



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

**AGENDA AND ATTACHMENTS
(Public Document)**

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

8.30 am

**PUBLIC AGENDA - AUDIT AND RISK MANAGEMENT COMMITTEE MEETING
16 FEBRUARY 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 February 2021 at the Ashburton Hall, Ashburton Avenue, Paraburdoo commencing at 8.30 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.

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

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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

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

2.3 APPROVED LEAVE OF ABSENCE

3. ANNOUNCEMENT OF VISITORS

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.

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

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 8 SEPTEMBER 2020

Officers Recommendation

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.

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.

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

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

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

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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 30 June 2020 audit of the Shire:
 1. Excess Leave Management
 2. Related Party Declarations

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

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 —*
 - (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 —*

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- (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.

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 Officer 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)

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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

Officers 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**.

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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.***

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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 _____ am.

**PUBLIC MINUTES - AUDIT AND RISK MANAGEMENT COMMITTEE MEETING
11 DECEMBER 2020**



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

**MINUTES
(Public Document)**

**Onslow Sports Club
Third Avenue, Onslow
11 December 2020**

11.00 am

**PUBLIC MINUTES - AUDIT AND RISK MANAGEMENT COMMITTEE MEETING
11 DECEMBER 2020**

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: 11.12.2020

These minutes were confirmed by Council as a true and correct record of proceedings of the Ordinary Meeting of Council on the 11 December 2020.

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.

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**PUBLIC MINUTES - AUDIT AND RISK MANAGEMENT COMMITTEE MEETING
11 DECEMBER 2020**

1. DECLARATION OF OPENING

The Presiding Member declared the meeting open at 11.17 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

Members:	Cr P Foster Cr K White Cr M Lynch Cr D Diver Cr R de Pledge Cr J Richardson Cr M Gallanagh	Tom Price Ward (Presiding Member) Onslow Ward Tom Price Ward Tom Price Ward Ashburton Ward Tablelands Ward Pannawonica Ward
Staff:	Mr K Donohoe Mr J Bingham Mr A Majid Mrs C McGurk Mr A Sheridan Mr M Khosravi Mrs M Lewis	Chief Executive Officer Director Corporate Services Director Development Services Director Projects and Procurement Acting Director Infrastructure Services Director Infrastructure Council Liaison Officer
Guests:	Nil	
Members of Public:	There were no members of the public in attendance at the commencement of the meeting.	
Members of Media:	There were no members of the media in attendance at the commencement of the meeting.	

2.2 APOLOGIES

Cr L Rumble Paraburdoo Ward

2.3 APPROVED LEAVE OF ABSENCE

Cr D Dias Paraburdoo Ward

3. ANNOUNCEMENT OF VISITORS

There were no visitors for this meeting.

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11 DECEMBER 2020**

4. DECLARATION BY MEMBERS

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;
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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;
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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.
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11 DECEMBER 2020**

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 8 SEPTEMBER 2020

<p>Council Decision</p> <p>MOVED: Cr K White SECONDED: Cr M Lynch</p> <p>That the Unconfirmed Minutes of the Audit and Risk Committee Meeting held on 8 September 2020 (ATTACHMENT 5.1) be confirmed as a true and accurate record.</p> <p align="right">CARRIED 7/0</p>
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**PUBLIC MINUTES - AUDIT AND RISK MANAGEMENT COMMITTEE MEETING
11 DECEMBER 2020**

6. TERMS OF REFERENCE

Audit and Risk Management Committee

Purpose

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 - (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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11 DECEMBER 2020**

7. AGENDA ITEMS

7.1 REGULATION 17 REVIEW – 2020 PROGRAM

FILE REFERENCE:	GV04
AUTHOR'S NAME AND POSITION:	John Bingham Director Corporate Services
AUTHORISING OFFICER AND POSITION:	Kenn Donohoe Chief Executive Officer
NAME OF APPLICANT/RESPONDENT:	Not Applicable
DATE REPORT WRITTEN:	1 December 2020
DISCLOSURE OF FINANCIAL INTEREST:	The author and the authorising officer have no financial, proximity or impartiality interests in the proposal
PREVIOUS MEETING REFERENCE:	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 Department of Local Government, Sport and Cultural Industries (DLGSC) Operational Guidelines No.9 (revised September 2013) provides a useful overview of the issues that should be taken into account when undertaking a Regulation 17 review. A copy of the guideline is included as **ATTACHMENT 7.1A**. It is also worth noting that Section 7 of the Department's

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11 DECEMBER 2020**

Western Australian Local Government Accounting Manual provides a comprehensive internal control framework related to internal control.

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.'

Comment

The attached report from AMD Chartered Accountants and comments from Officers to address improvement opportunities

ATTACHMENT 7.1B

Consultation

Executive Leadership Team
Manager Finance and Administration
Manager Governance
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.*

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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

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 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.

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. 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

**PUBLIC MINUTES - AUDIT AND RISK MANAGEMENT COMMITTEE MEETING
11 DECEMBER 2020**

Officers Recommendation and Committee Decision

MINUTE: 215/2020

MOVED: Cr D Diver

SECONDED: Cr K White

That with respect to the Regulation 17 Review - 2020 Program, the Audit and Risk Management Committee recommends to Council that the program of suggested improvements/opportunities to address the Regulation 17 Risk Audit (ATTACHMENT 7.1B) be adopted and reported quarterly.

CARRIED 7/0

UNCONFIRMED

**PUBLIC MINUTES - AUDIT AND RISK MANAGEMENT COMMITTEE MEETING
11 DECEMBER 2020**

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 MINUTES - AUDIT AND RISK MANAGEMENT COMMITTEE MEETING
11 DECEMBER 2020**

Council Decision

MOVED: Cr M Lynch

SECONDED: Cr M Gallanagh

That Council move behind closed doors at 11.21 am to consider the following Confidential Items.

8.1 CONFIDENTIAL ITEM - UPDATE ON WITTENOOM LITIGATION, USE OF DELEGATION, WITTENOOM STEERING COMMITTEE, SENIOR COUNSEL LEGAL BRIEF AND ADVICE AND ROEBOURNE - WITTENOOM ROAD

pursuant to sub section 5.23 (2) (a) (b) (c) and (d) of the *Local Government Act 1995* which provides:

- (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;**
 - (I) a matter that if disclosed, would reveal;**
 - (II) a trade secret;**
 - (III) information that has a commercial value to a person; or**
 - (IV) information about the business, professional, commercial or financial affairs of a person.**

CARRIED 7/0

**PUBLIC MINUTES - AUDIT AND RISK MANAGEMENT COMMITTEE MEETING
11 DECEMBER 2020**

8.1 CONFIDENTIAL ITEM - UPDATE ON WITTENOOM LITIGATION, USE OF DELEGATION, WITTENOOM STEERING COMMITTEE, SENIOR COUNSEL LEGAL BRIEF AND ADVICE AND ROEBOURNE - WITTENOOM ROAD

FILE REFERENCE:	LS34
AUTHOR'S NAME AND POSITION:	Janyce Smith Senior Administration Officer
AUTHORISING OFFICER AND POSITION:	John Bingham Director Corporate Services
NAME OF APPLICANT/RESPONDENT:	Not Applicable
DATE REPORT WRITTEN:	27 November 2020
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. 136/2020) Audit and Risk Committee Meeting 8 September 2020
REASON FOR CONFIDENTIALITY	The Director Corporate Services Report is confidential in accordance with <i>s5.23 (2) the Local Government Act 1995</i> because it deals with matters affecting <i>s5.23 (2)</i> : (b) <i>the personal affairs of any person;</i> (d) <i>legal advice obtained, or which may be obtained, by the local government and which relates to a matter to be discussed at the meeting.</i>

Officers Recommendation and Committee Decision

MINUTE: 216/2020

MOVED: Cr D Diver

SECONDED: Cr K White

That with respect to the Confidential Item – Update on Wittenoom Litigation, Use of Delegation, Wittenoom Steering Committee, Senior Counsel Legal Advice and Roebourne - Wittenoom Road, 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 ATTACHMENTS 8.1A & B) and remain confidential in accordance *s5.23 (2)(b) & (d) of the Local Government Act 1995*; and
2. Ensure that the Shire management continue to provide Wittenoom related reports to the Audit and Risk Management Committee.

CARRIED 7/0

**PUBLIC MINUTES - AUDIT AND RISK MANAGEMENT COMMITTEE MEETING
11 DECEMBER 2020**

Council Decision

MOVED: Cr M Gallanagh

SECONDED: Cr M Lynch

That Council re-open the meeting to the public at 11.25 am pursuant to sub section 5.23 (2) (a) and (b) of the *Local Government Act 1995*.

CARRIED 7/0

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 11.25 am.

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 _____ day of _____ 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 \$
Revenue				
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
Expenses				
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
Net result for the period		10,870,427	24,312,494	9,447,527
Other comprehensive income				
<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
Total other comprehensive income for the period		(10,438,982)	0	628,865
Total comprehensive income for the period		431,445	24,312,494	10,076,392

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 \$
Revenue				
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
Expenses				
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)
Finance Costs				
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
Net result for the period		10,870,427	24,312,494	9,447,527
Other comprehensive income				
<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
Total other comprehensive income for the period		(10,438,982)	0	628,865
Total comprehensive income for the period		431,445	24,312,494	10,076,392

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 \$
CURRENT ASSETS			
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
TOTAL CURRENT ASSETS		74,998,197	65,737,798
NON-CURRENT ASSETS			
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
TOTAL NON-CURRENT ASSETS		515,566,135	520,523,598
TOTAL ASSETS		590,564,332	586,261,396
CURRENT LIABILITIES			
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
TOTAL CURRENT LIABILITIES		17,286,651	10,886,408
NON-CURRENT LIABILITIES			
Borrowings	14(a)	2,267,294	3,047,102
Employee related provisions	15	306,716	336,761
TOTAL NON-CURRENT LIABILITIES		2,574,010	3,383,863
TOTAL LIABILITIES		19,860,661	14,270,271
NET ASSETS		570,703,671	571,991,125
EQUITY			
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
TOTAL EQUITY		570,703,671	571,991,125

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 \$
Balance as at 1 July 2018		219,287,941	41,377,381	301,249,411	561,914,733
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
Balance as at 30 June 2019		221,718,386	48,394,463	301,878,276	571,991,125
Change in accounting policy	27(e)	(958,899)	0	(760,000)	(1,718,899)
Restated total equity at 1 July 2019		220,759,487	48,394,463	301,118,276	570,272,226
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
Balance as at 30 June 2020		224,053,769	55,970,608	290,679,294	570,703,671

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 \$
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts				
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
Payments				
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)
Net cash provided by (used in) operating activities	16	20,406,813	6,579,731	16,216,637
CASH FLOWS FROM INVESTING ACTIVITIES				
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
Net cash provided by (used in) investment activities		(10,010,818)	(33,256,095)	(6,259,459)
CASH FLOWS FROM FINANCING ACTIVITIES				
Repayment of borrowings	14(b)	(766,294)	(766,294)	(752,680)
Proceeds from new borrowings	14(b)	0	1,726,000	0
Net cash provided by (used in) financing activities		(766,294)	959,706	(752,680)
Net increase (decrease) in cash held		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
Cash and cash equivalents at the end of the year	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 \$
OPERATING ACTIVITIES				
Net current assets at start of financial year - surplus/(deficit)				
	24 (b)	8,759,579	9,684,911	12,102,225
		8,759,579	9,684,911	12,102,225
Revenue from operating activities (excluding rates)				
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
Expenditure from operating activities				
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
Amount attributable to operating activities		(10,546,393)	(23,208,606)	(9,576,157)
INVESTING ACTIVITIES				
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)
Amount attributable to investing activities		(10,010,818)	(33,256,095)	(6,259,459)
FINANCING ACTIVITIES				
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
Amount attributable to financing activities		(8,342,439)	20,033,611	(7,769,762)
Surplus/(deficit) before imposition of general rates		(28,899,650)	(36,431,090)	(23,605,378)
Total amount raised from general rates	23(a)	37,039,864	37,931,090	32,364,957
Surplus/(deficit) after imposition of general rates	24(b)	8,140,214	1,500,000	8,759,579

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
	\$	\$	\$
Operating grants, subsidies and contributions			
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
	8,119,726	3,937,157	8,467,984
Non-operating grants, subsidies and contributions			
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
	4,564,552	30,966,305	11,166,128
	12,684,278	34,903,462	19,634,112
Total grants, subsidies and contributions			
	12,684,278	34,903,462	19,634,112
Fees and charges			
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
	6,289,186	6,128,206	7,366,563

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)

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
Total cash and cash equivalents	69,882,380	60,252,679
Restrictions		
requirements which limit or direct the purpose for which the resources may be used:		
- Cash and cash equivalents	56,318,367	48,522,300
	56,318,367	48,522,300

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
Total restricted assets		56,318,367	48,522,300

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.

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

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.

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

5. TRADE AND OTHER RECEIVABLES

Current

Rates receivable
Trade and other receivables
GST receivable
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)
3,603,509	4,272,597

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.

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

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	

The following movements in inventories occurred during the year:

Carrying amount at beginning of period

Additions to inventory

Carrying amount at end of period

	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

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

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

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
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Balance at 1 July 2018	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
Carrying amount at 30 June 2019	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
Comprises:											
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)
Carrying amount at 30 June 2019	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)
Carrying amount at 1 July 2019	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
Carrying amount at 30 June 2020	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
Comprises:											
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)
Carrying amount at 30 June 2020	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

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

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
Land and buildings					
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.
Plant and Equipment					
- 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
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2020

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
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Balance at 1 July 2018	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)
Carrying amount at 30 June 2019	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
Comprises:										
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)
Carrying amount at 30 June 2019	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)
Carrying amount at 30 June 2020	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
Comprises:										
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)
Carrying amount at 30 June 2020	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

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

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.

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

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
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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
Plant and Equipment				
Housing				
Assets disposed of producing a loss	258,003	0	0	(258,003)
Community amenities				
Assets disposed of producing a loss	32,437	0	0	(32,437)
Recreation and culture				
Assets disposed of producing a loss	76,350	0	0	(76,350)
Transport				
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

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

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
FOR THE YEAR ENDED 30 JUNE 2020

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	Actual	Actual	Actual	Principal	Budget	Budget	Budget	Principal	Principal	Actual	Principal	Actual	Principal
				1 July 2019	repayments	repayments	outstanding	1 July 2019	New Loans	Principal repayments	Interest repayments	Principal outstanding	1 July 2018	repayments	repayments	outstanding	
				\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	
Particulars																	
Governance																	
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	
Housing																	
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	
Community amenities																	
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	
Recreation and culture																	
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	
Transport																	
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	
Economic services																	
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	
Self Supporting Loans																	
				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
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2020

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)
Total amount of credit unused	57,175	44,894

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
Total facilities in use at balance date	3,047,104	3,813,398

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

15. EMPLOYEE RELATED PROVISIONS

(a) Employee Related Provisions

	Provision for Annual Leave	Provision for Long Service Leave	Total
	\$	\$	\$
Opening balance at 1 July 2019			
Current provisions	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
Balance at 30 June 2020	1,020,302	989,488	2,009,790
Comprises			
Current	1,020,302	682,772	1,703,074
Non-current	0	306,716	306,716
	1,020,302	989,488	2,009,790
Amounts are expected to be settled on the following basis:	2020	2019	
	\$	\$	
More than 12 months from reporting date	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
 FOR THE YEAR ENDED 30 JUNE 2020

16. NOTES TO THE STATEMENT OF CASH FLOWS

Reconciliation of Cash

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

	2020 Actual	2020 Budget	2019 Actual
	\$	\$	\$
Cash and cash equivalents	69,882,380	34,855,954	60,252,679
Reconciliation of Net Cash Provided By Operating Activities to Net Result			
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
 NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
 FOR THE YEAR ENDED 30 JUNE 2020

17. TOTAL ASSETS CLASSIFIED BY FUNCTION AND ACTIVITY

	2020	2019
	\$	\$
Governance	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
 NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
 FOR THE YEAR ENDED 30 JUNE 2020

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

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

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
 NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
 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
Amounts outstanding from related parties:		
Trade and other receivables	0	1,081
Amounts payable to related parties:		
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.

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

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
	\$	\$	\$
Operating Income			
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
	<u>1,823,981</u>	<u>2,815,528</u>	<u>3,390,638</u>
Operating Expenditure			
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)
	<u>(2,796,309)</u>	<u>(3,684,498)</u>	<u>(3,028,518)</u>
Operating Result	<u>(972,328)</u>	<u>(868,970)</u>	<u>362,120</u>

(b) Non-Operating Income & Expenditure

Capital Revenue			
Transfer From Cash Reserve	280,172	4,029,125	2,023,584
Contributions	0	0	0
Government Grants	0	0	0
	<u>280,172</u>	<u>4,029,125</u>	<u>2,023,584</u>
Capital Expenditure			
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
	<u>677,352</u>	<u>4,574,969</u>	<u>(3,402,902)</u>
Total Net Trading Undertaking	<u>(14,804)</u>	<u>7,735,124</u>	<u>(1,017,198)</u>

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

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 \$
Differential general rate / general rate												
Gross rental valuations												
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
Unimproved valuations												
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
Sub-Total		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
Minimum payment												
Gross rental valuations												
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
Unimproved valuations												
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
Sub-Total		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)
Total amount raised from general rate							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)
Totals							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
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
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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
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2020

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

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

23. RATING INFORMATION (Continued)

(d) Interest Charges & Instalments

Instalment Options	Date Due	Instalment Plan Admin Charge \$	Instalment Plan Interest Rate %	Unpaid Rates Interest Rate %
Option One				
Single full payment	30/08/2019	0.00	0.00%	11.00%
Option Two				
First instalment	30/08/2019	0.00	0.00%	11.00%
Second instalment	6/01/2020	15.00	5.50%	11.00%
Option Three				
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
	186,914	121,727	128,888

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

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) \$
(a) Non-cash amounts excluded from operating activities				
The following non-cash revenue or expenditure has been excluded from amounts attributable to operating activities within the Rate Setting Statement in accordance with <i>Financial Management Regulation 32</i> .				
Adjustments to operating activities				
Less: Profit on asset disposals	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
Non cash amounts excluded from operating activities	11,428,017	11,691,384	12,405,176	12,405,176
(b) Surplus/(deficit) after imposition of general rates				
The following current assets and liabilities have been excluded from the net current assets used in the Rate Setting Statement in accordance with <i>Financial Management Regulation 32</i> to agree to the surplus/(deficit) after imposition of general rates.				
Adjustments to net current assets				
Less: Reserves - cash backed	4 (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
Total adjustments to net current assets	(49,571,332)	(29,491,907)	(46,091,812)	(46,091,812)
Net current assets used in the Rate Setting Statement				
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)
Net current assets used in the Rate Setting Statement	8,140,214	1,500,000	8,759,579	8,759,579
(c) Adjustments to current assets and liabilities at 1 July 2019 on application of new accounting standards				
Total current assets at 30 June 2019				65,737,798
- Contract assets				0
Total current assets at 1 July 2019				65,737,798
Total current liabilities at 30 June 2019				(10,886,407)
Total current liabilities at 1 July 2019				(10,886,407)

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

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
	%	\$	\$	\$	\$
2020					
Cash and cash equivalents	1.33%	74,048,937	47,859,290	23,922,613	2,267,034
2019					
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).

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

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
30 June 2020					
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
30 June 2019					
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
30 June 2020					
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
30 June 2019					
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
	\$	\$	\$	\$	\$
2020					
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>
2019					
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 \$
Contract liabilities - current				
Contract liabilities from contracts with customers		0	(419,578)	(419,578)
Adjustment to retained surplus from adoption of AASB 15	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 \$
Trade and other payables				
Contract liabilities from conditions of grants not yet met		0	(539,321)	(539,321)
Adjustment to retained surplus from adoption of AASB 1058	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
Statement of Comprehensive Income				
Revenue				
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
Statement of Financial Position				
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
Statement of Changes in Equity				
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
FOR THE YEAR ENDED 30 JUNE 2020

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

29. OTHER SIGNIFICANT ACCOUNTING POLICIES

a) Goods and services tax (GST)

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

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

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

b) Current and non-current classification

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

c) Rounding off figures

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

d) Comparative figures

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

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

e) Budget comparative figures

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

f) Superannuation

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

g) Fair value of assets and liabilities

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

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

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

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

h) Fair value hierarchy

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

Level 1

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

Level 2

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

Level 3

Measurements based on unobservable inputs for the asset or liability.

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

Valuation techniques

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

Market approach

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

Income approach

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

Cost approach

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

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

i) Impairment of assets

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

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

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

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

**SHIRE OF 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.

PROGRAM NAME AND OBJECTIVES	ACTIVITIES
GOVERNANCE	
GENERAL PURPOSE FUNDING To collect revenue to allow for the provision of services.	Rates, general purpose government grants and interest revenue.
LAW, ORDER, PUBLIC SAFETY To provide services to help ensure a safer community.	Supervision of various by-laws, fire prevention, emergency services and animal control.
HEALTH 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.
EDUCATION AND WELFARE 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.
HOUSING To manage housing.	Maintenance of staff and rental housing.
COMMUNITY AMENITIES 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.
RECREATION AND CULTURE 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.
TRANSPORT 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.
ECONOMIC SERVICES To help promote the Shire and improve it's economic well-being.	Building control, management of tourist bureau, tourism and area promotion and standpipes.
OTHER PROPERTY AND SERVICES 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
 NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
 FOR THE YEAR ENDED 30 JUNE 2020

31. FINANCIAL RATIOS

	2020 Actual	2019 Actual	2018 Actual
Current ratio	1.50	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	$\frac{\text{own source operating revenue}}{\text{operating expense}}$



SHIRE OF ASHBURTON

Audit Closing Report

30 June 2020 Financial Statements



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1 EXECUTIVE SUMMARY

1.1 Purpose of the Closing Report

The primary purpose of this Audit Closing Report is to brief the Shire of Ashburton (**Shire**) on the results of our substantially completed audit of the 30 June 2020 financial statements. This report should be read in conjunction with our Audit Planning Memorandum (**APM**) provided to the Shire on 21 April 2020.

1.2 Scope and approach

Except for additional audit procedures relating to the late changes to the *Local Government (Financial Management) Regulations 1996*, there were no other changes to the audit scope or approach set out in the APM.

1.3 Key deliverables

1.3.1 Annual financial statements audit report

The Auditor General is required to issue an opinion on the financial statements of the Shire for the year ended 30 June 2020. In accordance with section 7.9(1) of the *Local Government Act 1995 (LG Act)*, the audit report will be addressed to the Shire President, with a copy being forwarded to the Chief Executive Officer (**CEO**) and the Minister for Local Government.

We will recommend to the Auditor General that an unqualified audit opinion is issued on the financial statements (refer section 2.1).

1.3.2 Report on other legal and regulatory requirements

The Auditor General is also required by regulation 10(3) of the *Local Government (Audit) Regulations 1996* to report:

- Any matters indicating non-compliance with Part 6 of the LG Act or the *Local Government (Financial Management) Regulations 1996 (Financial Management Regulations)* or applicable financial controls;
- Any material matters indicating significant adverse trends in the financial position or the financial management practices;
- Whether all required information and explanations were obtained during the audit;
- Whether audit procedures were satisfactorily completed; and
- Whether the Asset Consumption Ratio and the Asset Renewal Ratio, disclosed in the notes to the financial statements, were supported by verifiable information and reasonable assumptions.

There were no issues identified which would impact legal and regulatory requirements.

We will recommend to the Auditor General to issue a clean audit report in relation to meeting other legal and regulatory requirements.

1.3.3 Management letters

Two moderate findings and one minor finding were identified during the 2019/20 preliminary audit and two moderate findings were identified during the 2019/20 final audit (refer section 2.4).

1.4 Matters of significance

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

We confirm that no such matters came to our attention during our audit work.

1.5 COVID-19

We concur with the Shire's assessment that there is no significant impact on the Shire's financial statements or operations due to the COVID-19 pandemic (refer section 6).

1.6 Independence

RSM Australia's audit methodology requires that we conduct a regular evaluation of our independence. We have fully satisfied ourselves that we do not have any actual or perceived conflict of interest.

1.7 Our appreciation

We wish to express our thanks for the co-operation shown by Council and Shire staff during the audit.

2 AUDIT COMPLETION

2.1 Statutory financial statements and audit opinion

We have completed the audit fieldwork on the statutory financial statements of the Shire for the year ended 30 June 2020.

The financial statements are general purpose financial report prepared in accordance with the LG Act, accompanying regulations and, to the extent that they are not inconsistent with the LG Act, Australian Accounting Standards.

We have discussed all significant auditing and accounting issues with management, and these have been satisfactorily resolved and are discussed in this report. The audit and assurance procedures are designed to support the audit and assurance opinions and they cannot be expected to identify all weaknesses or inefficiencies in the Shire's systems and working practices.

Based on the evidence, which has been assessed during our audit, we expect to conclude that the financial statements of the Shire:

- (i) Are based on proper accounts and records; and
- (ii) Fairly represent, 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 LG Act and, to the extent that they are not inconsistent with the LG Act, Australian Accounting Standards.

We will recommend to the Auditor General that an unqualified opinion is issued on the financial statements.

2.2 Emphasis of matter – basis of accounting

During the audit we identified the following matters which, although they will not require any modification to the audit opinion, are of such importance to require additional communication in the auditors' report in the form of an Emphasis of Matter paragraph:

2.2.1 Vested improvements on vested land

Note 10 to the financial statements describes the basis of accounting for vested improvements on vested land. Regulation 17A of the Financial Management Regulations, requires the Shire to measure vested improvements at fair value and the associated vested land at zero cost. This is a departure from AASB 16 *Leases*, which requires the Shire to also measure vested improvements at zero cost.

2.2.2 Land under roads

Note 10 to the financial statements describes the basis of accounting for land under roads. In respect of the comparatives for the previous year ended 30 June 2019, the former regulation 16 of the Financial Management Regulations did not allow the Shire to recognise some categories of land, including land under roads, as assets in the financial statements.

2.3 Report on other legal and regulatory requirements

There were no issues identified which would impact legal and regulatory requirements.

We will recommend to the Auditor General to issue a clean audit report in relation to meeting other legal and regulatory requirements.

2.4 Management letter – control weaknesses

Our audit approach involves the use of a rotation methodology when planning our test of controls. Consequently, not all control cycles are subject to testing and only certain transaction cycles are in audit scope each year. In accordance with the APM, we performed key management control testing over the revenue, payment and fixed assets transaction cycles.

Based on our testing, the following control weaknesses were identified during prior period audits and the 2019/20 audit:

2.4.1 Prior period audits

Two significant and eight moderate findings were reported during the prior year audit:

Findings	Rating	Status
1. General journals	Significant	Resolved
2. Preparation and review of bank reconciliations	Significant	Resolved
3. Valuation of land held for resale	Moderate	Resolved
4. Excessive annual leave	Moderate	Resolved
5. Related party declarations	Moderate	Resolved
6. Long outstanding trust transfers	Moderate	Resolved
7. Balance sheet reconciliations	Moderate	Resolved
8. Non-compliance with procurement directive	Moderate	Resolved
9. Payroll register reconciliation to the general ledger	Moderate	Resolved
10. Payroll – employee detail form	Moderate	Resolved

2.4.2 2019/20 preliminary audit

Two moderate findings and one minor finding was identified during the 2019/20 preliminary audit:

Findings	Rating
1. Incorrect capitalisation of minor assets	Moderate
2. Procurement controls	Moderate
3. Petty cash controls	Minor

2.4.3 2019/20 final audit

Two moderate findings were identified during the 2019/20 final audit:

Findings	Rating
1. Excess leave management	Moderate
2. Related party declarations	Moderate

The action taken by the Shire to address the 2019/20 management letter findings will be reviewed during the 2020/21 audit.

2.5 Compliance with laws and regulations

We have reviewed the Shire's controls to manage the risk of systemic failure to comply with relevant laws and regulations. We also reviewed Council and other relevant committee minutes of meetings throughout the year to identify any recorded non-compliance with relevant laws and regulations.

As a result of our procedures, nothing has come to our attention, within the scope of the audit, to indicate non-compliance with relevant laws and regulations.

2.6 Unadjusted audit differences

There was one unadjusted audit difference noted during the audit.

Entry	Account description	Debit (\$)	Credit (\$)
1	Flood damage recovery income (revenue) Accrued revenue (asset) <i>Revenue not recognised in line AASB 15</i>	647,117	647,117

2.7 Summary of audit adjustments

Seven audit adjustments were processed by the Shire during the course of the final audit:

Entry	Account description	Debit (\$)	Credit (\$)
1	Retained earnings (equity) Contract liability/Deferred revenue (liability) <i>Being reversal of prior period revenue on adoption of AASB 15 Revenue from Contracts with Customers and AASB 1058 Income for Not-for-Profit Entities</i>	958,899	958,899
2	Contract liability/Deferred revenue (liability) Grants and subsidies (revenue) <i>Being recognition of revenue as per new revenue standard AASB 15 Revenue from Contracts with Customers and AASB 1058 Income for Not-for-Profit Entities</i>	4,971,684	4,971,684
3	Revaluation surplus (equity) Infrastructure -roads (non-current asset) <i>To recognise impairment expenses relating to road damage arising from Cyclone and flooding</i>	6,143,000	6,143,000
4	Revaluation surplus (equity) Other donations (revenue) <i>To recognise fair value of gifted assets in accordance with AASB 1058 Income for Not-for-Profit Entities</i>	170,000	170,000
5	Revaluation surplus (equity) Land (non-current asset) <i>To recognise adjustment as per changes in Regs 17A (Crown land to be held at cost)</i>	760,000	760,000
6	Salaries (expense) Payroll accrual (liability) <i>Being accrual of payroll expenses for the month of June 2020.</i>	119,720	119,720

Entry	Account description	Debit (\$)	Credit (\$)
7	Salaries (expense)	20,152	
	Provision for long service leave – current (liability)	25,660	
	Provision for long service leave –non-current (liability)		45,812
	Provision for annual leave – current (liability)	40,746	
	Salaries (expense)		40,746
	<i>Being correction of reconciliation as at 30 June 2020</i>		

2.8 Subsequent events

Management has represented that, other than those matters disclosed in the financial statements, there are no significant subsequent events between the end of the financial year and the date of this Audit Closing Report, which may significantly impact the results of the operations and the state of affairs of the Shire for the financial year.

2.9 Contingent liabilities and commitments

Management has represented to us that, other than those matters disclosed in the financial statements and at section 2.10 below, there are no other outstanding or pending litigation, contingent liabilities or commitments.

We have received and reviewed the solicitors' confirmations and, except for those matters detailed in the notes to the financial statements, we have not become aware of any other material contingent liabilities, pending litigation or commitments.

2.10 Environmental matters

Currently the Shire has four contaminated sites. We have reviewed the key controls used by the Shire to manage the risk of failure to comply with *Contaminated Sites Act 2003*. We also reviewed Council and committee minutes of meetings throughout the year to identify any reported non-compliance with the relevant environmental laws and regulations.

The Shire represented that all identified contaminated sites are reported to the Department of Water and Environmental Regulation (**DWER**) and recorded in the DWER Contaminated Sites Database.

The Shire is unable to accurately quantify its clean-up liabilities for potentially contaminated sites as at 30 June 2020.

Based on our work within the scope of our engagement, nothing came to our attention to indicate the key controls around contaminated sites are ineffective.

2.11 Outstanding audit matters

The audit opinion is subject to the finalisation of our audit process. The key matters still outstanding are:

- Our final review of the financial statements;
- Our receipt of the signed management representation letter; and
- Our performance of subsequent events review up to date the audit report is issued.

3 NEW ACCOUNTING STANDARD ADOPTED IN THE CURRENT YEAR

3.1 AASB 15 Revenue from Contracts with Customers

The Shire adopted AASB 15 *Revenue from Contracts with Customers* on 1 July 2019, which resulted in changes to accounting policies. In accordance with the transition provisions of AASB 15, the Shire adopted the new rules retrospectively with the cumulative effect of initially applying AASB 15 recognised as at 1 July 2019. Comparative information for prior reporting periods was not restated in accordance with AASB 15 transition requirements.

As disclosed in the Note 27(a) to the financial statements and section 2.7 above, the impact of AASB 15 as at 1 July 2019 was immaterial.

We have audited the Shire's application of the impact of adopting AASB 15 and we conclude that the Shire has correctly applied the requirements and made appropriate disclosures in the notes to the financial statements.

3.2 AASB 1058 *Income of Not-for-Profit Entities*

The Shire adopted AASB 1058 *Income for Not-for-Profit Entities* on 1 July 2019, which resulted in changes to accounting policies. In accordance with the transition provisions of AASB 1058, the Shire adopted the new rules retrospectively with the cumulative effect of initially applying AASB 1058 recognised as at 1 July 2019. Comparative information for prior reporting periods were not restated in accordance with AASB 1058 transition requirements.

As disclosed in the Note 27(b) to the financial statements, the impact of AASB 1058 as at 1 July 2019 was immaterial.

We have audited the Shire's application of the impact of the initial adoption of AASB 1058 and we conclude that the Shire has correctly applied the requirements and made appropriate disclosures in the notes to the financial statements.

3.3 AASB 16 *Leases*

The Shire adopted AASB 16 *Leases* on 1 July 2019, which resulted in changes to accounting policies. In accordance with the transition provisions of AASB 16, the Shire has applied AASB 16 to its leases retrospectively, with effect from 1 July 2019. The Shire applied the modified retrospective approach, which did not require the comparatives to be restated.

AASB 16 requires vested land and vested improvements to be accounted for as a single lease component. In accordance with the Financial Management Regulations, which take precedence over Australian Accounting Standards, the Shire is required to measure vested improvements at fair value and the associated vested land at zero cost. This is a departure from AASB 16, which requires the Shire to measure the vested improvements also at zero cost.

We have audited the Shire's application of the impact of applying AASB 16 and we conclude that the Shire has correctly applied the requirements and made appropriate disclosures in the notes to the financial statements. However, although the Shire's departure from AASB 16 will not result in a qualification to the audit report, there will be an Emphasis of Matter paragraph included in the audit report to draw users' attention to this matter (refer section 2.2).

4 AMENDMENTS TO LOCAL GOVERNMENT FINANCIAL MANAGEMENT REGULATIONS

Effective 6 November 2020, Financial Management Regulations were amended with regulation 16 being removed and regulation 17A being amended with effect from 1 July 2019.

4.1 Impact of removal of regulation 16

The Shire is required to de-recognise the values attributable to certain vested crown land assets previously required to be recognised as assets, as well as the associated revaluation surplus from 1 July 2019. These assets have been measured as concessionary lease right-of-use assets at zero cost in accordance with AASB 16.

As disclosed in Note 27 (d) to the financial statements, the impact of applying the amendment as at 1 July 2019 was the derecognition of vested land (golf course) worth \$0.8 million.

We have audited the Shire's assessment of the impact of the removal of regulation 16 and we conclude that the Shire has correctly addressed the requirements and made appropriate disclosures in the notes to the financial statements.

4.2 Impact of amendment of 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 with effect from 1 July 2019. No revaluations were carried out during the year, as it was deemed by the Shire that fair value approximates the cost model value at the date of the change.

We have audited the Shire's assessment of the impact of the of applying amended regulation 17A and we conclude that the Shire has correctly addressed the requirements and made appropriate disclosures in the notes to the financial statements.

5 AREAS OF AUDIT EMPHASIS

As mentioned in the APM, our audit focus was on those areas where we assessed there to be a significant risk of material misstatement in the financial statements. We designed and performed procedures to be able to conclude, with reasonable assurance, whether each significant risk area is free from material misstatement. The following is a summary of the significant risk balances for the past three financial years:

Significant risk area	30 June 2020	30 June 2019	30 June 2018
Revenue recognition			
• Rates	37,053,984	32,374,843	33,401,118
• Fees and charges	6,289,186	7,366,563	12,031,013
• Trade and other receivables	3,603,509	4,272,597	4,485,772
Procurement			
• Materials and contracts	12,846,528	20,116,767	14,280,602
• Property, plant and equipment (additions)	5,288,301	11,635,267	5,990,990
• Infrastructure (additions)	12,827,830	6,146,840	16,116,911
Fixed assets			
• Property, plant and equipment	118,971,059	113,550,980	104,640,159
• Infrastructure	395,445,907	406,571,727	409,668,111

The outcome of our audit procedures for each significant risk area is summarised in the following table:

Significant risk area	Key risks	Free from material misstatement
Revenue recognition <ul style="list-style-type: none"> • Rates • Fees and charges • Trade and other receivables 	<p>Rates, fees and charges revenue are material and a significant risk due to the multifaceted method of calculation, the high dependency on information systems and the significant regulatory compliance regime.</p> <p>Compliance with AASB 15 and AASB 1058 can be complex and requires detailed analysis of contracts and appropriate application of revenue recognition policies.</p> <p>Calculation and recording of the expected credit loss provision in accordance with <i>AASB 9 Financial Instruments</i> can also be complex and is subject to estimation.</p>	✓
Procurement <ul style="list-style-type: none"> • Materials and contracts • Property, plant and equipment (additions) • Infrastructure (additions) 	<p>These expenditure items are a significant risk due to the materiality of the amounts, the different cost allocation methods, the strict and complex requirements of the Shire's purchasing policy and the risk of management override of controls.</p>	✓
Fixed assets <ul style="list-style-type: none"> • Property, plant and equipment • Infrastructure 	<p>Property, plant and equipment and Infrastructure are material assets in the Statement of Financial Position.</p> <p>Removal of regulation 16 and compliance with amended regulation 17A of the Financial Management Regulations can be complex and require some material adjustments to the carrying value of assets and associated asset revaluation reserves.</p>	✓

6 IMPACT OF COVID-19

As the COVID-19 pandemic continues to evolve, developments throughout 2020 have been causing great uncertainty for the global economy. Whilst the initial effects were being felt most by the travel industry and education providers, the impact is now considerably wider and is creating significant uncertainty for supply chains and the global economy. This uncertainty is creating additional risks that entities may not have encountered before.

The Shire advised that the COVID-19 pandemic did not have any significant impacts during 2019/20. There were some minor impacts on operations, including:

- Temporary closure of some community services and suspension of community events and activities.
- Various discount and relief packages offered to community groups and small businesses.
- The Shire set aside \$500,000 to assist with the COVID-19 pandemic relief package.
- Increased costs due to COVID-19 included purchases of hand sanitizer and additional cleaning, washing products and signage.
- A grant of \$1,000,000 was provided by Rio Tinto to help to with the COVID-19 pandemic relief package.

We concur with the Shire's assessment that, except for the matters noted above, the COVID-19 pandemic did not have any significant impact on the Shire's operations or the 2019/20 financial statements.

7 OTHER CRITICAL DISCLOSURES IN THE FINANCIAL STATEMENTS

We also audited the following critical disclosures in the financial statements by verifying the underlying calculations and auditing the evidence to support the amounts disclosed:

Critical disclosure	Key risks	Comply with accounting standards
Related party	Disclosures of key management personnel remuneration and related party transactions are not in accordance with AASB 124 <i>Related Party Disclosures</i> .	✓
Financial ratios	The underlying data is incomplete or inaccurate and the calculations of the ratios are incorrect and not in accordance with Financial Management Regulations.	✓

8 FRAUD RISK

Under Australian Auditing Standard ASA 240 *The Auditor's Responsibilities Relating to Fraud in an Audit of a Financial Report*, when planning and performing audit procedures and evaluating the results, the auditor must consider the risk of material misstatement in the financial statements because of fraud and error. To address our responsibilities relating to fraud, we designed and implemented audit procedures to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud. Procedures and the results of our testing are detailed below:

8.1 Management override of control

Management is in a unique position to perpetrate fraud because of management's ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Management override can occur in areas such as journal entries, accounting estimates and judgements.

Based on our work, nothing has come to our attention to indicate that the Shire does not have proper processes and controls to manage the risk of management override of controls and that material key estimates and judgments are properly assessed and brought to account. Our audit did not detect any instances of fraud.

8.2 Element of unpredictability

We also incorporated an element of unpredictability in our audit procedures to address the risk of Shire staff, who are familiar with the normal audit procedures, being more able to conceal fraudulent activity.

Due to the risks of unauthorised transactions that may be associated with the use of corporate credit cards, our unpredictable testing selected a sample of credit card transactions. We tested whether:

- The purchases are supported by appropriate documentation
- The purchases were proper
- The credit card transactions are reviewed and approved by management in a timely manner.

The elected members that make up the Shire's Council cannot use these cards as the LG Act does not allow them to incur debts. Instead, local governments pay allowances or reimburse expenses to an elected member.

During our audit work, nothing came to our attention to suggest the fraudulent use of corporate credit cards.

8.3 Fraud incidences during the audit

We have made enquiries of Council, the CEO and management regarding whether they have knowledge of any incidences of material fraud during the financial year. Based on our enquiries and other audit procedures, we did not become aware of any incidences of misconduct or fraud, which would have a material impact on the financial statements.

9 NEW ACCOUNTING STANDARDS APPLICABLE IN FUTURE YEARS

There are no new accounting standards, which would materially impact the Shire's financial statements in future financial years. We reviewed and concur with the Shire's disclosures in the notes to the financial statements regarding new accounting standards.

10 MATTERS RELATING TO FUTURE AUDIT

Based on our discussion with the Shire's management, the following matters will be materially relevant for the 30 June 2021 financial statement audit:

- Adoption of AASB 16 and regulation 17A requires right-of-use assets (vested improvements) to be disclosed separately on the statement of financial position; and
- Adoption of regulation 17A requires plant and equipment to be held using the cost model and any revaluation reserve held in relation to plant and equipment in equity may be reversed out.

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

INDEX OF FINDINGS	RATING		
	Significant	Moderate	Minor
1. Excess leave management		✓	
2. Related party declarations		✓	

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 FINAL AUDIT****1. Excess leave management****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 includes 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 FINAL 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 6 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