules of Conduct Reg 11(1), (2) & (4)	Where a council member had an interest that could, or could reasonably be perceived to, adversely affect the impartiality of the person, did they disclose the interest in accordance with Rules of Conduct Reg 11(2)?	Yes		Danielle Hurstfield
16	Rules of Conduct Reg 11(6)	Where a council member disclosed an interest under Rules of Conduct Reg 11 (2) was the nature of the interest recorded in the minutes?	Yes		Danielle Hurstfield
17	s5.70(2) & (3)	Where an employee had an interest in any matter in respect of which the employee provided advice or a report directly to council or a committee, did that person disclose the nature and extent of that interest when giving the advice or report?	Yes		Danielle Hurstfield
18	s5.71A & s5.71B (5)	Where council applied to the Minister to allow the CEO to provide advice or a report to which a disclosure under s5.71A(1) relates, did the application include details of the nature of the interest disclosed and any other information required by the Minister for the purposes of the application?	Yes		Danielle Hurstfield
19	s5.71B(6) & s5.71B(7)	Was any decision made by the Minister under subsection 5.71B(6) recorded in the minutes of the council meeting at which the decision was considered?	Yes		Danielle Hurstfield
20	s5.103 Admin Regs 34B & 34C	Has the local government adopted a code of conduct in accordance with Admin Regs 34B and 34C to be observed by council members, committee members and employees?	Yes	17/12/2019 Awaiting LG Act amendments	Danielle Hurstfield
21	Admin Reg 34B(5)	Has the CEO kept a register of notifiable gifts in accordance with Admin Reg 34B(5)?	Yes		Danielle Hurstfield

### Disposal of Property

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



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

<b>Finance</b>					
<b>No</b>	<b>Reference</b>	<b>Question</b>	<b>Response</b>	<b>Comments</b>	<b>Respondent</b>
1	s7.1A	Has the local government established an audit committee and appointed members by absolute majority in accordance with section 7.1A of the Act?	Yes	22/10/2019	Danielle Hurstfield
2	s7.1B	Where the council delegated to its audit committee any powers or duties under Part 7 of the Act, did it do so by absolute majority?	N/A	No delegations	Danielle Hurstfield
3	s7.3(1) & s7.6(3)	Was the person or persons appointed by the local government to be its auditor appointed by an absolute majority decision of council?	N/A	Appointed by OAG	Danielle Hurstfield
4	s7.3(3)	Was the person(s) appointed by the local government under s7.3(1) to be its auditor a registered company auditor or an approved auditor?	Yes		Danielle Hurstfield
5	s7.9(1)	Was the auditor's report for the financial year ended 30 June 2020 received by the local government by 31 December 2020?	No	Received 16/2/2021 due to legislation amendments.	Danielle Hurstfield
6	s7.12A(3)	Where the local government determined that matters raised in the auditor's report prepared under s7.9(1) of the Act required action to be taken, did the local government ensure that appropriate action was undertaken in respect of those matters?	Yes		Danielle Hurstfield



No	Reference	Question	Response	Comments	Respondent
7	s7.12A(4)(a)	Where matters identified as significant were reported in the auditor's report, did the local government prepare a report that stated what action the local government had taken or intended to take with respect to each of those matters?	N/A	No significant matters	Danielle Hurstfield
8	s7.12A(4)(b)	Where the local government was required to prepare a report under s.7.12A(4)(a), was a copy of the report given to the Minister within three months of the audit report being received by the local government?	N/A		Danielle Hurstfield
9	s7.12A(5)	Within 14 days after the local government gave a report to the Minister under s7.12A(4)(b), did the CEO publish a copy of the report on the local government's official website?	N/A		Danielle Hurstfield
10	Audit Reg 7	Did the agreement between the local government and its auditor include the objectives and scope of the audit, a plan for the audit, details of the remuneration and expenses paid to the auditor, and the method to be used by the local government to communicate with the auditor?	Yes		Danielle Hurstfield
11	Audit Reg 10(1)	Was the auditor's report for the financial year ending 30 June received by the local government within 30 days of completion of the audit?	Yes	Audit & Risk and OCM on 16/2/2021	Danielle Hurstfield

### Integrated Planning and Reporting

No	Reference	Question	Response	Comments	Respondent
1	Admin Reg 19C	Has the local government adopted by absolute majority a strategic community plan? If Yes, please provide the adoption date or the date of the most recent review in the Comments section?	Yes	Review adopted 18/6/2019	Danielle Hurstfield
2	Admin Reg 19DA (1) & (4)	Has the local government adopted by absolute majority a corporate business plan? If Yes, please provide the adoption date or the date of the most recent review in the Comments section?	Yes	Review adopted 18/6/2019	Danielle Hurstfield
3	Admin Reg 19DA (2) & (3)	Does the corporate business plan comply with the requirements of Admin Reg 19DA(2) & (3)?	Yes		Danielle Hurstfield



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

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

<b>Optional Questions</b>					



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No	Reference	Question	Response	Comments	Respondent
1	Financial Management Reg 5 (2)(c)	Did the CEO review the appropriateness and effectiveness of the local government's financial management systems and procedures in accordance with Financial Management Reg 5(2)(c) within the three years prior to 31 December 2020? If yes, please provide the date of council's resolution to accept the report.	Yes	18/6/2019	Danielle Hurstfield
2	Audit Reg 17	Did the CEO review the appropriateness and effectiveness of the local government's systems and procedures in relation to risk management, internal control and legislative compliance in accordance with Audit Reg 17 within the three years prior to 31 December 2020? If yes, please provide date of council's resolution to accept the report.	Yes	8/9/2020	Danielle Hurstfield
3	s5.87C(2)	Where a disclosure was made under sections 5.87A or 5.87B, was the disclosure made within 10 days after receipt of the gift?	Yes		Danielle Hurstfield
4	s5.87C	Where a disclosure was made under sections 5.87A or 5.87B, did the disclosure include the information required by section 5.87C?	Yes		Danielle Hurstfield
5	s5.90A(2)	Did the local government prepare and adopt by absolute majority a policy dealing with the attendance of council members and the CEO at events?	Yes	10/3/2020	Danielle Hurstfield
6	s.5.90A(5)	Did the CEO publish an up-to-date version of the attendance at events policy on the local government's official website?	Yes		Danielle Hurstfield
7	s5.96A(1), (2), (3) & (4)	Did the CEO publish information on the local government's website in accordance with sections 5.96A(1), (2), (3), and (4)?	Yes		Danielle Hurstfield
8	s5.128(1)	Did the local government prepare and adopt (by absolute majority) a policy in relation to the continuing professional development of council members?	No	Policy drafted for adoption April 2021	Danielle Hurstfield
9	s5.127	Did the local government prepare a report on the training completed by council members in the 2019/2020 financial year and publish it on the local government's official website by 31 July 2020?	Yes		Danielle Hurstfield
10	s6.4(3)	By 30 September 2020, did the local government submit to its auditor the balanced accounts and annual financial report for the year ending 30 June 2020?	No	Submitted 9/10/2020	Danielle Hurstfield



<b>Tenders for Providing Goods and Services</b>					
<b>No</b>	<b>Reference</b>	<b>Question</b>	<b>Response</b>	<b>Comments</b>	<b>Respondent</b>
1	F&G Reg 11A(1) & (3)	Does the local government have a current purchasing policy that complies with F&G Reg 11A(3) in relation to contracts for other persons to supply goods or services where the consideration under the contract is, or is expected to be, \$250,000 or less or worth \$250,000 or less?	Yes	Adopted 8/9/2020	Danielle Hurstfield
2	F&G Reg 11A(1)	Did the local government comply with its current purchasing policy in relation to the supply of goods or services where the consideration under the contract was, or was expected to be, \$250,000 or less or worth \$250,000 or less?	Yes		Danielle Hurstfield
3	s3.57 F&G Reg 11	Subject to F&G Reg 11(2), did the local government invite tenders for all contracts for the supply of goods or services where the consideration under the contract was, or was expected to be, worth more than the consideration stated in F&G Reg 11(1)?	Yes		Danielle Hurstfield
4	F&G Regs 11(1), 12(2), 13, & 14(1), (3), and (4)	When regulations 11(1), 12(2) or 13 required tenders to be publicly invited, did the local government invite tenders via Statewide public notice in accordance with F&G Reg 14(3) and (4)?	Yes		Danielle Hurstfield
5	F&G Reg 12	Did the local government comply with F&G Reg 12 when deciding to enter into multiple contracts rather than a single contract?	Yes		Danielle Hurstfield
6	F&G Reg 14(5)	If the local government sought to vary the information supplied to tenderers, was every reasonable step taken to give each person who sought copies of the tender documents or each acceptable tenderer notice of the variation?	Yes		Danielle Hurstfield
7	F&G Regs 15 & 16	Did the local government's procedure for receiving and opening tenders comply with the requirements of F&G Regs 15 and 16?	Yes		Danielle Hurstfield
8	F&G Reg 17	Did the information recorded in the local government's tender register comply with the requirements of F&G Reg 17 and did the CEO make the tenders register available for public inspection and publish it on the local government's official website?	Yes		Danielle Hurstfield
9	F&G Reg 18(1)	Did the local government reject any tenders that were not submitted at the place, and within the time, specified in the invitation to tender?	Yes		Danielle Hurstfield



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





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

No	Reference	Question	Response	Comments	Respondent
21	F&G Reg 24AH(1)	Did the local government reject any applications to join a panel of pre-qualified suppliers that were not submitted at the place, and within the time, specified in the invitation for applications?	N/A		Danielle Hurstfield
22	F&G Reg 24AH(3)	Were all applications that were not rejected assessed by the local government via a written evaluation of the extent to which each application satisfies the criteria for deciding which application to accept?	N/A		Danielle Hurstfield
23	F&G Reg 24AI	Did the CEO send each applicant written notice advising them of the outcome of their application?	N/A		Danielle Hurstfield
24	F&G Regs 24E & 24F	Where the local government gave regional price preference, did the local government comply with the requirements of F&G Regs 24E and 24F?	No	Independent policy not finalised until 10/11/2020	Danielle Hurstfield

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

\_\_\_\_\_  
Signed Mayor/President, Ashburton

\_\_\_\_\_  
Signed CEO, Ashburton



## Progress at 28 February 2021

Ref	Issue	Risk Rating	Officer	Officer Action	Timeframe	Progress
<b>Risk management</b>						
2.3.1	<b>Risk Register</b> The Shire's risk register was last updated in April 2019, however has not subsequently been reviewed or updated.	Significant	Director Corporate Services	Organisation risk training and development of organisational risk register to be undertaken with Council's insurer LGIS.	June 2021	Liaising with LGIS to schedule. Subject to trainer availability.
2.3.2	<b>Tendering</b> No formal risk assessment process conducted prior to tendering, no formal post tender/project reviews; and tender opening of submission for RFT 06.19 was only undertaken by one person, as opposed to Shire guideline requiring two people.	Significant	Director Projects and Procurement	RFT 06.19 tender opening was witnessed by two Shire staff. This information was provided to the auditor, however appears not to have been assessed at the time of the audit.	No Action Required	Complete
2.3.3	<b>Contract Management</b> No Contract Manager in place to oversee overall contract risk at an organisational level.	Moderate	Director Infrastructure	A Senior Manager (Manager Civil Works) is in the process of being appointed to ensure that Civil Works Contracts are scoped, specified, tendered and managed in a way which reflects relevant standards and industry best practice.  Process still to be developed.	30 June 2021	Manager Roads and Projects commenced January 2021.
2.3.4	<b>Risk Management Policies and Procedures</b> No documented policies and procedures in place in respect to events management. We also identified one procedure and 3 plans which are potentially outdated and may require review.	Moderate	Director Communities / Manager Community Services	A review of the Event Process and Procedures has been commenced currently headed by Development Services. A/Director Community Services is currently scoping the development of a new "Event Coordinator" role to be lead on whole of shire event processes and management.	March 2021	On hold waiting for commencement Director Community Services.
<b>Internal controls</b>						
3.3.1	<b>Non-compliance with Local Government Act</b> October and December 2019 Monthly Statements of Financial Activity were not presented to Council.	Significant	Manager Finance & Administration	Each monthly report is now presented according to the Regulations.	Complete	Complete

Ref	Issue	Risk Rating	Officer	Officer Action	Timeframe	Progress
3.3.2	<b>Fuel Card/Fuel Usage</b> The Shire does not have a fuel cardholder register, or fuel usage policy in place. In addition, Shire Vehicle fuel usage is currently not monitored, via a GPS navigational system or by other means.	<b>Moderate</b>	Manager Fleet	Development and implementation of register to identify <ul style="list-style-type: none"> <li>consumption figures</li> <li>vehicle/plant capacity</li> <li>monitor km's/plant hours</li> </ul> Fuel cardholder register is now linked to the FBT staff register Monthly reporting by fleet department. Identified need for review of policy EMP08 for private use capping. Identified need for policy that provides authorisation and responsibility for use of fuel cards.	<b>Ongoing</b>  <b>To be reviewed 2020/21</b>	Scheduled for Q4 2021
3.3.3	<b>Independent Review</b> Fixed asset end of month reconciliations not evidenced to indicate subject to independent review.	<b>Minor</b>	Manager Finance & Administration	All reconciliations are now independently reviewed.	<b>Complete</b>	<b>Complete</b>
3.3.4	<b>Non-compliance with Purchasing Policy</b> Two instances whereby purchase orders were dated after the invoice date.	<b>Minor</b>	Director Projects & Procurement	<b>FIN 12</b> policy reviewed and included breaches/non-compliance within purchasing.	<b>Complete</b>	<b>Complete</b>
3.3.5	<b>Directive Information and Communications Technology Policy</b> Directive Information and Communications Technology Policy may require review.	<b>Minor</b>	ICT Specialist	<ul style="list-style-type: none"> <li>Directive has been amended to include framework for non compliance.</li> <li>This Directive will be linked to new Code of Conduct to be developed after amendments to the Local Government Act</li> </ul>	<b>Complete</b>	<b>Complete</b>
<b>Legislative compliance</b>						
4.3.1	<b>Internal Audit</b> There is currently no internal audit function in place.	<b>Minor</b>	Director Corporate Services	<ul style="list-style-type: none"> <li>The Shire has engaged Moore Australia as its Internal Audit Service Provider.</li> <li>Engagement is for the three-year period commencing 1 July 2020 to 2023.</li> </ul>	Internal audit undertaken in December 2020. Report to March A&R	<b>Complete</b>
4.3.2	<b>Complaints Handling Procedure</b> Outdated Complaints Handling Procedure which require review.	<b>Minor</b>	Manager Governance	<ul style="list-style-type: none"> <li>Procedure to be developed.</li> <li>Online form available on website to be supported with the implementation of an electronic Customer Service Request system.</li> </ul>	<b>July 2021</b>	Not yet commenced.

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

INDEX OF FINDINGS	RATING		
	Significant	Moderate	Minor
1. Management of excessive leave		✓	
2. Related party declaration		✓	
3. Incorrect capitalisation of minor assets		✓	
4. Procurement controls		✓	
5. Petty cash controls			✓

**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 ASHBURTON****PERIOD OF AUDIT: 1 JULY 2019 TO 30 JUNE 2020****FINDINGS IDENTIFIED DURING THE AUDIT****1. Management of excessive leave****Finding**

During our audit we identified fourteen employees who have annual leave accrued balances in excess of 300 hours each and two employees who's accrued long service leave balance in excess of 13 weeks.

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

Without effectively monitoring or controlling accrued annual leave entitlements, there is an increased risk that internal controls are weakened due to the absence of staff of staff and rotation of duties. Further, unbudgeted cash outflows may be required in the future if leave entitlements are required to be paid out.

**Recommendation**

Management should ensure staff comply with the Leave Management Policy and ensure long outstanding leave balances are cleared in a timely manner. Managers should be reminded of their responsibility to manage excessive leave balances and ensure that leave management plans are implemented and enforced.

**Management Comment**

We can confirm that any excessive leave balances are highlighted in the monthly Human Resources report for Executive Leadership Team distribution, awareness and action, with the following: "Directors should discuss the above leave liability with their Managers in order to develop a plan between the Manager and Employee to reduce the leave." The Human Resources Team, work with Managers to issue letters relating to excess leave and we are about to conduct a complete review of all Shire Human Resources Directives, which will include leave management. The Human Resources Team have also developed a formal training program for Managers, consisting of various mandatory courses to support them in the effective management of staff.

**Responsible Person:** Adele Heraty – Manager Human resources

**Completion Date:** 9 February 2021

**SHIRE OF ASHBURTON****PERIOD OF AUDIT: 1 JULY 2019 TO 30 JUNE 2020****FINDINGS IDENTIFIED DURING THE AUDIT****2. Related party declarations****Finding**

Section 6 of the *Local Government Act 1995* and the Local Government (Financial Management) Regulations 1996 requires all key management personnel (KMP) that are in office for longer than 3 months to submit Annual Returns. Related Party Declarations form part of the Annual Returns, these are required to be submitted by each eligible KMP.

We noted that the annual declaration process was not complete as 10 declarations remain outstanding.

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

There is an increased risk of related parties not being identified and properly disclosed in the financial statements.

**Recommendation**

Management should implement procedures to ensure all KMP declarations are completed and returned in a timely manner.

**Management Comment**

In September 2020, the Shire implemented the Attain Compliance Management system. This electronic system will assist with the timely collation of returns and declarations in the future.

**Responsible Person:** Danielle Hurstfield – Manager of Governance  
**Completion Date:** 9 February 2021

**SHIRE OF ASHBURTON****PERIOD OF AUDIT: 1 JULY 2019 TO 30 JUNE 2020****FINDINGS IDENTIFIED DURING THE AUDIT****3. Incorrect capitalisation of minor assets****Finding**

From 1 July 2018, regulation 17A (5) of the Local Government (Financial Management) Regulations 1996 (Financial Management Regulations) requires assets with a fair value at the date of acquisition under \$5,000 be excluded from the assets of a local government entity.

During our audit, we noted that 3 assets with a fair value below \$5,000, with a combined net book value of \$1,105, were purchased and capitalised in the fixed asset register.

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

Non-compliance with Regulation 17A (5) of the Local Government (Financial Management) Regulations 1996.

**Recommendation**

The Shire should review its fixed asset register to ensure that all items acquired for less than \$5,000 have been removed from the register maintain an 'attractive items register' to prevent loss or theft.

**Management comment**

Along with the monthly reconciliation of asset movements Shire officers review the fixed asset register to ensure items under \$5,000 are excluded. To improve the tracking of small or minor assets an items register is currently being created and will be maintained by the finance team.

**Responsible position:** Finance Officer – Assets and Reconciliations

**Completion date:** 22 October 2020

**SHIRE OF ASHBURTON****PERIOD OF AUDIT: 1 JULY 2019 TO 30 JUNE 2020****FINDINGS IDENTIFIED DURING THE AUDIT****4. Procurement controls****Finding**

During our audit of procurement controls we noted one instance where an invoice had not been entered or accrued in Synergy Soft in the correct accounting period and the Shire does not have a formal policy that requires regular review of the status of open purchase orders.

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

Failing to recognise a liability for goods and serviced received in the correct financial period increases the risk of understating payables and expenses in the annual financial report. Failing to have a formal policy for the regular review of open purchase orders increases the potential for purchases of goods and services to be incurred without proper authorisation.

**Recommendation**

The Shire should implement a more robust process to identify year end accruals and perform monthly reviews of open purchase orders and close off any long outstanding purchase orders if they are no longer required

**Management comment**

Open Purchase Orders are reviewed annually around the month of May to assist with preparation of the annual budget. A new process of monthly review is now being implemented.

**Responsible position:** Manager Finance and Administration

**Completion date:** 22 October 2020



**SHIRE OF ASHBURTON****PERIOD OF AUDIT: 1 JULY 2019 TO 30 JUNE 2020****FINDINGS IDENTIFIED DURING THE AUDIT****5. Petty cash controls****Finding**

During our review of petty cash controls we identified a transaction for \$107.91 which was above the petty cash policy threshold of \$100 that did not have documented approval and supporting documentation and an instance where a petty cash recoup for \$90 did not have dual verification as required by the Shire's internal policy. We also noted the petty cash recoup form was inconsistent across different departments within the Shire.

**Rating: Minor****Implication**

Non-compliance with Shire's purchasing and procurement procedures.

**Recommendation**

It is recommended that when petty cash is used for purchases above the \$100.00 limit formal documentation and approval is retained with the petty cash claim form to ensure the expense was used for appropriate business purposes. Petty cash recoup forms should be updated to reflect the Shire's policy for dual verification and staff should be reminded of the petty cash policy.

**Management comment**

A review of the approval process and supporting documentation requirements has been undertaken alongside staff being informed of what is required when using petty cash, in particular those instances of transactions over \$100.

**Responsible position:** Manager Finance and Administration

**Completion date:** 22 October 2020



## Auditor General

### INDEPENDENT AUDITOR'S REPORT

#### To the Councillors of the Shire of Ashburton

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

##### **Opinion**

I have audited the annual financial report of the Shire of Ashburton 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 Ashburton:

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

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

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

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

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

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

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

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

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

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

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

- (i) All required information and explanations were obtained by me.
- (ii) All audit procedures were satisfactorily completed.
- (iii) In my opinion, the Asset Consumption Ratio and the Asset Renewal Funding Ratio included in the annual financial report were supported by verifiable information and reasonable assumptions.

***Other Matter***

The financial ratios for 2018 in Note 31 of the annual financial report were audited by another auditor when performing their audit of the Shire for the year ending 30 June 2018. The auditor expressed an unmodified opinion on the annual financial report for that year.

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

This auditor's report relates to the annual financial report of the Shire of Ashburton 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.



EFTHALIA SAMARAS  
 SENIOR DIRECTOR FINANCIAL AUDIT  
 Delegate of the Auditor General for Western Australia  
 Perth, Western Australia  
 23 February 2021

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

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**COMMUNITY VISION**

We will embrace our unique Pilbara environment and lifestyle through the development of vibrant, connected and active communities that have access to quality services, exceptional amenities and economic vitality.

Principal place of business:  
 Lot 246 Poinciana Street  
 Tom Price WA 6751

**SHIRE OF ASHBURTON  
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 Ashburton 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 Ashburton 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 15<sup>th</sup> day of February 2021

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

Mr. Kenn Donohoe  
\_\_\_\_\_  
Name of Chief Executive Officer

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

	NOTE	2020 Actual \$	2020 Budget \$	2019 Actual \$
<b>Revenue</b>				
Rates	23(a)	37,053,984	37,931,090	32,374,843
Operating grants, subsidies and contributions	2(a)	8,119,726	3,937,157	8,467,984
Fees and charges	2(a)	6,289,186	6,128,206	7,366,563
Service charges	23(b)	180,111	180,300	173,268
Interest earnings	2(a)	1,332,721	1,223,132	1,534,904
Other revenue	2(a)	1,182,545	975,681	579,037
		54,158,273	50,375,566	50,496,599
<b>Expenses</b>				
Employee costs		(18,949,088)	(20,386,764)	(16,603,201)
Materials and contracts		(12,846,528)	(20,038,325)	(20,116,767)
Utility charges		(1,606,495)	(1,342,566)	(1,192,230)
Depreciation on non-current assets	10(b)	(11,760,791)	(11,603,060)	(11,903,173)
Interest expenses	2(b)	(135,011)	(140,534)	(200,648)
Insurance expenses		(1,077,178)	(1,297,955)	(1,151,290)
Other expenditure		(1,031,759)	(2,146,591)	(711,049)
		(47,406,850)	(56,955,795)	(51,878,358)
		6,751,423	(6,580,229)	(1,381,759)
Non-operating grants, subsidies and contributions	2(a)	4,564,552	30,966,305	11,166,128
Profit on asset disposals	10(a)	58,823	9,889	35,262
(Loss) on asset disposals	10(a)	(504,371)	(83,471)	(372,104)
		4,119,004	30,892,723	10,829,286
<b>Net result for the period</b>		<b>10,870,427</b>	<b>24,312,494</b>	<b>9,447,527</b>
<b>Other comprehensive income</b>				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Changes in asset revaluation surplus	11	(10,438,982)	0	628,865
<b>Total other comprehensive income for the period</b>		<b>(10,438,982)</b>	<b>0</b>	<b>628,865</b>
<b>Total comprehensive income for the period</b>		<b>431,445</b>	<b>24,312,494</b>	<b>10,076,392</b>

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



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

	NOTE	2020 Actual \$	2020 Budget \$	2019 Actual \$
<b>Revenue</b>				
Governance	2(a)	1,061,666	606,098	170,384
General purpose funding		42,516,009	41,226,819	37,408,763
Law, order, public safety		96,171	76,103	123,468
Health		300,330	73,791	235,507
Education and welfare		243,960	45,300	54,218
Housing		477,438	294,973	432,324
Community amenities		2,705,963	2,387,589	2,142,423
Recreation and culture		1,300,384	1,427,094	4,664,914
Transport		3,013,689	2,670,657	3,668,580
Economic services		2,274,277	1,292,888	1,433,978
Other property and services		168,386	274,254	162,040
		54,158,273	50,375,566	50,496,599
<b>Expenses</b>				
Governance	2(b)	(5,876,571)	(8,901,969)	(6,993,977)
General purpose funding		(22,945)	(83,136)	(12,287)
Law, order, public safety		(1,286,502)	(1,374,419)	(1,047,311)
Health		(810,610)	(779,209)	(661,520)
Education and welfare		(231,809)	(318,868)	(282,934)
Housing		(1,388,986)	(1,324,223)	(1,191,756)
Community amenities		(7,285,847)	(9,077,691)	(6,714,854)
Recreation and culture		(11,017,421)	(12,683,686)	(9,167,531)
Transport		(13,958,420)	(15,408,636)	(20,953,723)
Economic services		(2,880,870)	(3,518,082)	(2,385,382)
Other property and services		(2,511,858)	(3,345,342)	(2,266,435)
		(47,271,839)	(56,815,261)	(51,677,710)
<b>Finance Costs</b>				
Governance	2(b)	(22,357)	(22,415)	(28,702)
Housing		(44,557)	(47,993)	(74,191)
Community amenities		(58,462)	(60,309)	(83,222)
Recreation and culture		(408)	(610)	(3,114)
Transport		(9,227)	(9,207)	(11,419)
		(135,011)	(140,534)	(200,648)
		6,751,423	(6,580,229)	(1,381,759)
Non-operating grants, subsidies and contributions	2(a)	4,564,552	30,966,305	11,166,128
Profit on disposal of assets	10(a)	58,823	9,889	35,262
(Loss) on disposal of assets	10(a)	(504,371)	(83,471)	(372,104)
		4,119,004	30,892,723	10,829,286
<b>Net result for the period</b>		<b>10,870,427</b>	<b>24,312,494</b>	<b>9,447,527</b>
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<b>Total comprehensive income for the period</b>		<b>431,445</b>	<b>24,312,494</b>	<b>10,076,392</b>



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



SHIRE OF ASHBURTON  
STATEMENT OF FINANCIAL POSITION  
AS AT 30 JUNE 2020

	NOTE	2020 \$	2019 \$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	3	69,882,380	60,252,679
Trade and other receivables	5	3,603,509	4,272,597
Inventories	6	145,831	702,729
Other assets	7	1,366,477	509,793
<b>TOTAL CURRENT ASSETS</b>		<b>74,998,197</b>	<b>65,737,798</b>
<b>NON-CURRENT ASSETS</b>			
Inventories	6	1,149,169	400,892
Property, plant and equipment	8	118,971,059	113,550,978
Infrastructure	9	395,445,907	406,571,728
<b>TOTAL NON-CURRENT ASSETS</b>		<b>515,566,135</b>	<b>520,523,598</b>
<b>TOTAL ASSETS</b>		<b>590,564,332</b>	<b>586,261,396</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	12	10,720,658	8,583,757
Contract liabilities	13	4,083,109	0
Borrowings	14(a)	779,810	766,294
Employee related provisions	15	1,703,074	1,536,357
<b>TOTAL CURRENT LIABILITIES</b>		<b>17,286,651</b>	<b>10,886,408</b>
<b>NON-CURRENT LIABILITIES</b>			
Borrowings	14(a)	2,267,294	3,047,102
Employee related provisions	15	306,716	336,761
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>2,574,010</b>	<b>3,383,863</b>
<b>TOTAL LIABILITIES</b>		<b>19,860,661</b>	<b>14,270,271</b>
<b>NET ASSETS</b>		<b>570,703,671</b>	<b>571,991,125</b>
<b>EQUITY</b>			
Retained surplus		224,053,769	221,718,386
Reserves - cash backed	4	55,970,608	48,394,463
Revaluation surplus	11	290,679,294	301,878,276
<b>TOTAL EQUITY</b>		<b>570,703,671</b>	<b>571,991,125</b>

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





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

	NOTE	RETAINED SURPLUS \$	RESERVES CASH BACKED \$	REVALUATION SURPLUS \$	TOTAL EQUITY \$
<b>Balance as at 1 July 2018</b>		<b>219,287,941</b>	<b>41,377,381</b>	<b>301,249,411</b>	<b>561,914,733</b>
Comprehensive income					
Net result for the period		9,447,527	0	0	9,447,527
Other comprehensive income	11	0	0	628,865	628,865
Total comprehensive income		9,447,527	0	628,865	10,076,392
Transfers from reserves	4	15,062,387	(15,062,387)	0	0
Transfers to reserves	4	(22,079,469)	22,079,469	0	0
<b>Balance as at 30 June 2019</b>		<b>221,718,386</b>	<b>48,394,463</b>	<b>301,878,276</b>	<b>571,991,125</b>
Change in accounting policy	27(e)	(958,899)	0	(760,000)	(1,718,899)
<b>Restated total equity at 1 July 2019</b>		<b>220,759,487</b>	<b>48,394,463</b>	<b>301,118,276</b>	<b>570,272,226</b>
Comprehensive income					
Net result for the period		10,870,427	0	0	10,870,427
Other comprehensive income	11	0	0	(10,438,982)	(10,438,982)
Total comprehensive income		10,870,427	0	(10,438,982)	431,445
Transfers from reserves	4	6,482,008	(6,482,008)	0	0
Transfers to reserves	4	(14,058,153)	14,058,153	0	0
<b>Balance as at 30 June 2020</b>		<b>224,053,769</b>	<b>55,970,608</b>	<b>290,679,294</b>	<b>570,703,671</b>

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



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

	NOTE	2020 Actual \$	2020 Budget \$	2019 Actual \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
<b>Receipts</b>				
Rates		36,523,739	37,931,090	35,117,466
Operating grants, subsidies and contributions		7,098,955	3,892,157	11,031,561
Fees and charges		6,289,186	6,128,206	7,366,563
Service charges		180,111	180,300	173,268
Interest received		1,332,721	1,223,132	1,534,904
Goods and services tax received		4,150,769	2,182,586	4,540,623
Other revenue		1,182,545	975,681	579,037
		56,758,026	52,513,152	60,343,422
<b>Payments</b>				
Employee costs		(18,351,504)	(20,386,764)	(16,351,355)
Materials and contracts		(9,873,404)	(19,888,357)	(19,997,654)
Utility charges		(1,606,495)	(1,342,566)	(1,192,230)
Interest expenses		(135,011)	(140,534)	(180,282)
Insurance paid		(1,077,178)	(1,297,955)	(1,151,290)
Goods and services tax paid		(4,275,862)	(730,654)	(4,542,925)
Other expenditure		(1,031,759)	(2,146,591)	(711,049)
		(36,351,213)	(45,933,421)	(44,126,785)
<b>Net cash provided by (used in) operating activities</b>	16	20,406,813	6,579,731	16,216,637
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Payments for development if land held for resale		0	(369,343)	0
Payments for purchase of property, plant & equipment	8(a)	(5,288,301)	(18,008,398)	(11,635,267)
Payments for construction of infrastructure	9(a)	(12,827,830)	(46,159,659)	(6,146,840)
Non-operating grants, subsidies and contributions		7,688,762	30,966,305	11,166,128
Proceeds from sale of property, plant & equipment	10(a)	416,551	315,000	356,520
<b>Net cash provided by (used in) investment activities</b>		(10,010,818)	(33,256,095)	(6,259,459)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Repayment of borrowings	14(b)	(766,294)	(766,294)	(752,680)
Proceeds from new borrowings	14(b)	0	1,726,000	0
<b>Net cash provided by (used in) financing activities</b>		(766,294)	959,706	(752,680)
<b>Net increase (decrease) in cash held</b>		9,629,701	(25,716,658)	9,204,498
Cash at beginning of year		60,252,679	60,572,612	50,920,344
Transfer from Trust		0	0	127,837
<b>Cash and cash equivalents at the end of the year</b>	16	69,882,380	34,855,954	60,252,679

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



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

NOTE	2020 Actual \$	2020 Budget \$	2019 Actual \$
<b>OPERATING ACTIVITIES</b>			
<b>Net current assets at start of financial year - surplus/(deficit)</b>	24 (b) 8,759,579	9,684,911	12,102,225
	8,759,579	9,684,911	12,102,225
<b>Revenue from operating activities (excluding rates)</b>			
Governance	1,061,666	606,098	170,384
General purpose funding	5,476,145	3,295,729	5,043,806
Law, order, public safety	96,171	76,103	123,468
Health	300,330	73,791	235,507
Education and welfare	243,960	45,300	54,218
Housing	477,438	294,973	432,324
Community amenities	2,705,963	2,387,589	2,142,423
Recreation and culture	1,300,384	1,427,094	4,664,914
Transport	3,072,512	2,680,546	3,703,842
Economic services	2,274,277	1,292,888	1,433,978
Other property and services	168,386	274,254	162,040
	17,177,232	12,454,365	18,166,904
<b>Expenditure from operating activities</b>			
Governance	(5,898,928)	(8,924,384)	(7,022,679)
General purpose funding	(22,945)	(83,136)	(12,287)
Law, order, public safety	(1,286,502)	(1,374,419)	(1,047,311)
Health	(810,610)	(779,209)	(661,520)
Education and welfare	(231,809)	(318,868)	(282,934)
Housing	(1,691,546)	(1,372,216)	(1,265,947)
Community amenities	(7,376,746)	(9,138,000)	(6,798,076)
Recreation and culture	(11,094,179)	(12,684,296)	(9,516,333)
Transport	(14,105,228)	(15,501,314)	(20,991,558)
Economic services	(2,880,870)	(3,518,082)	(2,385,382)
Other property and services	(2,511,858)	(3,345,342)	(2,266,435)
	(47,911,221)	(57,039,266)	(52,250,462)
Non-cash amounts excluded from operating activities	24(a) 11,428,017	11,691,384	12,405,176
<b>Amount attributable to operating activities</b>	(10,546,393)	(23,208,606)	(9,576,157)
<b>INVESTING ACTIVITIES</b>			
Non-operating grants, subsidies and contributions	7,688,762	30,966,305	11,166,128
Proceeds from disposal of assets	10(a) 416,551	315,000	356,520
Purchase land held for resale	0	(369,343)	0
Purchase of property, plant and equipment	8(a) (5,288,301)	(18,008,398)	(11,635,267)
Purchase and construction of infrastructure	9(a) (12,827,830)	(46,159,659)	(6,146,840)
<b>Amount attributable to investing activities</b>	(10,010,818)	(33,256,095)	(6,259,459)
<b>FINANCING ACTIVITIES</b>			
Repayment of borrowings	14(b) (766,294)	(766,294)	(752,680)
Proceeds from borrowings	14(c) 0	1,726,000	0
Transfers to reserves (restricted assets)	4 (14,058,153)	(844,314)	(22,079,469)
Transfers from reserves (restricted assets)	4 6,482,008	19,918,219	15,062,387
<b>Amount attributable to financing activities</b>	(8,342,439)	20,033,611	(7,769,762)
<b>Surplus/(deficit) before imposition of general rates</b>	(28,899,650)	(36,431,090)	(23,605,378)
<b>Total amount raised from general rates</b>	23(a) 37,039,864	37,931,090	32,364,957
<b>Surplus/(deficit) after imposition of general rates</b>	24(b) <b>8,140,214</b>	<b>1,500,000</b>	<b>8,759,579</b>

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

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

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

**1. BASIS OF PREPARATION**

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

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

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

**NEW ACCOUNTING STANDARDS FOR APPLICATION IN FUTURE YEARS**

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

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

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

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

**CRITICAL ACCOUNTING ESTIMATES**

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

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

**THE LOCAL GOVERNMENT REPORTING ENTITY**

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

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

All monies held in the Trust Fund are excluded from the financial statements. A separate statement of those monies appears at Note 28 to these financial statements.

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

**2. REVENUE AND EXPENSES**

**REVENUE RECOGNITION POLICY**

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

Revenue Category	Nature of goods and services	When obligations typically satisfied	Payment terms	Returns/Refunds/Warranties	Determination of transaction price	Allocating transaction price	Measuring obligations for returns	Timing of revenue recognition
Rates - general rates	General rates	over time	Payment dates adopted by council during the year	None	Adopted by council annually	when taxable event occurs	Not applicable	When rates notice is issued
Service Charges	Underground Power	over time	Payment dates adopted by council during the year	None	Adopted by council annually	when taxable event occurs	Not applicable	When rates notice is issued
Grants subsidies or contributions for other purposes & construction of non-financial assets	construction or acquisition of recognisable non-financial assets & provision of services to the community	over time	Fixed terms transfer of funds based on agreed milestones and reporting	None	Set by mutual agreement with the funding body	Based on the progress of works to match performance obligations	Returns limited to repayment of transaction price of terms	Output method based on project milestones and/or completion date matched to performance obligations
Grants subsidies or contributions with no contractual commitments	General appropriations and contributions with no reciprocal commitment	No obligations	Not applicable	Not applicable	Cash received	On receipt of funds	Not applicable	When assets are controlled
Fees and Charges - licences, registrations, approvals	Building, planning, development and animal management, having the same nature as a licence.	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 the associated rights	No refunds	On payment of the licence, registration or approval
Fees and charges - pool inspections	Building, Planning	Single point in time	Full payment prior to inspection	None	Set by State legislation	Apportioned equally across the inspection cycle	No refunds	After inspection complete based on a 4 year cycle
Fees and charges - other inspections	Regulatory food, health and safety	Single point in time	Fully payment prior to inspection	None	Set by State legislation or limited by legislation to the cost of provision	Applied fully on timing of inspection	Not applicable	Revenue recognised after inspection event occurs
Fees and charges - Waste management entry fees	Kerbside collection service	Over time	Payment on an annual basis in advance	None	Adopted by council annually	Apportioned equally across the collection period	Not applicable	Output method based on regular weekly and fortnightly period as proportionate to collection service
Fees and charges - waste management entry fees	Waste treatment recycling and disposal service at disposal sites	Single point in time	Payment in advance at gate or on normal trading terms if credit provided monthly in arrears	None	Adopted by council annually	Not applicable	Not applicable	On entry to facility
Fees and charges 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
Fees and charges property hire and entry	Use of halls and facilities	Single point in time	In full in advance	Refund if event cancelled within specified number of days	Adopted by council annually	Based on timing of entry to facility	Returns limited to repayment of transaction	On entry or at conclusion of hire
Fees and charges - memberships	Gym and pool membership	Overtime	Payment in full in advance	Refund for unused portion on application	Adopted by Council annually	Apportioned equally across the access period	Returns limited to repayment of transaction	Output method over 12 months matched to access right
Fees and charges for other goods and services	Cemetery services, library fees, reinstatements and private works	Single point in time	Payment in full in advance	None	Adopted by council annually	Applied fully based on timing of provision	Not applicable	Output method based on provision of service or completion of works
Fees and charges - sale of stock	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	When fine notice is issued
Fees and charges - fines	Fine issued for breaches of local laws	Single point in time	Payment in full within defined time	None	Adopted by council annually, set by mutual agreement	When taxable event occurs	Not applicable	
Other revenue commissions	Commissions ticket sales & visitors centre sales	Overtime	Payment in full on sale	None	Set by mutual agreement with the customer	On receipt of funds	Not applicable	When assets are controlled

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

**2. REVENUE AND EXPENSES**

**(a) Grant revenue**

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

	2020 Actual	2020 Budget	2019 Actual
	\$	\$	\$
<b>Operating grants, subsidies and contributions</b>			
Governance	502,388	430,000	12,726
General purpose funding	4,126,224	1,986,313	3,490,264
Law, order, public safety	3	0	62,424
Health	150,883	500	147,693
Housing	315	320,000	3,508
Community amenities	290,000	920,122	239,200
Recreation and culture	873,489	280,222	4,211,519
Transport	1,176,337	0	272,102
Economic services	1,000,087	0	18,517
Other property and services	0	0	10,031
	<b>8,119,726</b>	<b>3,937,157</b>	<b>8,467,984</b>
<b>Non-operating grants, subsidies and contributions</b>			
Education and welfare	0	5,500,000	0
Community amenities	0	11,564,201	0
Recreation and culture	1,573,221	3,977,456	0
Transport	2,188,284	8,746,987	11,166,128
Economic services	803,047	1,177,661	0
	<b>4,564,552</b>	<b>30,966,305</b>	<b>11,166,128</b>
	<b>12,684,278</b>	<b>34,903,462</b>	<b>19,634,112</b>
<b>Fees and charges</b>			
Governance	4,701	6,865	5,882
General purpose funding	11,815	13,798	12,082
Law, order, public safety	61,485	71,483	59,918
Health	149,446	73,291	87,814
Education and welfare	67,900	43,800	52,312
Housing	297,498	120,663	259,731
Community amenities	2,415,964	2,067,509	1,903,854
Recreation and culture	408,094	448,360	434,514
Transport	1,823,906	2,353,081	3,381,281
Economic services	1,048,377	918,432	1,169,175
Other property and services	0	10,924	0
	<b>6,289,186</b>	<b>6,128,206</b>	<b>7,366,563</b>

**SIGNIFICANT ACCOUNTING POLICIES**

**Grants, subsidies and contributions**

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

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

**Fees and Charges**

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

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

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

**(a) Revenue (Continued)**

**Contracts with customers and transfers  
for recognisable non-financial assets**

Revenue from contracts with customers and transfers to enable the acquisition or construction of recognisable non-financial assets to be controlled by the Shire was recognised during the year for the following nature or types of goods or services:

	2020 Actual \$	2020 Budget \$
Non-operating grants, subsidies and contributions	4,564,552	30,966,305
	4,564,552	30,966,305

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

Other revenue from performance obligations satisfied during the year	4,144,974	30,966,305
	4,564,552	30,966,305

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

Trade and other receivables from contracts with customers	2,207,080
Financial assets held from transfers for recognisable financial assets	3,735,350
Contract liabilities from transfers for recognisable non financial assets	(3,735,350)

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

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

Contract liabilities for contracts with customers primarily relate to grants with performance obligations received in advance, for which revenue is recognised over time as the performance obligations are met.

Information is not provided about remaining performance obligations for contracts with customers that had an original expected duration of one year or less.

Consideration from contracts with customers is included in the transaction price.

Performance obligations in relation to contract liabilities from transfers for recognisable non financial assets are satisfied as project milestones are met or completion of construction or acquisition of the asset. All associated performance obligations are expected to be met over the next 12 months.



**SHIRE OF ASHBURTON**  
**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	37,039,864	37,931,090	32,364,957
Service charges	180,111	180,300	173,268
	37,219,975	38,111,390	32,538,225

**Other revenue**

Reimbursements and recoveries	837,930	634,397	300,938
Sale of inventory	344,615	339,203	278,099
	1,182,545	973,600	579,037

**Interest earnings**

Interest on reserve funds	761,302	844,313	986,141
Rates instalment and penalty interest (refer Note 23(d))	178,528	118,719	119,855
Other interest earnings	392,891	260,100	428,908
	1,332,721	1,223,132	1,534,904

**SIGNIFICANT ACCOUNTING POLICIES**

**Interest earnings**

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

**Interest earnings (continued)**

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

**(b) Expenses**

**Interest expenses (finance costs)**

Borrowings	135,011	140,534	200,648
	135,011	140,534	200,648

SHIRE OF ASHBURTON  
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	13,911,772	11,858,216
Term deposits	55,970,608	48,394,463
<b>Total cash and cash equivalents</b>	<b>69,882,380</b>	<b>60,252,679</b>
<b>Restrictions</b>		
requirements which limit or direct the purpose for which the resources may be used:		
- Cash and cash equivalents	56,318,367	48,522,300
	<b>56,318,367</b>	<b>48,522,300</b>

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

Reserves - cash backed	4	55,970,608	48,394,463
Contract liabilities from transfers for recognisable non financial assets	13	3,735,350	0
Less: Unspent grants, subsidies and contributions offset by Reserves		(3,735,350)	0
Deposits and Bonds (reclassified from Trust)		0	127,837
<b>Total restricted assets</b>		<b>56,318,367</b>	<b>48,522,300</b>

#### SIGNIFICANT ACCOUNTING POLICIES

##### Cash and cash equivalents

Cash and cash equivalents include cash on hand, cash at bank, deposits available on demand with banks and other short term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. 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.

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4. RESERVES - CASH BACKED	2020	2020	2020	2020	2020	2020	2020	2020	2019	2019	2019	2019
	Actual Opening Balance	Actual Transfer to	Actual Transfer (from)	Actual Closing Balance	Budget Opening Balance	Budget Transfer to	Budget Transfer (from)	Budget Closing Balance	Actual Opening Balance	Actual Transfer to	Actual Transfer (from)	Actual Closing Balance
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
(a) Employee Benefits Reserve	1,087,432	18,066	0	1,105,498	1,091,091	14,742	0	1,105,833	574,373	513,059	0	1,087,432
(b) Financial Risk Reserve	7,913,309	350,473	(1,675,222)	6,588,560	7,977,185	141,509	(6,741,016)	1,377,678	6,500,000	6,110,038	(4,696,729)	7,913,309
(c) Future Projects Reserve	2,726,543	287,497	0	3,014,040	2,743,065	46,975	(2,013,126)	776,914	1,664,755	1,061,788	0	2,726,543
(d) Housing Reserve	1,406,104	1,259,162	(770,250)	1,895,016	1,418,600	25,249	(1,087,000)	356,849	1,263,232	1,030,372	(887,500)	1,406,104
(e) Infrastructure Reserve	3,439,382	2,581,555	(2,493,321)	3,527,616	3,462,700	65,393	(2,800,130)	727,963	2,349,929	1,089,453	0	3,439,382
(f) Joint Venture Housing Reserve	101,693	1,689	0	103,382	102,676	3,640	(100,000)	6,316	100,001	1,692	0	101,693
(g) Onslow Aerodrome Reserve	14,636,336	294,003	(280,172)	14,650,167	14,706,010	220,141	(4,414,969)	10,511,182	13,282,756	3,377,164	(2,023,584)	14,636,336
(h) Onslow Community Infrastructure Reserve	194,584	3,233	0	197,817	192,277	3,485	0	195,762	189,548	5,036	0	194,584
(i) Plant Replacement Reserve	488,698	1,477,189	(512,000)	1,453,887	494,798	46,646	(512,000)	29,444	423,180	569,313	(503,795)	488,698
(j) Property Development Reserve	2,671,312	2,286,479	(12,051)	4,945,740	2,639,332	47,894	(169,343)	2,517,883	2,601,064	70,248	0	2,671,312
(k) RTIO Partnership Reserve	3,798,260	3,383,958	(305,926)	6,876,292	3,162,561	57,318	(1,243,451)	1,976,428	5,852,632	713,692	(2,768,064)	3,798,260
(l) Tom Price Administration Building Reserve	6,016,929	99,960	0	6,116,889	6,026,756	108,443	(100,000)	6,035,199	1,000,001	5,016,928	0	6,016,929
(m) Unspent Grants and Contribution Reserve	896,952	1,043,157	(418,650)	1,521,459	592,076	9,038	0	601,114	4,575,910	503,757	(4,182,715)	896,952
(n) Waste Services Reserve	3,016,929	50,001	(14,416)	3,052,514	3,026,756	53,841	(737,184)	2,343,413	1,000,000	2,016,929	0	3,016,929
(o) COVID-19 Relief & Stimulus	0	921,731	0	921,731	0	0	0	0	0	0	0	0
	48,394,463	14,058,153	(6,482,008)	55,970,608	47,635,883	844,314	(19,918,219)	28,561,978	41,377,381	22,079,469	(15,062,387)	48,394,463

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:

Name of Reserve	Anticipated date of use	Purpose of the reserve
(a) Employee Benefits Reserve	Ongoing	- To contribute towards funding the Council's liability for payments of employee benefits owing to staff and taken either as leave or paid upon termination of their employment.
(b) Financial Risk Reserve	Ongoing	- To provide funds to mitigate against Financial Risks including legal cases with penalties awarded against the Shire, SAT rulings upholding valuation objections on valuation objections on high value properties likely to cause significantly large refunds and other unknown events potentially resulting in financial loss to the Shire.
(c) Future Projects Reserve	Ongoing	- To provide funds for Future Capital Projects determined in the Long Term Financial Plan.
(d) Housing Reserve	Ongoing	- To provide funds to assist the Council to maintain and improve Council housing stock in accordance with the Housing Asset Management Plan.
(e) Infrastructure Reserve	Ongoing	- To provide funds for provision and maintenance of new and existing infrastructure assets (Including Buildings) throughout the Shire.
(f) Joint Venture Housing Reserve	Ongoing	- To provide funds for repairs and maintenance in compliance with Joint Venture Housing Agreements.
(g) Onslow Aerodrome Reserve	Ongoing	- To provide funds for operational surpluses and deficits as well as the upgrading and modifications to the Onslow Aerodrome.
(h) Onslow Community Infrastructure Reserve	Ongoing	- To provide funds for the development of community facilities in Onslow.
(i) Plant Replacement Reserve	Ongoing	- To provide an optimum level of cash reserves for funding the Council heavy machinery replacement program on a five year rolling basis.
(j) Property Development Reserve	Ongoing	- To provide funds to assist the Council in purchasing, developing and selling property to stimulate economic development.
(k) RTIO Partnership Reserve	Ongoing	- For the purpose of funding the projects and programs associated with partnership agreements between the Shire of Ashburton and Rio Tinto.
(l) Tom Price Administration Building Reserve	Ongoing	- To provide funds for replacement of Tom Price Administration Building.
(m) Unspent Grants and Contribution Reserve	Ongoing	- To preserve unspent Grant and ongoing Capital works Funds.
(n) Waste Services Reserve	Ongoing	- To provide funds for the upgrading and modifications to Waste Facilities within the Shire.
(o) COVID-19 Relief & Stimulus	Ongoing	- To provide financial support and relief initiatives to assist small business and community groups suffering financial hardship as a result of the impacts of the COVID-19 pandemic; and to provide economic stimulus during recovery.

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## 5. TRADE AND OTHER RECEIVABLES

### Current

Rates receivable
Trade and other receivables
GST receivable
Provision for Doubtful Debts

2020	2019
\$	\$
1,372,651	3,187,603
2,207,080	1,192,938
415,877	290,784
(392,099)	(398,728)
<b>3,603,509</b>	<b>4,272,597</b>

### SIGNIFICANT ACCOUNTING POLICIES

#### Trade and other receivables

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

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

#### Impairment and risk exposure

Information about the impairment of trade receivables and their exposure to credit risk and interest rate risk can be found in Note 25.

### 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.

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## 6. INVENTORIES

### Current

Fuel and materials  
 Tourist Bureau Stock  
 Land held for resale - cost  
 Development costs

### Non-current

Land held for resale - cost  
 Cost of acquisition  
 Development costs

	2020	2019
	\$	\$
	7,619	33,487
	138,212	102,999
	0	566,243
	145,831	702,729
	400,892	400,892
	748,277	0
	1,149,169	400,892
	1,103,621	1,181,001
	191,379	(77,380)
	1,295,000	1,103,621

The following movements in inventories occurred during the year:

### Carrying amount at beginning of period

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.

### Land held for resale

Land held for development and resale is valued at the lower of cost and net realisable value. Cost includes the cost of acquisition, development, borrowing costs and holding costs until completion of development.

### Land held for resale (Continued)

Borrowing costs and holding charges incurred after development is completed are expensed.

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

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

**SHIRE OF ASHBURTON  
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**7. OTHER ASSETS**

**Other assets - current**

Prepayments  
Accrued income  
Contract assets

	2020	2019
	\$	\$
	19,498	0
	300,862	509,793
	1,046,117	0
	<u>1,366,477</u>	<u>509,793</u>

**SIGNIFICANT ACCOUNTING POLICIES**

**Other current assets**

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

**Non-current assets held for sale**

Assets are classified as held for sale where the carrying amount will be recovered through a sale rather than continuing use and the asset is available for immediate sale with a sale being highly probable.

**Non-current assets held for sale (Continued)**

Non-current assets classified as held for sale are valued at the lower of the carrying amount and fair value less costs to sell.

The fair value of land and buildings was determined using the sales comparison approach using comparable properties in the area. This is a level 2 measurement as per the fair value hierarchy set out in Note 29(h).

**Contract assets**

Contract assets represents the shire's obligation to receive consideration for performance obligation met as per contract.

SHIRE OF ASHBURTON  
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8. PROPERTY, PLANT AND EQUIPMENT

(a) Movements in Carrying Amounts

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

	Land - freehold land	Land - vested in and under the control of Council	Total land	Buildings - non-specialised	Buildings - specialised	Total buildings	Total land and buildings	Furniture and Equipment	Plant and Equipment	Work in Progress	Total property, plant and equipment
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Balance at 1 July 2018</b>	16,537,000	760,000	17,297,000	14,862,075	57,294,759	72,156,834	89,453,834	910,148	7,505,624	0	97,869,606
Additions	105,000	0	105,000	821,004	8,622,716	9,443,720	9,548,720	75,337	1,718,934	292,276	11,635,267
(Disposals)	0	0	0	0	(214,259)	(214,259)	(214,259)	0	(347,674)	0	(561,933)
Revaluation (loss) / reversals transferred to profit or loss	0	0	0	0	0	0	0	235,135	393,730	0	628,865
Depreciation (expense)	0	0	0	(211,341)	(1,424,426)	(1,635,767)	(1,635,767)	(230,640)	(1,182,814)	0	(3,049,221)
Transfers	140,000	0	140,000	(140,000)	7,028,396	6,888,396	7,028,396	0	0	0	7,028,396
<b>Carrying amount at 30 June 2019</b>	16,782,000	760,000	17,542,000	15,331,738	71,307,186	86,638,924	104,180,924	989,980	8,087,800	292,276	113,550,980
<b>Comprises:</b>											
Gross carrying amount at 30 June 2019	16,782,000	760,000	17,542,000	15,747,948	74,041,226	89,789,174	107,331,174	1,084,075	8,087,800	292,276	116,795,325
Accumulated depreciation at 30 June 2019	0	0	0	(416,210)	(2,734,040)	(3,150,250)	(3,150,250)	(94,095)	0	0	(3,244,345)
<b>Carrying amount at 30 June 2019</b>	16,782,000	760,000	17,542,000	15,331,738	71,307,186	86,638,924	104,180,924	989,980	8,087,800	292,276	113,550,980
Change in accounting policy	0	(760,000)	(760,000)	0	0	0	(760,000)	0	0	0	(760,000)
<b>Carrying amount at 1 July 2019</b>	16,782,000	0	16,782,000	15,331,738	71,307,186	86,638,924	103,420,924	989,980	8,087,800	292,276	112,790,980
Additions	315,000	0	315,000	855,790	2,206,078	3,061,868	3,376,868	47,498	919,479	944,456	5,288,301
(Disposals)	0	0	0	(258,003)	(108,787)	(366,790)	(366,790)	0	(495,309)	0	(862,099)
Revaluation increments / (decrements) transferred to revaluation surplus	(5,052,000)	0	(5,052,000)	(2,018,275)	2,774,293	756,018	(4,295,982)	0	0	0	(4,295,982)
Depreciation (expense)	0	0	0	(226,585)	(1,711,201)	(1,937,786)	(1,937,786)	(170,474)	(573,726)	0	(2,681,986)
Transfers	0	0	0	0	8,801,656	8,801,656	8,801,656	0	0	(69,811)	8,731,845
<b>Carrying amount at 30 June 2020</b>	12,045,000	0	12,045,000	13,684,665	83,269,225	96,953,890	108,998,890	867,004	7,938,244	1,166,921	118,971,059
<b>Comprises:</b>											
Gross carrying amount at 30 June 2020	12,045,000	0	12,045,000	13,684,665	83,759,448	97,444,113	109,489,113	1,131,573	8,477,279	1,166,921	120,264,886
Accumulated depreciation at 30 June 2020	0	0	0	0	(490,223)	(490,223)	(490,223)	(264,569)	(539,035)	0	(1,293,827)
<b>Carrying amount at 30 June 2020</b>	12,045,000	0	12,045,000	13,684,665	83,269,225	96,953,890	108,998,890	867,004	7,938,244	1,166,921	118,971,059

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

### (b) Fair Value Measurements

Asset Class	Fair Value Hierarchy	Valuation Technique	Basis of Valuation	Date of Last Valuation	Inputs Used
<b>Land and buildings</b>					
Land - freehold land	2	Market approach using recent observable market data for similar properties.	Independent registered valuers	June 2020	Price per hectare.
Land - vested in and under the control of Council	3	Cost approach using depreciated replacement cost.	Independent registered valuers	June 2020	Improvements to land using construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs.
Buildings - non-specialised	2	Market approach using recent observable market data for similar properties.	Independent registered valuers	June 2020	Price per square metre.
Buildings - Specialised	3	Cost approach using depreciation replacement cost.	Independent registered valuers	June 2020	Construction costs and current condition (Level 2), residual value and remaining useful life assessments (Level 3) inputs.
- Management valuation 2019	2	Market approach using recent observable market data for similar items.	Management valuation	June 2019	Price per item.
<b>Plant and Equipment</b>					
- Management valuation 2019	2	Market approach using recent observable market data for similar items.	Management valuation	June 2019	Price per item.
- Management valuation 2019	3	Cost approach using depreciated replacement cost.	Management valuation	June 2019	Purchase costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs.

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

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



SHIRE OF ASHBURTON  
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9. INFRASTRUCTURE

(a) Movements in Carrying Amounts

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

	Infrastructure - Roads	Infrastructure - Footpaths	Infrastructure - Drainage	Infrastructure - Airports	Infrastructure - Bridges	Infrastructure - Parks & Recreation	Infrastructure - Towns	Infrastructure - Waste	Work in Progress	Total Infrastructure
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Balance at 1 July 2018</b>	275,395,747	8,080,568	31,349,187	52,771,580	1,508,815	22,224,631	5,752,880	5,038,071	7,546,631	409,668,110
Additions	3,302,745	0	61,465	50,839	0	695,299	306,664	0	1,729,828	6,146,840
(Disposals)	0	0	0	0	0	(131,429)	0	0	0	(131,429)
Depreciation (expense)	(5,925,178)	(181,878)	(560,646)	(924,830)	(32,848)	(829,182)	(225,642)	(173,748)	0	(8,853,952)
Transfers	2,739,478	86,355	53,270	1,610,123	0	718,902	504,833	0	(5,970,803)	(257,842)
<b>Carrying amount at 30 June 2019</b>	275,512,792	7,985,045	30,903,276	53,507,712	1,475,967	22,678,221	6,338,735	4,864,323	3,305,656	406,571,727
<b>Comprises:</b>										
Gross carrying amount at 30 June 2019	337,691,472	10,366,011	50,978,351	59,099,446	2,627,874	30,117,275	7,809,892	6,071,732	3,305,656	508,067,709
Accumulated depreciation at 30 June 2019	(62,178,680)	(2,380,966)	(20,075,075)	(5,591,734)	(1,151,907)	(7,439,054)	(1,471,157)	(1,207,409)	0	(101,495,982)
<b>Carrying amount at 30 June 2019</b>	275,512,792	7,985,045	30,903,276	53,507,712	1,475,967	22,678,221	6,338,735	4,864,323	3,305,656	406,571,727
Additions	5,798,533	528,934	379,510	0	0	656,126	194,761	14,416	5,255,550	12,827,830
Impairment (losses) / reversals	(6,143,000)	0	0	0	0	0	0	0	0	(6,143,000)
Depreciation (expense)	(6,049,396)	(183,320)	(561,358)	(951,501)	(32,848)	(858,866)	(267,769)	(173,747)	0	(9,078,805)
Transfers	1,262,548	0	0	(7,373,398)	0	0	45,364	(1,357,198)	(1,309,161)	(8,731,845)
<b>Carrying amount at 30 June 2020</b>	270,381,477	8,330,659	30,721,428	45,182,813	1,443,119	22,475,481	6,311,091	3,347,794	7,252,045	395,445,907
<b>Comprises:</b>										
Gross carrying amount at 30 June 2020	338,609,553	10,894,945	51,357,861	51,570,236	2,627,874	30,773,401	8,050,017	4,519,346	7,252,045	505,655,278
Accumulated depreciation at 30 June 2020	(68,228,076)	(2,564,286)	(20,636,433)	(6,387,423)	(1,184,755)	(8,297,920)	(1,738,926)	(1,171,552)	0	(110,209,371)
<b>Carrying amount at 30 June 2020</b>	270,381,477	8,330,659	30,721,428	45,182,813	1,443,119	22,475,481	6,311,091	3,347,794	7,252,045	395,445,907

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9. INFRASTRUCTURE (Continued)

(b) Fair Value Measurements

Asset Class	Fair Value Hierarchy	Valuation Technique	Basis of Valuation	Date of Last Valuation	Inputs Used
Infrastructure - Roads	3	Cost approach using depreciated replacement cost.	Management Valuation	June 2018	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs.
Infrastructure - Footpaths	3	Cost approach using depreciated replacement cost.	Management Valuation	June 2018	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs.
Infrastructure - Drainage	3	Cost approach using depreciated replacement cost.	Management Valuation	June 2018	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs.
Infrastructure - Airports	3	Cost approach using depreciated replacement cost.	Management Valuation	June 2018	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs.
Infrastructure - Bridges	3	Cost approach using depreciated replacement cost.	Management Valuation	June 2018	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs.
Infrastructure - Parks & Recreation	3	Cost approach using depreciated replacement cost.	Management Valuation	June 2018	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs.
Infrastructure - Towns	3	Cost approach using depreciated replacement cost.	Management Valuation	June 2018	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs.
Infrastructure - Waste	3	Cost approach using depreciated replacement cost.	Management Valuation	June 2018	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs.

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

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

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.

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**10. FIXED ASSETS**

**SIGNIFICANT ACCOUNTING POLICIES**

**Fixed assets**

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

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

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

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

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

Individual assets that are land, buildings, 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, infrastructure and investment properties is determined at least every five years in accordance with the regulatory framework. This includes buildings and infrastructure items which were pre-existing improvements (i.e. vested improvements) on vested land acquired by the Shire.

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

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

**AUSTRALIAN ACCOUNTING STANDARDS - INCONSISTENCY**

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

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

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

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

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

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

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

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

**Land under roads from 1 July 2019**

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

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

**Vested improvements from 1 July 2019**

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

Refer to Note 5 that details the significant accounting policies applying to leases (including right of use assets).

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

## 10. FIXED ASSETS

### (a) Disposals of Assets

	2020 Actual Net Book Value	2020 Actual Sale Proceeds	2020 Actual Profit	2020 Actual Loss	2020 Budget Net Book Value	2020 Budget Sale Proceeds	2020 Budget Profit	2020 Budget Loss	2019 Actual Net Book Value	2019 Actual Sale Proceeds	2019 Actual Profit	2019 Actual Loss
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Buildings - non-specialised	258,003	0	0	(258,003)	0	0	0	0	0	0	0	0
Buildings - Specialised	108,787	0	0	(108,787)	0	0	0	0	214,259	0	0	(214,259)
Plant and Equipment	495,309	416,551	58,823	(137,581)	388,582	315,000	9,889	(83,471)	347,674	356,520	35,262	(26,416)
Work in Progress	0	0	0	0	0	0	0	0	0	0	0	0
Infrastructure - Parks & Recreation	0	0	0	0	0	0	0	0	131,429	0	0	(131,429)
	862,099	416,551	58,823	(504,371)	388,582	315,000	9,889	(83,471)	693,362	356,520	35,262	(372,104)

The following assets were disposed of during the year.

	2020 Actual Net Book Value	2020 Actual Sale Proceeds	2020 Actual Profit	2020 Actual Loss
<b>Plant and Equipment</b>				
<b>Housing</b>				
Assets disposed of producing a loss	258,003	0	0	(258,003)
<b>Community amenities</b>				
Assets disposed of producing a loss	32,437	0	0	(32,437)
<b>Recreation and culture</b>				
Assets disposed of producing a loss	76,350	0	0	(76,350)
<b>Transport</b>				
Assets disposed of producing a loss	308,878	171,296	0	(137,582)
Assets disposed of producing a profit	186,432	245,255	58,823	0
	862,099	416,551	58,823	(504,371)
	862,099	416,551	58,823	(504,371)

**SHIRE OF ASHBURTON**  
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**10. FIXED ASSETS****(b) Depreciation**

	2020 Actual	2020 Budget	2019 Actual
	\$	\$	\$
Buildings - Specialised	1,937,786	1,609,984	1,635,767
Furniture and Equipment	170,474	204,995	230,640
Plant and Equipment	573,726	974,741	1,182,814
Infrastructure - Roads	6,049,396	5,909,611	5,925,178
Infrastructure - Footpaths	183,320	185,747	181,878
Infrastructure - Drainage	561,358	572,571	560,646
Infrastructure - Airports	951,501	762,703	924,830
Infrastructure - Bridges	32,848	928,211	32,848
Infrastructure - Parks & Recreation	858,866	64,588	829,182
Infrastructure - Towns	267,769	230,442	225,642
Infrastructure - Waste	173,747	159,467	173,748
	11,760,791	11,603,060	11,903,173

**SIGNIFICANT ACCOUNTING POLICIES****Depreciation**

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

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

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

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

**Depreciation rates**

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

Asset Class	Useful life	Depreciation
Buildings	15 to 100 years	1.00-6.67%
Furniture and Equipment	4 to 10 years	10.00-25.00%
Computer Equipment	3 years	33.33%
Office Equipment	5 years	20.00%
Plant and Equipment	3 to 15 years	6.67-33.33%
Motor Vehicles	3 to 5 years	20.00-33.00%
Infrastructure Other	10 to 100 years	1.00-10.00%
Water Supply Piping & Drainage Systems	100 years	1.00%
Sewerage Piping	100 years	1.00%
Footpaths	35 to 50 years	2.00-2.85%
Sealed Roads and Streets Formation	not depreciated	
Formed roads (unsealed)		
Construction Base	80 years	1.25%
Gravel Roads		
Construction/Road Base	80 years	1.25%
Gravel Sheet	12 years	8.33%

**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 ASHBURTON  
 NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
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## 11. REVALUATION SURPLUS

	2020 Opening Balance	2020 Change in Accounting Policy	2020 Revaluation Increment	2020 Revaluation (Decrement)	Total Movement on Revaluation	2020 Closing Balance	2019 Opening Balance	2019 Revaluation Increment	2019 Revaluation (Decrement)	Total Movement on Revaluation	2019 Closing Balance
	\$		\$	\$	\$	\$	\$	\$	\$	\$	\$
Revaluation surplus - Land and Building	35,620,458	(760,000)	0	(4,295,982)	(5,055,982)	30,564,476	35,620,458	0	0	0	35,620,458
Revaluation surplus - Furniture and equipment	612,550	0	0	0	0	612,550	377,415	235,135	0	235,135	612,550
Revaluation surplus - Plant and equipment	827,844	0	0	0	0	827,844	434,114	393,730	0	393,730	827,844
Revaluation surplus - Infrastructure - Roads	237,379,251	0	0	(6,143,000)	(6,143,000)	231,236,251	237,379,251	0	0	0	237,379,251
Revaluation surplus - Infrastructure - Footpaths	4,562,593	0	0	0	0	4,562,593	4,562,593	0	0	0	4,562,593
Revaluation surplus - Infrastructure - Drainage	18,554,990	0	0	0	0	18,554,990	18,554,990	0	0	0	18,554,990
Revaluation surplus - Infrastructure - Airports	3,316,303	0	0	0	0	3,316,303	3,316,303	0	0	0	3,316,303
Revaluation surplus - Infrastructure - Bridges	1,003,671	0	0	0	0	1,003,671	1,003,671	0	0	0	1,003,671
Revaluation surplus - Infrastructure - Waste	616	0	0	0	0	616	616	0	0	0	616
	301,878,276	(760,000)	0	(10,438,982)	(11,198,982)	290,679,294	301,249,411	628,865	0	628,865	301,878,276

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 no longer required to be recognised. Land under golf courses, showgrounds, racecourses or any other sporting or recreational facility of State, or regional significance should no longer be recognised.

SHIRE OF ASHBURTON  
 NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
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## 12. TRADE AND OTHER PAYABLES

### Current

	2020	2019
	\$	\$
Sundry creditors	4,150,102	1,659,978
Prepaid rates	3,280,975	5,626,172
Accrued salaries and wages	365,808	288,447
ATO liabilities	475,680	92,129
Bonds and deposits held	108,134	127,837
Accrued expenses	2,325,115	768,827
Accrued Interest	14,844	20,366
	10,720,658	8,583,756

### 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 ASHBURTON  
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**13. CONTRACT LIABILITIES**

**Current**

Contract liabilities from contracts with customers  
Contract grant liabilities from contracts with customers

2020	2019
\$	\$
347,759	0
3,735,350	0
4,083,109	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

4,083,109	0
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**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.

**Contract Grant Liabilities**

Capital grant liabilities relate to the Shire's obligation to construct non financial assets that are yet to be fulfilled at the end of the financial year. The Shire expects to to satisfy the performance obligation with the next 12 months.



SHIRE OF ASHBURTON  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
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## 14. INFORMATION ON BORROWINGS

(a) Borrowings	2020	2019
	\$	\$
Current	779,810	766,294
Non-current	2,267,294	3,047,104
	3,047,104	3,813,398

## (b) Repayments - Borrowings

Particulars	Loan Number	Institution	Interest Rate	Actual	30 June 2020	30 June 2020	30 June 2020	Budget	30 June 2020	30 June 2020	30 June 2020	30 June 2020	Actual	30 June 2019	30 June 2019	30 June 2019	
				Principal 1 July 2019	Actual Principal repayments	Actual Interest repayments	Actual Principal outstanding	Principal 1 July 2019	Budget New Loans	Budget Principal repayments	Budget Interest repayments	Budget Principal outstanding	Principal 1 July 2018	Actual Principal repayments	Actual Interest repayments	Actual Principal outstanding	
				\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	
<b>Particulars</b>																	
<b>Governance</b>																	
Onslow Administration Building	124	WATC	3.31%	687,879	43,127	22,357	644,752	687,879	0	43,127	22,415	644,752	729,613	41,734	28,016	687,879	
<b>Housing</b>																	
Housing Manager	117	WATC	5.45%	295,542	67,934	14,914	227,608	262,039	0	67,933	15,195	194,106	359,856	64,314	20,370	295,542	
New Staff Housing	121	WATC	5.97%	623,976	302,814	29,643	321,162	474,796	0	302,814	32,798	171,982	909,491	285,515	52,218	623,976	
<b>Community amenities</b>																	
Onslow Transfer Station	122	WATC	3.08%	2,035,960	313,936	58,462	1,722,024	1,880,191	0	313,936	60,309	1,566,255	2,340,445	304,485	80,843	2,035,960	
<b>Recreation and culture</b>																	
Community Rec. Centre	118	WATC	5.82%	20,972	20,972	408	0	20,973	0	20,973	610	0	61,155	40,183	3,078	20,972	
<b>Transport</b>																	
Onslow Aerodrome Upgrade	119	WATC	6.36%	149,069	17,511	9,227	131,558	140,451	0	17,511	9,207	122,940	165,518	16,449	16,123	149,069	
<b>Economic services</b>																	
Loan 123 Onslow Underground Power				0	0	0	0	0	1,000,000	0	0	1,000,000	0	0	0	0	
Loan 125 CHUB Paraburdoo				0	0	0	0	0	726,000	0	0	726,000	0	0	0	0	
				3,813,398	766,294	135,011	3,047,104	3,466,329	1,726,000	766,294	140,534	4,426,035	4,566,078	752,680	200,648	3,813,398	
<b>Self Supporting Loans</b>																	
				0	0	0	0	0	0	0	0	0	0	0	0	0	
				3,813,398	766,294	135,011	3,047,104	3,466,329	1,726,000	766,294	140,534	4,426,035	4,566,078	752,680	200,648	3,813,398	

\* WA Treasury Corporation

All other loan repayments were financed by general purpose revenue.

**SHIRE OF ASHBURTON**  
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**14. INFORMATION ON BORROWINGS (Continued)****(c) New Borrowings - 2019/20**

Particulars/Purpose	Institution	Loan Type	Term Years	Interest Rate %	Amount Borrowed		Amount (Used)		Total Interest & Charges \$	Actual Balance Unspent \$
					2020 Actual \$	2020 Budget \$	2020 Actual \$	2020 Budget \$		
Loan 123 Onslow Underground Power	WATC	Debenture	3	3.25%	0	1,000,000	0	0	0	0
Loan 125 CHUB Paraburdoo	WATC	Debenture	15	3.25%	0	726,000	0	0	0	0
* WA Treasury Corporation					0	1,726,000	0	0	0	0

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

	2020 \$	2019 \$
Credit card limit	75,000	64,000
Credit card balance at balance date	(17,825)	(19,106)
<b>Total amount of credit unused</b>	<b>57,175</b>	<b>44,894</b>

**Loan facilities**

	2020 \$	2019 \$
Loan facilities - current	779,810	766,294
Loan facilities - non-current	2,267,294	3,047,104
Lease liabilities - current	0	0
Lease liabilities - non-current	0	0
<b>Total facilities in use at balance date</b>	<b>3,047,104</b>	<b>3,813,398</b>

**SIGNIFICANT ACCOUNTING POLICIES****Financial liabilities**

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

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

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

**Borrowing costs**

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

**Risk**

Information regarding exposure to risk can be found at Note 25.

**SHIRE OF ASHBURTON**  
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## 15. EMPLOYEE RELATED PROVISIONS

### (a) Employee Related Provisions

	Provision for Annual Leave	Provision for Long Service Leave	Total
	\$	\$	\$
<b>Opening balance at 1 July 2019</b>			
Current provisions	948,277	588,080	1,536,357
Non-current provisions	0	336,761	336,761
	948,277	924,841	1,873,118
 Additional provision	 72,025	 64,647	 136,672
<b>Balance at 30 June 2020</b>	<b>1,020,302</b>	<b>989,488</b>	<b>2,009,790</b>
 <b>Comprises</b>			
Current	1,020,302	682,772	1,703,074
Non-current	0	306,716	306,716
	1,020,302	989,488	2,009,790
 <b>Amounts are expected to be settled on the following basis:</b>			
More than 12 months from reporting date	<b>2020</b> \$	<b>2019</b> \$	
	2,009,790	1,873,118	
	2,009,790	1,873,118	

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 ASHBURTON  
 NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
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## 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	69,882,380	34,855,954	60,252,679
<b>Reconciliation of Net Cash Provided By Operating Activities to Net Result</b>			
Net result	10,870,427	24,312,494	9,447,527
Non-cash flows in Net result:			
Depreciation on non-current assets	11,760,791	11,603,060	11,903,173
(Profit)/loss on sale of asset	445,548	73,582	336,842
Changes in assets and liabilities:			
(Increase)/decrease in receivables	669,088	0	(296,618)
(Increase)/decrease in other assets	(856,684)	0	0
(Increase)/decrease in inventories	(191,379)	16,250	77,380
Increase/(decrease) in payables	2,136,902	1,540,650	5,834,437
Increase/(decrease) in provisions	136,672	0	80,024
Non-operating grants, subsidies and contributions	(4,564,552)	(30,966,305)	(11,166,128)
Net cash from operating activities	20,406,813	6,579,731	16,216,637

SHIRE OF ASHBURTON  
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17. TOTAL ASSETS CLASSIFIED BY FUNCTION AND ACTIVITY

	2020	2019
	\$	\$
Governance	25,642,156	16,348,366
General purpose funding	9,869,560	5,508,858
Law, order, public safety	841,647	831,142
Education and welfare	4,742,222	4,222,200
Housing	21,502,265	27,549,273
Community amenities	19,328,171	13,402,597
Recreation and culture	60,627,005	59,688,692
Transport	405,439,667	404,606,211
Economic services	11,395,188	15,169,357
Other property and services	13,132,089	9,053,393
Unallocated	18,044,362	29,881,308
	590,564,332	586,261,397

SHIRE OF ASHBURTON  
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## 18. CONTINGENT LIABILITIES

### Wittenoom Asbestos

Wittenoom asbestos claims are being made against a number of defendants including the Shire by former residents and visitors to Wittenoom for potential damages incurred as a result of suffering from asbestos related diseases.

The present outlook for the Shire in relation to Wittenoom litigation is being carefully monitored by the Council and the Executive on a monthly basis. The amount of potential claims and the Shire's potential contribution to the settlement of these has remained relatively steady over the current period.

Total future potential claims in respect of Wittenoom are not reliably quantifiable; however, the changing nature of damages claims and their defence means that individual cases could potentially place the Shire at a greater financial risk.

The Shire has a commitment from the State Government that it will support a financial contribution if the Wittenoom impost becomes too onerous for the Shire. All cases to date have been settled out of court with a number of parties contributing to the settlement process. Out of court settlements result in no judgement being reached by the court.

The amount of on-going claims and the manner in which they were concluded have not been disclosed as this may prejudice the Shire's position in an individual case.

In the event that a number of cases brought against the Shire and additional defendants are ruled in favour of the plaintiff, the financial impact on the Shire may result in significant losses being incurred which in turn may convert to higher rating levels, or a reduction in services provided to ratepayers.

### Rehabilitation of Landfill Sites

The Shire of Ashburton has in compliance with the *Contaminated Sites Act 2003 s11* listed sites to be possible sources of contamination:

- Paraburdoo Waste Disposal Site
- Tom Price Waste Disposal Site
- Onslow Waste Refuse Site
- Onslow Waste Transfer Station

Until the Shire conducts an investigation to determine the presence and scope of contamination, assess the risk and agree with the DWER the need and criteria for remediation, the Shire is unable to accurately quantify its clean-up liabilities for potentially contaminated sites. The Shire is continuing to monitor the sites and will progressively undertake site investigations and remediation on a risk based approach. The approach is consistent with the DWER guidelines.

SHIRE OF ASHBURTON  
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## 19. CAPITAL AND LEASING COMMITMENTS

### (a) Capital Expenditure Commitments

Contracted for:

Provision for Business Software	0	40,397
Passion of the Pilbara 2019 event	0	300,000
Storm Water Network Cleaning	0	266,000
Onslow Class IV Landfill Project - Early Works	0	1,343,354
Design and Construction of Onslow Depot	0	378,831
Pilbara Regional Waste Management Facility (Onslow)	10,850,836	0
Tom Price Staff Housing (Demolish & Rebuild)	652,862	0
Paraburdoo New Softball/Soccer & Rugby Pitch Upgrade	257,129	0
Waste Operation Buildings - Paraburdoo and Tom Price	360,183	0
Road Renewals - Ashburton Down Meetartharra Rd	1,157,073	0
Kerb & Gutter Renewal	345,440	0
Footpath Construction Renewal	1,726,320	0
Mine Road renewal & Widening	147,827	0
	<b>15,497,670</b>	<b>2,328,582</b>

Payable:

- not later than one year	15,497,670	2,328,582
---------------------------	------------	-----------

### (b) Operating Lease Commitments

Non-cancellable operating leases contracted for but not capitalised in the accounts (short term and low value leases).

Payable:

- not later than one year
- later than one year but not later than five years

2020	2019
\$	\$
7,308	29,716
0	7,308
<b>7,308</b>	<b>37,024</b>

## SIGNIFICANT ACCOUNTING POLICIES

### Leases

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

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

### Leases (Continued)

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

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

**SHIRE OF ASHBURTON**  
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## 20. INVESTMENT IN ASSOCIATE AND JOINT ARRANGEMENTS

### Share of joint operations

Communities Housing (Homeswest):

#### Purpose:

The Shire of Ashburton in conjunction with Homeswest is providing rental accommodation for senior citizens who are eligible by virtue

#### Address

46 Second Avenue, Onslow, Pilbara 6710 - Carinya Units 1-5

#### Number and Type of dwellings: 5

Freehold

Certificate of Title Volume 3042 Folio 6

Drawing No. 190235

#### Legal Agreements:

Joint Venture Agreement dated 2nd August 1994 for fifty years from that date with an extension to be given upon request in writing for

#### Equity:

Department of Housing capital contribution

Shire of Ashburton capital contribution

Department of Housing percentage interest 79.18%

Shire of Ashburton percentage interest 20.82%

Total
\$
481,945
126,754

2020	2019
\$	\$
460,930	207,933
0	(40,391)
460,930	167,542

### Non-current assets

Land and buildings

Less: accumulated depreciation

## 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 ASHBURTON  
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## 21. 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	216,863	186,000	212,091
President's allowance	63,003	64,000	62,727
Deputy President's allowance	15,837	16,000	15,682
Travelling expenses	66,029	73,000	67,446
Telecommunications allowance	5,001	5,000	4,440
	<u>366,733</u>	<u>344,000</u>	<u>362,386</u>

### Key Management Personnel (KMP) Compensation Disclosure

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

	2020 Actual	2019 Actual
	\$	\$
Short-term employee benefits	1,273,422	1,017,846
Post-employment benefits	183,307	142,504
Other long-term benefits	23,480	38,294
Termination benefits	350,879	300,212
	<u>1,831,088</u>	<u>1,498,856</u>

#### *Short-term employee benefits*

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

#### *Post-employment benefits*

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

#### *Other long-term benefits*

These amounts represent long service benefits accruing during the year.

#### *Termination benefits*

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

SHIRE OF ASHBURTON  
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 FOR THE YEAR ENDED 30 JUNE 2020

## 21. RELATED PARTY TRANSACTIONS (Continued)

### Transactions with related parties

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

The following transactions occurred with related parties:	2020 Actual	2019 Actual
	\$	\$
Purchase of goods and services	69,238	69,283
<b>Amounts outstanding from related parties:</b>		
Trade and other receivables	0	1,081
<b>Amounts payable to related parties:</b>		
Trade and other payables	41,548	7,281

### 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.

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## 22. TRADING UNDERTAKINGS AND MAJOR TRADING UNDERTAKINGS

The Shire's objective is to maintain a safe landing airstrip and functional airport amenities conducive to the promotion of the district as a tourist and business destination.

Ongoing costs are met by landing fees charged. Annual surpluses as determined by Council, are transferred to a cash reserve to finance future upgrades and modifications to the facility.

### (a) Operating Statement

	2020	2020 Budget	2019
	\$	\$	\$
<b>Operating Income</b>			
Landing Fees	412,375	405,000	582,347
Grant and Contribution Income	0	565,000	0
Passenger Tax	890,311	1,149,200	1,786,320
Parking Income	1,880	2,500	3,508
Property Rental	105,924	131,022	108,084
Security Screening Charges	406,209	552,500	894,736
Sundry Income	7,282	10,306	15,643
	1,823,981	2,815,528	3,390,638
<b>Operating Expenditure</b>			
Employee Expenses	(246,674)	(276,721)	(363,666)
Operational Expenses	(1,166,965)	(1,766,354)	(1,284,627)
Grounds & Strip Maintenance	(162,146)	(393,559)	(169,715)
Marketing	(2,407)	(5,000)	(890)
Other Sundry Expenses	(11,008)	(13,277)	(11,419)
Administration Expenses	(62,625)	(81,495)	(118,141)
Administration Overheads	(186,774)	(180,664)	(146,680)
Depreciation	(957,710)	(967,428)	(933,380)
	(2,796,309)	(3,684,498)	(3,028,518)
<b>Operating Result</b>	(972,328)	(868,970)	362,120

### (b) Non-Operating Income & Expenditure

<b>Capital Revenue</b>			
Transfer From Cash Reserve	280,172	4,029,125	2,023,584
Contributions	0	0	0
Government Grants	0	0	0
	280,172	4,029,125	2,023,584
<b>Capital Expenditure</b>			
Transfer to Cash Reserve	458,173	0	(3,322,803)
Infrastructure	152,255	4,336,219	(78,849)
Buildings	36,364	48,750	(1,250)
Plant	30,560	190,000	0
	677,352	4,574,969	(3,402,902)
<b>Total Net Trading Undertaking</b>	(14,804)	7,735,124	(1,017,198)

SHIRE OF ASHBURTON  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
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## 23. RATING INFORMATION

## (a) Rates

RATE TYPE	Rate in \$	Number of Properties	2019/20 Actual Rateable Value \$	2019/20 Actual Rate Revenue \$	2019/20 Actual Interim Rates \$	2019/20 Actual Back Rates \$	2019/20 Actual Total Revenue \$	2019/20 Budget Rate Revenue \$	2019/20 Budget Interim Rate \$	2019/20 Budget Back Rate \$	2019/20 Budget Total Revenue \$	2018/19 Actual Total Revenue \$
<b>Differential general rate / general rate</b>												
<b>Gross rental valuations</b>												
Residential / Community	0.10236	2,409	43,949,376	4,498,834	0	0	4,498,834	4,498,832	0	0	4,498,832	4,438,830
Commercial / Industrial / Tourism	0.06593	117	12,593,938	830,269	0	0	830,269	830,268	0	0	830,268	750,607
Transient Workers Accommodation	0.13185	23	19,715,380	2,599,372	(51,476)	0	2,547,896	2,619,670	0	0	2,619,670	0
<b>Unimproved valuations</b>												
Mining / Industrial	0.36957	566	75,243,739	27,807,904	290,168	0	28,098,072	28,625,164	232,503	9,551	28,625,164	26,114,197
Pastoral	0.06220	33	6,753,023	420,011	0	0	420,011	409,797	0	0	409,797	402,978
Tourism	0.16902	4	345,000	58,311	0	0	58,311	58,311	0	0	58,311	57,168
<b>Sub-Total</b>		3,152	158,600,456	36,214,701	238,692	0	36,453,393	37,042,042	232,503	9,551	37,042,042	31,763,780
<b>Minimum payment</b>												
<b>Gross rental valuations</b>												
Residential / Community (General)	1,010	187	916,647	188,870	0	0	188,870	189,880	0	0	189,880	145,360
Residential / Community (Lesser)	727.50	17	18,455	12,367	0	0	12,367	12,368	0	0	12,368	11,730
Commercial / Industrial / Tourism	1,262.50	66	571,484	83,325	0	0	83,325	83,325	0	0	83,325	73,600
Transient Workers Accommodation	1,262.50	1	20	1,262	0	0	1,262	0	0	0	0	0
<b>Unimproved valuations</b>												
Mining / Industrial	1,262.50	459	638,193	579,488	0	0	579,488	593,375	0	0	593,375	495,650
Pastoral	1,262.50	8	61,348	10,100	0	0	10,100	10,100	0	0	10,100	8,050
Non Rateable	0.00	276	0	0	0	0	0	0	0	0	0	0
<b>Sub-Total</b>		1,014	2,206,147	875,412	0	0	875,412	889,048	0	0	889,048	734,390
		4,166	160,806,603	37,090,113	238,692	0	37,328,805	37,931,090	232,503	9,551	37,931,090	32,498,170
Discounts (Note 23(c))							(288,941)				0	(133,213)
<b>Total amount raised from general rate</b>							37,039,864				37,931,090	32,364,957
Concessions (Note 23(c))							0				(18,550)	0
Ex-gratia rates							14,639				0	10,350
Rates Written Off							(519)				0	(464)
<b>Totals</b>							37,053,984				37,912,540	32,374,843

## SIGNIFICANT ACCOUNTING POLICIES

## Rates

Control over assets acquired from rates is obtained at the commencement of the rating period.

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

SHIRE OF ASHBURTON  
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## 23. RATING INFORMATION (Continued)

## (b) Service Charges

Service Charges	Amount of Charge	2019/20 Actual Revenue Raised	2019/20 Actual Charges Applied to Costs	2019/20 Actual Charges Set Aside to Reserve	2019/20 Actual Reserve Applied to Costs	2019/20 Budget Revenue	2019/20 Budget Charges Applied to Costs	2019/20 Budget Charges Set Aside to Reserve	2019/20 Budget Reserve Applied to Costs	2018/19 Total Actual Revenue
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Residential - Full Overhead	433.00	46,555	46,555	0	0	57,922	57,922	0	0	45,446
Residential - Full Overhead Pensioner	217.00	1,302	1,302	0	0	0	0	0	0	0
Residential - Consumer Mains Underground	210.00	8,051	8,051	0	0	7,590	7,590	0	0	8,009
Residential - Transformer / Vacant Connection	118.00	1,901	1,901	0	0	2,997	2,997	0	0	1,901
Residential - Base Rate	83.00	2,839	2,839	0	0	20,992	20,992	0	0	2,295
Commercial Mixed Use - Full Overhead	1,484.24	7,421	7,421	0	0	0	0	0	0	11,132
Commercial - Consumer Mains Underground Pensioner	742.12	3,711	3,711	0	0	0	0	0	0	0
Commercial Mixed Use - Consumer Mains Underground	1,260.94	5,986	5,986	0	0	0	0	0	0	7,262
Commercial Mixed Use - Transformer Vacant	118.16	1,536	1,536	0	0	12,717	12,717	0	0	1,536
Commercial Mixed Use - Base Rate	210.16	0	0	0	0	5,457	5,457	0	0	0
Industrial - Full Overhead	2,929.12	69,495	69,495	0	0	0	0	0	0	66,881
Industrial - Consumer Mains Underground	2,797.82	10,823	10,823	0	0	0	0	0	0	10,823
Industrial - Transformer / Vacant Connection	2,613.87	10,456	10,456	0	0	0	0	0	0	10,455
Industrial - Base Rate	2,508.79	10,035	10,035	0	0	72,625	72,625	0	0	7,526
		180,111	180,111	0	0	180,300	180,300	0	0	173,268

Nature of the Service Charge	Objects of the Charge	Reasons for the Charge	Area/Properties Charge Imposed
------------------------------	-----------------------	------------------------	--------------------------------

The Shire of Ashburton introduced a service charge for the 2018/19 financial year in relation to the Pilbara Underground Power Project.

The Project is for the town of Onslow to dramatically reduce the likelihood of power outages to essential services immediately following adverse weather events. The project is a partnership between the State Government's Royalties for Regions initiative and Local Government. 'Due to the support of the Royalties for Regions program the project only requires a local 25% contribution to the overall cost of the project. Landowners contribution will be 10% or approximately \$1,000,000. This is funded by a low interest loan budgeted for in the 2019/20 financial year. 'Landowners will then pay their portion over four years via this service charge'.

The funding model for landowners has been developed based on the type of existing connection to it. A property with 'full overhead power including the connection to the meter box will be charged slightly ' more than a property that already has underground power from the street 'to the house'.

There is no intention to set aside funds to a Reserve account as the full amount will be applied in the 2019/20 financial year. Should the service 'charge funds not be applied in the 2019/20 financial year unspent amounts will be set aside in a Reserve account specifically for the purpose'.

The service charge will be levied in addition to the annual rates charges and an instalment option will apply as per rates instalment dates.

SHIRE OF ASHBURTON  
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23. RATING INFORMATION (Continued)

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

Rates Discounts

Rate or Fee Discount Granted	Discount %	Discount \$	2020 Actual \$	2020 Budget \$	2019 Actual \$
GRV Residential / Community	30.00%	288,941	288,941	0	133,213
			288,941	0	133,213

Circumstances in which Discount is Granted

If the following criteria are met, a concession of 30% to be granted to the following property holders:

1. Properties located in the town-site boundaries of Onslow, Paraburdoo and Tom Price in the 'GRV Residential Community' rating category; and
2. Property holders with ownership of no more than three residential community properties; and
3. Not already on, or pay less than, the minimum rate for GRV Residential Community of \$1010.

Waivers or Concessions

Rate or Fee and  
Charge to which  
the Waiver or  
Concession is Granted

Type	Discount %	Discount \$	2020 Actual \$	2020 Budget \$	2019 Actual \$
Dog and Cat registration fees (Statutory)	50.00%		623	600	525
Refuse Collection Charge	50.00%		14,114	16,500	15,515
Swimming Pools	40.00%		393	1,450	1,359
			15,130	18,550	17,399
Total discounts/concessions (Note 23(a))			304,071	18,550	150,612

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## 23. RATING INFORMATION (Continued)

### (d) Interest Charges & Instalments

Instalment Options	Date Due	Instalment Plan Admin Charge \$	Instalment Plan Interest Rate %	Unpaid Rates Interest Rate %
<b>Option One</b>				
Single full payment	30/08/2019	0.00	0.00%	11.00%
<b>Option Two</b>				
First instalment	30/08/2019	0.00	0.00%	11.00%
Second instalment	6/01/2020	15.00	5.50%	11.00%
<b>Option Three</b>				
First instalment	30/08/2019	0.00	0.00%	0.00%
Second instalment	1/11/2019	15.00	5.50%	11.00%
Third instalment	6/01/2020	15.00	5.50%	11.00%
Fourth instalment	9/03/2020	15.00	5.50%	11.00%

	2020 Actual \$	2020 Budget \$	2019 Actual \$
Charges on instalment plan	8,386	10,404	9,033
Interest on instalment plan	15,059	28,091	14,495
Interest on unpaid rates	146,913	83,232	94,824
Interest on ESL	3,822	0	2,657
Interest on Sundry Debtors	12,734	0	7,879
	<b>186,914</b>	<b>121,727</b>	<b>128,888</b>

**SHIRE OF ASHBURTON**  
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**24. RATE SETTING STATEMENT INFORMATION**

Note	2019/20 (30 June 2020 Carried Forward) \$	2019/20 Budget (30 June 2020 Carried Forward) \$	2019/20 (1 July 2019 Brought Forward) \$	2018/19 (30 June 2019 Carried Forward) \$
<b>(a) Non-cash amounts excluded from operating activities</b>				
The following non-cash revenue or expenditure has been excluded from amounts attributable to operating activities within the Rate Setting Statement in accordance with <i>Financial Management Regulation 32</i> .				
<b>Adjustments to operating activities</b>				
Less: Profit on asset disposals	10(a) (58,823)	(9,889)	(35,262)	(35,262)
Less: Movement in liabilities associated with restricted cash	0	14,742	0	0
Movement in employee benefit provisions (non-current)	(30,045)	0	(28,082)	(28,082)
Movement in other provisions (non-current)	0	0	85,136	85,136
Movement of inventory (non-current)	(748,277)	0	(19,730)	(19,730)
Reclassification of Deposits and Bonds	0	0	127,837	127,837
Add: Loss on disposal of assets	10(a) 504,371	83,471	372,104	372,104
Add: Depreciation on non-current assets	10(b) 11,760,791	11,603,060	11,903,173	11,903,173
<b>Non cash amounts excluded from operating activities</b>	<b>11,428,017</b>	<b>11,691,384</b>	<b>12,405,176</b>	<b>12,405,176</b>
<b>(b) Surplus/(deficit) after imposition of general rates</b>				
The following current assets and liabilities have been excluded from the net current assets used in the Rate Setting Statement in accordance with <i>Financial Management Regulation 32</i> to agree to the surplus/(deficit) after imposition of general rates.				
<b>Adjustments to net current assets</b>				
Less: Reserves - cash backed	4 (55,970,608)	(28,561,978)	(48,394,463)	(48,394,463)
Less: Current assets not expected to be received at end of year				
- Land held for resale	6 0	(929,929)	0	0
Add: Current liabilities not expected to be cleared at end of year				
- Current portion of borrowings	14(a) 779,810	0	766,294	766,294
- Current portion of contract liability held in reserve	4,083,109	0	0	0
- Employee benefit provisions	1,536,357	0	1,536,357	1,536,357
<b>Total adjustments to net current assets</b>	<b>(49,571,332)</b>	<b>(29,491,907)</b>	<b>(46,091,812)</b>	<b>(46,091,812)</b>
<b>Net current assets used in the Rate Setting Statement</b>				
Total current assets	74,998,197	28,926,368	65,737,798	65,737,798
Less: Total current liabilities	(17,286,651)	2,065,539	(10,886,407)	(10,886,408)
Less: Total adjustments to net current assets	(49,571,332)	(29,491,907)	(46,091,812)	(46,091,812)
<b>Net current assets used in the Rate Setting Statement</b>	<b>8,140,214</b>	<b>1,500,000</b>	<b>8,759,579</b>	<b>8,759,579</b>
<b>(c) Adjustments to current assets and liabilities at 1 July 2019 on application of new accounting standards</b>				
<b>Total current assets at 30 June 2019</b>				65,737,798
- Contract assets				0
<b>Total current assets at 1 July 2019</b>				<b>65,737,798</b>
<b>Total current liabilities at 30 June 2019</b>				<b>(10,886,407)</b>
<b>Total current liabilities at 1 July 2019</b>				<b>(10,886,407)</b>



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

### (a) Interest rate risk

#### Cash and cash equivalents

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

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

	Weighted Average Interest Rate %	Carrying Amounts \$	Fixed Interest Rate \$	Variable Interest Rate \$	Non Interest Bearing \$
<b>2020</b>					
Cash and cash equivalents	1.33%	74,048,937	47,859,290	23,922,613	2,267,034
<b>2019</b>					
Cash and cash equivalents	2.84%	60,252,679	0	57,917,757	2,334,922

#### 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*	698,824	602,527

\* 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).

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## 25. FINANCIAL RISK MANAGEMENT (Continued)

### (b) Credit risk

#### Trade and Other Receivables

The Shire's major receivables comprise rates annual charges and user fees and charges. The major risk associated with these receivables is credit risk – the risk that the debts may not be repaid. The Shire manages this risk by monitoring outstanding debt and employing debt recovery policies.

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

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

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

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

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

	Current	More than 1 year past due	More than 2 years past due	More than 3 years past due	Total
<b>30 June 2020</b>					
Rates receivable					
Expected credit loss	5.0%	30.0%	75.0%	75.0%	25.8%
Gross carrying amount	773,277	297,602	128,728	173,044	1,372,651
Loss allowance	38,700	89,300	96,500	129,800	354,300

<b>30 June 2019</b>					
Rates receivable					
Expected credit loss	4.84%	4.84%	4.84%	4.84%	4.84%
Gross carrying amount	2,828,934	154,201	142,730	61,739	3,187,603
Loss allowance	136,920	7,463	6,908	2,988	154,279

The loss allowance as at 30 June 2020 and 30 June 2019 was determined as follows for trade receivables. The increase in anticipated loss for trade receivables over 30 days is due to specific debtors entering administration.

	Current	More than 30 days past due	More than 60 days past due	More than 90 days past due	Total
<b>30 June 2020</b>					
Trade and other receivables					
Expected credit loss	2.5%	72.5%	40.0%	40.3%	17.0%
Gross carrying amount	1,774,811	395,390	16,628	143,824	2,330,653
Loss allowance	44,400	286,700	6,700	57,900	395,700

<b>30 June 2019</b>					
Trade and other receivables					
Expected credit loss	2.50%	2.50%	2.50%	2.50%	2.50%
Gross carrying amount	593,418	259,136	77,268	263,116	1,192,938
Loss allowance	14,835	6,478	1,932	6,578	29,823

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

## 25. FINANCIAL RISK MANAGEMENT (Continued)

### (c) Liquidity risk

#### Payables and borrowings

Payables and borrowings are both subject to liquidity risk – that is the risk that insufficient funds may be on hand to meet payment obligations as and when they fall due. The Shire manages this risk by monitoring its cash flow requirements and liquidity levels and maintaining an adequate cash buffer. Payment terms can be extended and overdraft facilities drawn upon if required and disclosed in Note 12(d).

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

	Due within 1 year	Due between 1 & 5 years	Due after 5 years	Total contractual cash flows	Carrying values
	\$	\$	\$	\$	\$
<b>2020</b>					
Payables	10,720,658	0	0	10,720,658	10,720,658
Borrowings	779,807	1,835,261	432,036	3,047,104	3,047,104
Contract liabilities	4,083,109	0	0	4,083,109	4,083,109
	<u>15,583,574</u>	<u>1,835,261</u>	<u>432,036</u>	<u>17,850,871</u>	<u>17,850,871</u>
<b>2019</b>					
Payables	8,583,756	0	0	8,583,756	8,583,756
Borrowings	766,294	2,174,526	872,578	3,813,398	3,813,398
	<u>9,350,050</u>	<u>2,174,526</u>	<u>872,578</u>	<u>12,397,154</u>	<u>12,397,154</u>

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

**26. EVENTS OCCURRING AFTER THE END OF THE REPORTING PERIOD**

There has been no material events after the reporting period which would affect the financial report of the Shire of Ashburton for the year ended 30 June 2020 or which would require additional disclosures.

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

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

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

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

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

Note	AASB 118 carrying amount 30 June 2019 \$	Reclassification \$	AASB 15 carrying amount 01 July 2019 \$
<b>Contract liabilities - current</b>			
Contract liabilities from contracts with customers	0	(419,578)	(419,578)
Adjustment to retained surplus from adoption of AASB 15	0	(419,578)	(419,578)
27(e)	0	(419,578)	(419,578)

**(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: Contributions before the change:

Note	AASB 118 and AASB 1004 carrying amount 30 June 2019 \$	Reclassification \$	AASB 1058 carrying amount 01 July 2019 \$
<b>Trade and other payables</b>			
Contract liabilities from conditions of grants not yet met	0	(539,321)	(539,321)
Adjustment to retained surplus from adoption of AASB 1058	0	(539,321)	(539,321)
27(e)	0	(539,321)	(539,321)

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

**27. 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.

	Note	2020 \$ As reported under AASB 15 and AASB 1058	Adjustment due to application of AASB 15 and AASB 1058	2020 \$ Compared to AASB 118 and AASB 1004
<b>Statement of Comprehensive Income</b>				
<b>Revenue</b>				
Rates	23(a)	37,053,984	3,280,975	40,334,959
Operating grants, subsidies and contributions	2(a)	8,119,726	347,759	8,467,485
Fees and charges	2(a)	6,289,186	0	6,289,186
Non-operating grants, subsidies and contributions	2(a)	4,564,552	3,735,350	8,299,902
Net result		10,870,427	7,364,084	18,234,511
<b>Statement of Financial Position</b>				
Trade and other payables	12	10,720,658	(3,280,975)	7,439,683
Contract liabilities	13	4,083,109	(4,083,109)	0
Net assets		570,703,671	7,364,084	578,067,755
<b>Statement of Changes in Equity</b>				
Net result		10,870,427	7,364,084	18,234,511
Retained surplus		224,053,769	7,364,084	231,417,853

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

**(c) AASB 16: Leases**

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

In applying AASB 16 for the first time, the Shire will use the following practical expedient permitted by the standard.  
- The exclusion of initial direct costs from the measurement of the right-of-use asset at the date of initial application.

**SHIRE OF ASHBURTON**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
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**27. INITIAL APPLICATION OF AUSTRALIAN ACCOUNTING STANDARDS (Continued)**

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

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

In accordance with the changes, the Shire was required to remove the values attributable to certain crown land assets previously required to be recognised, as well as the associated revaluation surplus at 1 July 2019. These assets have been measured as concessionary lease right-of-use assets at zero cost in accordance with AASB 16. 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 \$
Property, plant and equipment	8	113,550,980	(760,000)	112,790,980
Revaluation surplus	11	301,878,276	(760,000)	301,118,276

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

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

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

	Note	Adjustments	2019 \$
Retained surplus - 30 June 2019			221,718,386
Adjustment to retained surplus from adoption of AASB 15	27(a)	(419,578)	
Adjustment to retained surplus from adoption of AASB 1058 & AASB 15	27(b)	(539,321)	(958,899)
Retained surplus - 1 July 2019		(958,899)	220,759,487

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

	Note	Adjustments	2019 \$
Revaluation surplus - 30 June 2019			301,878,276
Adjustment to revaluation surplus from deletion of FM Reg 16	27(d)	(760,000)	
Adjustment to revaluation surplus from deletion of FM Reg 17	27(d)	0	(760,000)
Revaluation surplus - 1 July 2019		(760,000)	301,118,276

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

## 28. TRUST FUNDS

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

	1 July 2019	Amounts Received	Amounts Paid	30 June 2020
	\$	\$	\$	\$
Public Open Space	236,655	0	0	236,655
	236,655	0	0	236,655



**SHIRE OF ASHBURTON  
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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 ASHBURTON  
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.

<b>PROGRAM NAME AND OBJECTIVES</b>	<b>ACTIVITIES</b>
<b>GOVERNANCE</b>	
<b>GENERAL PURPOSE FUNDING</b> To collect revenue to allow for the provision of services.	Rates, general purpose government grants and interest revenue.
<b>LAW, ORDER, PUBLIC SAFETY</b> To provide services to help ensure a safer community.	Supervision of various by-laws, fire prevention, emergency services and animal control.
<b>HEALTH</b> To assess and manage risks to public health and create and maintain environments that promote good public health.	Food safety, traders permits, septic approvals, analysis of drinking water, public pool safety, monitoring and control of mosquitoes, noise - dust or odour complaints, public building inspections, Environmental Health support to Aboriginal communities, provision of public information on issues such as asbestos, mosquitoes, food hygiene.
<b>EDUCATION AND WELFARE</b> To meet the needs of the community in these areas.	Maintenance of pre-school facilities & donations to schools. Assistance to welfare groups and Youth Services.
<b>HOUSING</b> To manage housing.	Maintenance of staff and rental housing.
<b>COMMUNITY AMENITIES</b> To provide services required but the community.	Rubbish collections, refuse site operations, litter control, administration of the town planning scheme, cemetery operations, public toilet facilities and protection of the environment.
<b>RECREATION AND CULTURE</b> To establish and manage efficiently infrastructure and resources which help the social well being of the community.	Maintenance of Halls, Swimming pools, sporting facilities, parks and associated facilities, provision of library services in Tom Price, Onslow, Pannawonica & Paraburdoo.
<b>TRANSPORT</b> To provide effective and efficient transport services to the community.	Construction and maintenance of streets, roads, bridges, footpaths; street lighting, traffic management and airport. Purchase and disposal of Council's Road Plant.
<b>ECONOMIC SERVICES</b> To help promote the Shire and improve it's economic well-being.	Building control, management of tourist bureau, tourism and area promotion and standpipes.
<b>OTHER PROPERTY AND SERVICES</b> To provide support services for works and plant operations.	Private works operations, plant repairs and operation costs, stock and materials, salaries and wages of Council employees.

SHIRE OF ASHBURTON  
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 FOR THE YEAR ENDED 30 JUNE 2020

### 31. FINANCIAL RATIOS

	2020 Actual	2019 Actual	2018 Actual
Current ratio	1.50	1.76	3.48
Asset consumption ratio	0.82	0.83	0.72
Asset renewal funding ratio	2.13	2.13	1.69
Asset sustainability ratio	1.43	0.61	0.43
Debt service cover ratio	20.20	10.89	18.62
Operating surplus ratio	0.14	(0.04)	0.07
Own source revenue coverage ratio	0.96	0.80	0.92

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



Our Ref: 8238

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Mr Kenn Donohoe  
Chief Executive Officer  
Shire of Ashburton  
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Dear Mr Donohoe

### **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*, 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.

#### **Management Control Issues**

I would like to draw your attention to the attached listing of deficiencies in internal control and other matters that were identified during the audit. These matters have 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. The matters being reported are limited to those deficiencies that have been identified during the audit that are of sufficient importance to warrant being reported. It is possible that other 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 these matters further.

Yours faithfully

EFTHALIA SAMARAS  
SENIOR DIRECTOR  
FINANCIAL AUDIT  
23 February 2021



Our Ref: 8238

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

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President  
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Dear President

### **ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2020**

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EFTHALIA SAMARAS  
SENIOR DIRECTOR  
FINANCIAL AUDIT  
23 February 2021