



AGENDA

FOR THE AUDIT COMMITTEE MEETING HELD AT
THE YALGOO COUNCIL CHAMBERS ON FRIDAY,
28 APRIL 2023 COMMENCING 9.30 AM



CONTENTS

1.	DECLARATION OF OPENING/ANNOUNCEMENT OF VISITORS.....	3
2.	RECORD OF ATTENDANCE/APOLOGIES	3
3.	DISCLOSURE OF INTERESTS	3
4.	CONFIRMATION OF MINUTES	4
	4.0 AUDIT COMMITTEE MEETING HELD 31 MARCH 2023	4
	MINUTES OF THE AUDIT COMMITTEE MEETING	4
5.	BUSINESS AS NOTIFIED	5
	5.1 AUDIT MANAGEMENT LETTER AND MATTERS IDENTIFIED AS SIGNIFICANT BY THE	
	AUDITOR FOR THE YEAR ENDED 30 JUNE 2021	5
6.	URGENT BUSINESS.....	7
7.	MEETING CLOSED	7



Agenda for the Audit Committee Meeting

1. DECLARATION OF OPENING/ANNOUNCEMENT OF VISITORS

2. RECORD OF ATTENDANCE/APOLOGIES

MEMBERS

STAFF

GUESTS

OBSERVERS

APOLOGIES

3. DISCLOSURE OF INTERESTS

Disclosures of interest made before the Meeting

4. CONFIRMATION OF MINUTES

4.0 AUDIT COMMITTEE MEETING HELD 31 MARCH 2023

Background

Minutes of the Audit Committee meeting held on 31 March 2023 was previously distributed to members.

Voting Requirements

Simple majority

OFFICER RECOMMENDATION

MINUTES OF THE AUDIT COMMITTEE MEETING

That the minutes of the Audit Committee meeting held on 31 March 2023, as circulated, be confirmed as a true and correct record of proceedings.

Moved:

Seconded:

CARRIED/LOST

5. BUSINESS AS NOTIFIED

5.1 AUDIT MANAGEMENT LETTER AND MATTERS IDENTIFIED AS SIGNIFICANT BY THE AUDITOR FOR THE YEAR ENDED 30 JUNE 2021

Author:	Ian Holland
Interest Declared:	No interest to disclose
Date:	25 April 2023
Attachments :	- Auditors' Management Letter - Independent Auditors Report

Matter for Consideration

That Council give consideration to the Audit Management letter and Independent Auditors Report for the year ended 30 June 2021 together with responses provided by the Chief Executive Officer.

Background

Council is required to examine the report of the Auditor and take appropriate action in relation to the matters raised.

An Audit Exit Meeting was held on 12 April 2023.

Statutory Environment

7.12A. Duties of local government with respect to audits

- (3) A local government must —
 - (aa) examine an audit report received by the local government; and
 - (a) determine if any matters raised by the audit report, require action to be taken by the local government; and
 - (b) ensure that appropriate action is taken in respect of those matters.
- (4) A local government must —
 - (a) prepare a report addressing any matters identified as significant by the auditor in the audit report, and stating what action the local government has taken or intends to take with respect to each of those matters; and
 - (b) give a copy of that report to the Minister within 3 months after the audit report is received by the local government.
- (5) Within 14 days after a local government gives a report to the Minister under subsection (4) (b), the CEO must publish a copy of the report on the Local governments' official website.

Business Implications

Nil

Consultation

Nil

Comment

The findings identified during the Audit of the Shire of Yalgoo Financial Statements for the year ended 30 June 2021 are stated in the Management letter, together with the response provided by the Chief Executive Officer under the heading of "Management Comment". Refer attachment.

Management's Comments:

The management responses are detailed in the Auditors Management Letter attached.

Management Comment:

The Shire of Yalgoo began addressing these issues once they were raised to Council through the audit process and new management, however the 2019/20 Audit was not received from the Office of the Auditor General until after the conclusion of the 2020/21 financial year.

Improvement has been shown and the Shire of Yalgoo will continue to improve staffing and resourcing to address the issues raised. Management Processes will continue to be rolled out that result in the timely performance of various duties and obligations.

Due to the Shires location, size, demographics and numerous other compounding factors including Covid 19 the best practice or standardised approach of the OAG will not always be applicable and often clashes with community expectations.

OFFICERS RECOMMENDATION

That the Audit Committee recommends to Council

- 1.) Receive the Report on the Audit Management Letter for the financial year ended 30 June 2020.**
- 2.) Subject to (1) above forward a copy of the Report to the Minister for Local Government, Sport and Cultural Industries and publish it on the Shires' official website.**

Moved:

Seconded:

Carried/Lost

6. URGENT BUSINESS

NIL

7. MEETING CLOSED

There being no Further Business, the Audit Committee Chairperson, declared the Audit Committee meeting closed at.



Auditor General

INDEPENDENT AUDITOR'S REPORT 2021 Shire of Yalgoo

To the Councillors of the Shire of Yalgoo

Report on the audit of the annual financial report

Disclaimer of Opinion

I was engaged to audit the annual financial report of the Shire of Yalgoo (the Shire) which comprises:

- the Statement of Financial Position as at 30 June 2021, and the Statement of Comprehensive Income by Nature or Type, Statement of Comprehensive Income by Program, Statement of Changes in Equity, Statement of Cash Flows and Rate Setting Statement for the year then ended
- Notes comprising a summary of significant accounting policies and other explanatory information.

I do not express an opinion on the accompanying financial report of the Shire.

Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial report.

Basis for Disclaimer of Opinion

Financial report not supported with complete and accurate underlying records

I was unable to obtain sufficient appropriate audit evidence regarding the financial report as a whole, as the financial report was submitted for audit purposes without complete and accurate underlying records. I was unable to audit the financial report by alternative means. Consequently, I am unable to determine whether any adjustments were necessary to the financial report as a whole for the year ended 30 June 2021 and 30 June 2020.

Responsibilities of the Chief Executive Officer and Council for the financial report

The Chief Executive Officer (CEO) of the Shire is responsible for:

- preparation and fair presentation of the financial report in accordance with the requirements of the Act, the Regulations and Australian Accounting Standards
- managing internal control as required by the CEO to ensure the financial report is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the CEO is responsible for:

- assessing the Shire's ability to continue as a going concern
- disclosing, as applicable, matters related to going concern
- using the going concern basis of accounting unless the State Government has made decisions affecting the continued existence of the Shire.

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

Auditor's responsibility for the audit of the financial report

As required by the *Auditor General Act 2006*, my responsibility is to express an opinion on the financial report. However, based on the matter described in the basis for disclaimer of opinion of the auditor's report, I was not able to obtain adequate and appropriate audit evidence to provide a basis for an audit opinion on the financial report.

Report on other legal and regulatory requirements

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

- (i) The following material matters indicating non-compliance with Part 6 of the Act, the Regulations or applicable financial controls of any other relevant written law were identified during the course of my audit:
 - a) Changes made to the supplier, employee, debtors and fixed assets masterfiles were not independently reviewed and authorised. This increased the risk of unauthorised changes to key information, although our audit sampling did not identify any.
 - b) For seven out of 26 purchases sampled there was no purchase order raised. Additionally, for 36 out of 104 purchases sampled there was insufficient documentation to support the purchase. These practices increase the risk of fraud or favoritism of suppliers, not obtaining value for money in procurement, and inappropriate or unnecessary purchases.
 - c) All daily banking reconciliations sampled (being 21 instances) were not signed by either the preparer or reviewer (or both). This increases the risk of errors and omissions relating to cash remaining undetected.
 - d) From our review of the financial policy manual there were numerous instances identified where policies were out of date, required further work or did not reflect current practices. Without approved policies and procedures, this may lead to errors, fraud or non-compliance.
 - e) Management has not updated the asset management plan and long-term financial plan since 2013. As a result the Asset Renewal Funding Ratio for all years presented in the annual financial report as required by section 50(1)(c) of the Local Government (Financial Management) Regulations 1996 is not able to be supported by verifiable information or reasonable assumptions.
 - f) For 50% of credit card statements for the year (of which, half had no transactions) there was no evidence of independent review. This could result in unauthorised expenditure by the Shire.
 - g) Reconciliations for Trust accounts, investments, fixed assets, sundry debtors, sundry creditors, rates debtors and rates valuations were not maintained by the Shire for the full year. With key balance sheet accounts not being reconciled to the general ledger on a regular basis there is an increased risk that errors or imbalances will not be detected on a timely basis, which in turn could lead to misstatements in the Shire's financial reporting.
 - h) Accounting journal entries were processed with no evidence of independent review and approval by a senior staff member for 20% of the journals sampled. Additionally, adequate supporting documentation or commentary was not retained to support journal entries in 10% of the journals sampled. Accounting journals can represent significant adjustments to previously approved accounting transactions and, should therefore be independently reviewed and approved with evidence of this review being retained.

- (ii) As a result of the matters described in the Basis for Disclaimer of Opinion section of my report, I am not able to report:
- a. Whether there were not any significant adverse trends in the financial position of the Shire.
 - b. That all required information and explanations were obtained by me.
 - c. That all audit procedures were satisfactorily completed.
 - d. That the Asset Consumption Ratio included in the annual financial report was supported by verifiable information and reasonable assumptions.

My independence and quality control relating to the report on the financial report

I have complied with the independence requirements of the *Auditor General Act 2006* and the relevant ethical requirements relating to assurance engagements. In accordance with ASQC 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Reports and Other Financial Information, and Other Assurance Engagements*, the Office of the Auditor General maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Matters relating to the electronic publication of the audited financial report

This auditor's report relates to the financial report of the Shire of Yalgoo for the year ended 30 June 2021 included in the annual report on the Shire's website. The Shire's management is responsible for the integrity of the Shire's website. This audit does not provide assurance on the integrity of the Shire's website. The auditor's report refers only to the financial report. It does not provide an opinion on any other information which may have been hyperlinked to/from this financial report. If users of the financial report are concerned with the inherent risks arising from publication on a website, they are advised to contact the Shire to confirm the information contained in the website version.

Grant Robinson
Assistant Auditor General Financial Audit
Delegate of the Auditor General for Western Australia
Perth, Western Australia
18 April 2023



Our Ref: 7970

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

Mr Gregory Payne
President
Shire of Yalgoo
PO Box 40
YALGOO WA 6635

Mail to: Perth BC
PO Box 8489
PERTH WA 6849

Tel: 08 6557 7500
Email: info@audit.wa.gov.au

Email: crgpayne@icloud.com

Dear President

ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2021

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

We have also forwarded the reports to the Chief Executive Officer (CEO) and the Minister, as required by the Act. The CEO is required to publish the annual report, including the auditor's report and the audited financial report, on your Shire's official website within 14 days after the annual report has been accepted by your Council.

Disclaimer of opinion auditor's report

As discussed at the exit meeting, the Auditor General's audit opinion has been disclaimed as we were unable to obtain sufficient appropriate audit evidence regarding the financial report as a whole, as the financial report was submitted for audit purposes without complete and accurate underlying records. We were unable to audit the financial report by alternative means. Consequently, we are unable to determine whether any adjustments were necessary to the financial report as a whole for the year ended 30 June 2021 and 30 June 2020.

In addition, matters of regulatory non-compliance are reported on page 2-3 of the auditor's report.

Management Control Issues

We would like to draw your attention to the attached listing of deficiencies in internal control and other matters that were identified during the audit. These matters have been discussed with management and their comments have been included in the attachment.

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

An audit is not designed to identify all internal control deficiencies that may require management attention. The matters being reported are limited to those deficiencies that have been identified during the audit that are of sufficient importance to warrant being reported. It is possible that other irregularities and deficiencies may have occurred and not been identified as a result of our audit.

The date that entities provided their annual financial report to the Office has been recorded for purposes of reporting to Parliament. The date recorded for the receipt of your financial statements was 7 October 2021.

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

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

Feel free to contact the undersigned on 6557 7620 if you would like to discuss these matters further.

Yours faithfully

Steven Hoar
Director
Financial Audit
18 April 2023

Attach



Our Ref: 7970

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

Mr Ian Holland
Chief Executive Officer
Shire of Yalgoo
PO Box 40
YALGOO WA 6635

Mail to: Perth BC
PO Box 8489
PERTH WA 6849

Tel: 08 6557 7500
Email: info@audit.wa.gov.au

Email: ceo@yalgoo.wa.gov.au

Dear Mr Holland

ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2021

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

We have also forwarded the reports to the Chief Executive Officer (CEO) and the Minister, as required by the Act. The CEO is required to publish the annual report, including the auditor's report and the audited financial report, on your Shire's official website within 14 days after the annual report has been accepted by your Council.

Disclaimer of opinion auditor's report

As discussed at the exit meeting, the Auditor General's audit opinion has been disclaimed as we were unable to obtain sufficient appropriate audit evidence regarding the financial report as a whole, as the financial report was submitted for audit purposes without complete and accurate underlying records. We were unable to audit the financial report by alternative means. Consequently, we are unable to determine whether any adjustments were necessary to the financial report as a whole for the year ended 30 June 2021 and 30 June 2020.

In addition, matters of regulatory non-compliance are reported on page 2-3 of the auditor's report.

Management Control Issues

We would like to draw your attention to the attached listing of deficiencies in internal control and other matters that were identified during the audit. These matters have been discussed with management and their comments have been included in the attachment.

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

An audit is not designed to identify all internal control deficiencies that may require management attention. The matters being reported are limited to those deficiencies that have been identified during the audit that are of sufficient importance to warrant being reported. It is possible that other irregularities and deficiencies may have occurred and not been identified as a result of our audit.

The date that entities provided their annual financial report to the Office has been recorded for purposes of reporting to Parliament. The date recorded for the receipt of your financial statements was 7 October 2021.

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

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

Feel free to contact the undersigned on 6557 7620 if you would like to discuss these matters further.

Yours faithfully

Steven Hoar
Director
Financial Audit
18 April 2023

Attach

SHIRE OF YALGOO

PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2021

FINDINGS IDENTIFIED DURING THE AUDIT

INDEX OF FINDINGS	RATING		
	Significant	Moderate	Minor
Matters identified during the current year			
1. Fair value of Land, Building and Infrastructure Assets	✓		
2. GST and PAYG Balances		✓	
3. Risk register		✓	
4. Audit committee meetings			✓
Matters outstanding from prior year			
5. Masterfile Accuracy and Validity	✓		
6. Non-compliance with Internal Purchasing Policy	✓		
7. Daily Banking Reconciliations and Cash Handling/Receipting	✓		
8. Out of Date Council Policy Manual	✓		
9. Asset Management Plan and Long-Term Financial Plan	✓		
10. Credit Card Procedures	✓		
11. Key Balance Sheet Reconciliations	✓		
12. General Journals – Supporting Documentation	✓		
13. Payroll Exceptions	✓		
14. Sundry and Rates Debtors		✓	
15. Rates Notices		✓	
16. High annual leave accrual at year end		✓	
17. Non-compliance with Section 5.55A of the <i>Local Government Act 1995</i>		✓	
18. Non-compliance with Local Government (Financial Management) Regulations 1996		✓	

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 give consideration to 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. A significant rating may be reported as a matter of non-compliance in the audit report in the current year if not addressed. However, even if the issue is not likely to impact the audit report, it should be addressed 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 YALGOO**PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2021****FINDINGS IDENTIFIED DURING THE AUDIT****1. Fair value of land, buildings and infrastructure assets****Finding**

The Shire of Yalgoo has not performed an assessment to determine whether its land, building and infrastructure assets – roads, airport and other represent fair value at the end of the reporting period. Land and buildings were last formally revalued in 2017, and infrastructure was last formally revalued in 2018.

AASB 116 'Property, plant and equipment' requires asset revaluations to be made with sufficient regularity to ensure the carrying amount does not differ materially from the fair value at the end of the reporting period. When the fair value differs materially from the carrying amount, a further revaluation is required.

Regulations 17A(4)(a) and (b) of the Local Government (Financial Management) Regulations 1996 (the Regulations) require a local government to revalue its revalued assets when it is of the opinion that the fair value is likely to be materially different from the carrying amount, and in any event, no more than 5 years from the last revaluation.

**Rating: Significant
Implication**

Without a robust assessment of fair value of the Shire's land, building and infrastructure assets, there is a risk that the fair value of these assets may not have been assessed adequately and in compliance with *AASB 13 Fair Value Measurement*, as well as Regulation 17A(4)(a) of the Regulations.

Recommendation

The Shire consider implementing as a part of the preparation of financial statements a formal robust process to determine whether indicators exist annually, that would trigger a requirement to perform a formal revaluation of land, buildings and infrastructure assets. Where indicators exist a robust fair value assessment should be performed capturing the requirements of *AASB 13 Fair Value Measurements*. This process is to ensure that the Shire's land, buildings and infrastructure assets are recorded at fair value in compliance with *AASB 13 Fair Value Measurement* and the Regulations.

This may entail obtaining relevant input from an independent valuer as to whether or not they consider there are any prevailing market factors which may indicate that the fair value of relevant assets are likely to have been impacted to any significant / material extent from the prior year. Where a fair value assessment has been performed internally the Shire may consider having this assessment peer reviewed by an independent valuer to obtain assurance over the valuation methodology applied, inputs and the reasonableness of the valuation model applied.

Management comment

The Shire conducted a land and building revaluation for 30 June 2022 and will take on board more comprehensive and documented assessment of fair value outside of insurance assessment on a yearly basis.

Responsible officer:

CEO

Completion date:

30 June 2023

SHIRE OF YALGOO

PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2021

FINDINGS IDENTIFIED DURING THE AUDIT

2. GST and PAYG balances

Finding

The Shire of Yalgoo's ATO integrated account includes various amendments (some dating back to 2019), adjustments and interest charges as a result of GST and PAYG balances not being reported correctly and paid in accordance with statutory requirements at the time of lodgement of the Activity Statements. Due to lack of reconciliation procedures, amendments to the Activity Statements (post lodgement with the ATO) are being processed.

Rating: Moderate**Implication**

Without reconciliation controls in place to ensure ATO liabilities are correctly recorded and paid in accordance with statutory requirements, it is likely to result in misstatement of GST and PAYG balances in the financial report in addition to the potential to incur interest charges and penalties.

Recommendation

We recommend robust GST, PAYG and BAS reconciliation procedures be implemented to ensure correct and timely lodgement of the required ATO forms and timely payment.

Management comment

Below is matters outstanding with the ATO as of 3 April 2023

The Shire will look to develop procedures and include them as part of future contracts for the provision of accounting services.

SHIRE OF YALGOO

TFN
46 048 950ABN
74 086 787 099Add to
favourites 

Summary

Profile
▼Accounts and payments
▼Lodgments
▼Business
▼

COVID-19

Access ATO measures and tailored support during COVID-19

View

For action 

Lodgments

Account	Description	Due date	
Activity statement 001	Jan 2023 - Mar 2023 Business activity statement	21/04/2023	Prepare >
Activity statement 001	Jul 2020 - Sep 2020 Business activity statement	21/10/2020	Overdue Prepare >
Fringe benefits tax 551	2023 Fringe benefits tax return	22/05/2023	

Responsible officer:

Deputy CEO

Completion date:

30 June 2023

SHIRE OF YALGOO**PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2021****FINDINGS IDENTIFIED DURING THE AUDIT****3. Risk register****Finding**

Although the Shire of Yalgoo has an individual risk management policy, we noted an overall Risk Management Framework or Plan has not been developed (encompassing all policies, procedures, a risk register etc.).

Rating: Moderate**Implication**

Without a comprehensive and up to date risk management framework, potential risks associated with Shire operations may not be identified and treated appropriately such as litigation/claims, fraud/misconduct, media release and environmental procedures as examples.

Recommendation

We recommend an overall Risk Management Framework be developed, encompassing all risk policies and procedures and be linked to an organisational risk register.

Management comment

The Shire regularly works with its Mutual Insurer and other entities to understand current and potential risks. Further development of policy as well as a plan and register will be actioned if resources permit.

Responsible officer:

Deputy CEO

Completion date:

31 December 2023

SHIRE OF YALGOO**PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2021****FINDINGS IDENTIFIED DURING THE AUDIT****4. Audit committee meetings****Finding**

We noted only one Shire of Yalgoo Audit Committee meeting was held during the year ended 30 June 2021.

Rating: Minor**Implication**

If there are not regular audit committee meetings there is a risk of the necessary governance and oversight responsibilities not being met.

Recommendation

Local Government Operational Guideline 9 – Audit in Local Government outlines that it is best practice for the Audit Committee to meet on at least a quarterly basis.

Management comment

For smaller local governments this is a significant financial burden for something that could be incorporated into a standard Council meeting. This makes sense as all Shire of Yalgoo Councillors are Audit Committee Members. Council will be presented with this option separate to the audit process for a determination on meeting frequency and agenda topics.

Best Practice Guidelines may not be appropriate across the sector due to the vast differences in local government size, resourcing or community expectation.

Responsible officer:

CEO

Completion date:

Pending a Decision of Council

SHIRE OF YALGOO**PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2021****FINDINGS IDENTIFIED DURING THE AUDIT****MATTERS OUTSTANDING FROM PRIOR YEAR****5. Masterfile accuracy and validity****Finding 2019**

The Shire does not currently conduct an independent review of all changes and adjustments made to masterfiles, including changes to payroll, fixed assets, revenue and expenditure. In particular there is no review for timeliness of changes made, errors, or any other unauthorised changes.

Status 2020

Changes made to the supplier, employee, debtors and fixed assets masterfiles were not independently reviewed and authorised. This increased the risk of unauthorised changes to key information, although our audit sampling did not identify any.

Status 2021

Changes made to the supplier, employee, debtors and fixed assets masterfiles were not independently reviewed and authorised. This increased the risk of unauthorised changes to key information, although our audit sampling did not identify any.

Rating: Significant (2019: Significant, 2020: Significant)**Implication**

There is an increased risk that:

- Required changes to the masterfiles are untimely;
- Erroneous changes made to masterfiles have a low chance of being detected in a timely manner; and
- Suspicious/fraudulent changes made to masterfiles have a low chance of being detected in a timely manner.

Recommendation

We recommend an independent review of all changes made to masterfiles be conducted periodically. This review should involve:

- A download of all changes (new/old/modify) made to each masterfile;
- A representative sample be tested and traced to originating/supporting documentation to assure validity and timeliness; and
- A review of suspicious master-file changes (e.g. changes to bank details, unusual variations to pay-rates and amendments to existing supplier bank account details) be performed.

Management comment

The Shire of Yalgoo changed financial software at the end of the 2021/22 Financial Year. This new software allows for audit trails to be examined and a hierarchy of user privileges has been established. Periodic Masterfile reviews have been conducted during the 2022/23 Financial Year.

The Shire will continue to develop policies and procedures for the routine checking of master files as well as the recording of independent review and authorisation.

Responsible officer:

Deputy CEO

Completion date:

30 June 2023

SHIRE OF YALGOO**PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2021****FINDINGS IDENTIFIED DURING THE AUDIT****6. Non-Compliance with Internal Purchasing Policy****Finding 2019**

As previously noted and carried forward from the 2018 Interim Management Letter, the internal purchasing policy *7.2 Purchasing and Tenders* requires that purchases within prescribed thresholds meet certain conditions in order to comply with the *Local Government Act 1995* and accompanying regulations.

During our procurement testing, our audit sample identified instances where there was insufficient documentation to indicate that the requisite number of quotations had either been obtained or, in some cases, not attached to the payment record.

In addition to the above, the following exceptions were noted whilst conducting our procurement and payments testing:

- Purchase orders had not been raised for certain transactions.
- Where a purchase order has been raised, these were usually raised after the supplier invoice was received.
- Purchase orders were not always matched to the supplier invoice.
- Documentation was missing to support a payment made to a supplier on the 24 April 2019.
- Purchase order number 545 for an amount of \$12,133 was signed by an Officer without the sufficient authorisation limit.
- Creditor batch listings were not consistently signed as evidence of independent review.
- NAB Bank Authorisation form was not consistently signed by two authorities, and in some instances the authorization was in the form of an email or SMS, however this was not printed and attached to the form as evidence of authorization.
- Lack of segregation of duties with the same Officer both preparing the batch listing and authorizing the payment.
- There are only two cheque signatories and EFT authorities in place with no back-up available.

Status 2020

During our procurement testing, we identified the following exceptions:

- Purchase orders had not been raised for 13 out of the 26 transactions tested.
- Where a purchase order has been raised, these were usually raised after the supplier invoice was received (11 out of the 13 purchase orders tested.);
- One purchase order was signed by an Officer without the sufficient authorisation limit.
- Seven instances out of the 26 transaction tested were identified where insufficient documentation to indicate that the requisite number of quotations has been obtained.
- Creditor batch listings were not consistently signed as evidence of independent review (22 out of the 26 instances tested).
- Physical NAB Bank Authorisation form was not consistently signed by two authorities prior to payment, and in some instances the authorisation was in the form of an email or SMS, however this was not printed and attached to the form as evidence of authorisation (21 out of the 26 instances tested).
- Lack of segregation of duties with the same Officer both preparing the batch listing and authorizing the payment.
- There are only two cheque signatories and EFT authorities in place with no back-up available.

SHIRE OF YALGOO**PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2021****FINDINGS IDENTIFIED DURING THE AUDIT****Status 2021**

We noted during our testing that there was a significant improvement in the controls surrounding purchasing and compliance with the Council's purchasing policy, however our procurement testing still identified the following exceptions:

- Invoices were not available to be provided in 36 out of the 104 purchase transactions selected for testing;
- Purchase orders had not been raised for 7 out of the 26 transactions tested; and

Rating: Significant (2019: Significant, 2020: Significant)**Implication**

There is an increased risk of unauthorised purchases and non-compliance with the Shire's purchasing policy when purchase orders are not raised. The lack of documentation being available for audit to view also raises concerns of whether all purchases were valid and appropriately complied with the Shire's purchasing policy. These findings also indicate non-compliance with *Local Government (Functions and General) Regulations 1996 Part 4*.

Recommendation

The requirement for full compliance with the Shire's purchasing policy should be communicated to all staff and be closely monitored by management.

- Purchase orders be raised for all transactions prior to the expenditure being incurred by the Shire and only by an Officer with the appropriate authorization.
- Prior to payment, the purchase order be matched to the supplier invoice to ensure that the Shire is not expending funds that are greater than what was initially agreed.
- Appropriate supporting documentation should be maintained to support all purchases made by the Shire.

Management comment

These requirements were significantly reinforced with staff after receiving the 2019/20 Audit Report in March 2021. Additional staff were hired and trained to more adequately segregate duties and better assess compliance with the purchasing policy. This recommendation will be performed yearly.

Responsible officer:

Deputy CEO

Completion date:

30 June 2023

SHIRE OF YALGOO**PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2021****FINDINGS IDENTIFIED DURING THE AUDIT****7. Daily banking reconciliations and cash handling/receipting****Finding 2019**

Section 7.3 of the Western Australian Local Government Accounting Manual Edition 3 issued by the Department Local Government in September 2012 outlines the minimum level of monitoring and control activities for key risk areas. At 4(h), the manual states "*Reconciliation of daily deposit total to receivable posting and cash sales is prepared and reviewed.*"

During our daily banking testing, we identified that 13 out of the 15 daily banking reconciliations tested were either not completed, signed by the reviewer as evidence of independent review or the preparer of the reconciliation.

In addition, our daily banking testing identified the following:

- Bank statements are reviewed only on a monthly basis to ensure that all cash receipts are recorded in Ozone.
- No receipts had been generated to provide proof of the \$214.50 held in the Shire office's till on 7 May 2019 (identified whilst conducting cash counts on 7 May 2019).
- The Shire office's till is not reconciled to the \$100 float on a daily basis, rather this is only completed when the cash balance reaches ~\$1,000.
- The Shire was unable to confirm when recorded cash takings of \$980 on 11 October 2018 was banked, rather we were informed that this is currently under investigation as to what happened to the cash or whether it was receipted in error.
- The Caravan Park Manager is unable to open the safe at the Caravan Park and will keep up to \$1,000 in the till until the cash is taken to the Shire office for banking.
- Cash is held on the premises for an extended period of time as the Shire only completes banking on a fortnightly basis.

Status 2020

During our daily banking testing, we identified that all daily banking reconciliations sampled were either:

- not completed (three out of the 21 days tested)
- not signed by the reviewer as evidence of independent review (all 21 days tested) or
- not signed by the preparer of the reconciliation (18 out of the 21 days tested).

In addition, our daily banking testing identified the following:

- bank statements are reviewed only on a weekly basis to ensure that all cash receipts are recorded in Ozone
- the Shire was unable to confirm when recorded cash takings of \$27.50 on 29 November 2019 was banked and
- cash is held on the premises in the Safe for an extended period of time as the Shire only completes banking on a fortnightly basis.

Status 2021

There was a significant improvement noted during our daily banking testing, however we identified that daily banking reconciliations sampled were either:

- not signed by the reviewer as evidence of independent review (all 21 days tested) or
- not signed by the preparer of the reconciliation (11 out of the 21 days tested).

SHIRE OF YALGOO**PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2021****FINDINGS IDENTIFIED DURING THE AUDIT**

In addition, our daily banking testing identified the following:

- Bank statements are reviewed only on a weekly (sometimes monthly) basis to ensure that all cash receipts are recorded in Ozone.
- Cash is held on the premises in the Safe for an extended period of time as the Shire only completes banking on a fortnightly basis.

Rating: Significant (2019: Significant, 2020: Significant)

Implication

- Daily banking reconciliations sampled in most instances were either not completed or not signed by the preparer and/or the independent reviewer. This increases the risk of errors and omissions relating to cash remaining undetected.
- Delayed review of bank statements and the allocation of associated cash receipts within Ozone increases the risk of the Shire not accounting for funds received in a timely fashion nor does it allow the Shire to actively manage its debtors.
- Lack of timeliness of banking increases the risks of cash being misappropriated.

Recommendation

Daily banking reconciliations should be consistently prepared and adequately reviewed on a daily basis by an independent senior management staff member.

In addition, we recommend:

- Bank statements are generated, coded and checked off to ensure all cash receipts are appropriately recorded in Ozone on a daily basis and
- Cash be banked at least on a weekly basis to decrease the risk of theft.

Management comment

Banking will always be done as and when it is required due to the 200km journey to the nearest bank. As further regional banks close this issue will effect more regional local governments who handle significantly higher amounts of cash. At present during an average month it costs more money in wages and vehicle expenses to transport money than the amount of cash received by the office. The Shire will continue to promote cashless payment as a preferred option.

Bank receipting is carried out on a daily basis and reconciliations are conducted externally on a monthly basis. Further resourcing is required to implement daily reconciliations. Recommendations relating to daily receipting and reconciliations will be implemented this financial year.

Responsible officer:

Deputy CEO

Completion date:

30 June 2023

SHIRE OF YALGOO**PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2021****FINDINGS IDENTIFIED DURING THE AUDIT****8. Out of date council policy manual****Finding 2019**

Whilst completing our interim testing, we identified instances where the Council Policy Manual (the "Manual") does not reflect current practices and is potentially out of date:

- *Investment Policy* not located in the Manual although as stated within Council minutes dated 27 October 2017, the Council resolved to adopt the policy and the Manual would be updated accordingly.
- *Risk Management Policy* not located in the Manual.
- There is no documented Related Party Policy.
- *Policy 11.5, Superannuation* reference 9% opposed to the current 9.5%.
- *Policy 7.2, Purchasing and Tenders* does not allow for WALGA eQuotes and the tender limit reference is \$100,000 rather than the current limit of \$150,000.
- Numerous policies in the Manual state either out of date or further work required.

Furthermore, we identified that section 2.4, Creditors Payments of the Delegations Register dated 26 May 2017 has not been updated to reflect the Shire's current practices, specifically with respect to the authorities of the Finance and Administration Officer.

Furthermore, we noted that the Code of Conduct was last reviewed on 18 April 2002 and may require a review to ensure that it is up to date and relevant.

Status 2020

Whilst completing our testing, we identified instances where the Council Policy Manual (the "Manual") does not reflect current practices and is potentially out of date:

- *Investment Policy* not located in the Manual although as stated within Council minutes dated 27 October 2017, the Council resolved to adopt the policy and the Manual would be updated accordingly.
- *Risk Management Policy* not located in the Manual.
- There is no documented Related Party Policy.
- *Policy 11.5, Superannuation* reference 9% opposed to the required 9.5%.
- *Policy 7.2, Purchasing and Tenders* does not allow for WALGA eQuotes and the tender limit reference is \$100,000 rather than the current limit of \$150,000.
- Numerous policies in the Manual state either out of date or further work required.

Status 2021

Whilst completing our testing, we identified instances where the Council Policy Manual (the "Manual") does not reflect current practices and is potentially out of date:

- *Code of Conduct for Elected Members* not in place as required under the Model Code of Conduct Regulations 2021. Section 5.104 of the Act requires local governments to adopt the Mode Code as their Code of Conduct within 3 months of the Regulations coming into operation (being 3 May 2021).
- *Investment Policy* not located in the Manual although as stated within Council minutes dated 28 January 2022, the Council resolved to adopt the policy and the Manual would be updated accordingly.

SHIRE OF YALGOO**PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2021****FINDINGS IDENTIFIED DURING THE AUDIT**

- There is no documented *Related Party Policy*.
- *Policy 7.2, Purchasing and Tenders* does not allow for WALGA eQuotes and the tender limit reference is \$100,000 rather than the current limit of \$250,000.
- Numerous policies in the Manual state either out of date or further work required.

Rating: Significant (2019: Significant, 2020: Significant)**Implication**

Without approved policies and procedures, staff may be unaware of Council and management's expectations regarding how they conduct themselves and perform various key transactions and activities. This can lead to errors, fraud and/or non-compliance.

Recommendation

We recommend that each policy contained in the Manual is reviewed and updated to reflect the Shire's current practices. All new policies should be added to the Manual.

In addition, we recommend that the Shire develop and implement a Related Party Policy and adopt the Model Code of Conduct for Elected Members.

Management comment

The Shire of Yalgoo consolidated Policy Manual requires updating and these policies need to be more readily accessible on the Shires Website – Many have been updated by Council but resourcing is required to include them in a consolidated document.

A new website framework was brought online in March 2023 and contract services will be engaged to update website and policy manual information and make sure it is readily labelled and easily identifiable. Some information is currently only available by search and administration can provide assistance for any requests.

In the lead up to the 2021 Ordinary Elections Administration updated the Councillor/Governance Policy Manual which included the previously adopted Code of Conduct for Elected Members (April 2021).

<https://www.yalgoo.wa.gov.au/documents/669/2021-04-ordinary-council-meeting-agenda-and-attachments>

<https://www.yalgoo.wa.gov.au/documents/681/2021-07-ordinary-council-meeting-agenda-and-attachments>

Staff and Councillors currently utilise related party guidelines from other institutions and a Shire policy will be included in the described policy manual work.

Like the described Investment Policy, Council updated the Purchasing Policy in November 2020 but it has not been adequately included in a consolidated manual.

<https://www.yalgoo.wa.gov.au/documents/658/2020-11-ordinary-council-meeting-agenda>

Responsible officer:

CEO

Completion date:

30 October 2023

SHIRE OF YALGOO**PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2021****FINDINGS IDENTIFIED DURING THE AUDIT****9. Asset management plan and long-term financial plan****Finding 2019**

As required by Regulation 50(1)(c) of the Local Government (Financial Management) Regulations 1996, the Shire is to disclose in its Annual Financial Report an “asset renewal funding ratio” and in terms of Regulation 10(3)(e) of the Local Government (Audit) Regulations 1996 the auditor is required to provide an opinion on whether or not the following financial ratios included in the Annual Financial Report are supported by verifiable information and reasonable assumptions:

- (i) The asset consumption ratio and
- (ii) The asset renewal funding ratio.

An up to date asset management plan and long-term financial plan assists the local government to comply with the requirements stated above. At the date of the interim audit, we noted the Shire did not have up to date asset management plan (dated 2013) and long-term financial plan (dated 2013) in place.

Status 2020

We noted the Shire still did not have an up to date asset management plan or long-term financial plan in place, this has resulted in the Shire calculating average values for planned capital renewals and required capital expenditure to be used for the purposes of the asset renewal funding ratio for both FY2018/2019 and FY2019/2020.

Status 2021

We noted the Shire still did not have an up to date asset management plan or long-term financial plan in place, this has resulted in the Shire calculating average values for planned capital renewals and required capital expenditure to be used for the purposes of the asset renewal funding ratio for FY2018/2019, FY2019/2020 and FY2020/2021.

In addition to the above, it was noted that the Corporate Business Plan for the Shire of Yalgoo was also out of date.

Rating: Significant (2019: Significant, 2020: Significant)**Implication**

Without an up to date asset management plan and long-term financial plan in place the asset renewal ratio is not supported by verifiable information and reasonable assumptions as required by Regulation 10(e) of the Local Government (Audit) Regulations 1996.

This may impact the strategic planning process and is likely to result in misstatement of the asset renewal funding ratio in the financial report.

Recommendation

We recommend the Shire reviews the current asset management plan and long-term financial plan to ensure that the required capital renewals, capital expenditure and replacement costs estimated is relevant and up to date to enable the calculation of the asset renewal funding ratio.

SHIRE OF YALGOO

PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2021

FINDINGS IDENTIFIED DURING THE AUDIT

Management comment

This has been allocated in the current budget and an external contractor has been engaged. Asset values and renewal predictions have been highly volatile over the past two years of Covid-19 uncertainty and further uncertainty was generated by the proposed reforms of the Department of Local Government as to the necessity of some strategic plans. This recommendation is currently being actioned.

Responsible officer:

CEO

Completion date:

30 June 2023

SHIRE OF YALGOO**PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2021****FINDINGS IDENTIFIED DURING THE AUDIT****10. Credit card procedures****Finding 2019**

As previously noted and carried forward from the 2018 Interim Management Letter, as required by Regulation 13(1) of the Local Government (Financial Management) Regulations 1996, a list of accounts paid by the CEO is to be prepared each month showing for each account paid since the last such list was prepared:

- (a) The payee's name.
- (b) The amount of the payment.
- (c) The date of the payment.
- (d) Sufficient information to identify the transaction.

We noted, for both months tested (August 2018 and December 2018) credit card expenditure was not individually itemised on the List of Payments presented to Council, and instead the balance accrued and owing was listed as the payment.

In addition, our audit sample testing with respect to credit cards identified the following:

- (a) There was no credit card agreement in place with the credit card holder, being the CEO.
- (b) The monthly credit card statement was not signed by the credit card holder, nor was the credit card statement independently reviewed by the Council President.
- (c) Receipts/invoices could not be located to support expenditure incurred on the credit card for July 2018, August 2018, September 2018, October 2018 and February 2019.

Status 2020

We noted, for all 12 months during 2019/2020 credit card expenditure was not individually itemised on the List of Payments presented to Council, and instead the balance accrued and owing was listed as the payment.

In addition, our audit sample testing with respect to credit cards identified the following:

- There was no credit card agreement in place with the credit card holder, being the CEO.
- The monthly credit card statement was not signed by the credit card holder, nor was the credit card statement independently reviewed by the Council President.
- Receipts/invoices could not be located to support expenditure incurred on the credit card for July 2019, September 2019, December 2019, January 2020, February 2020, March 2020, April 2020 and June 2020, totaling \$1,346.73 of unsupported expenditure which is 6% of total expenditure via credit card.

Status 2021

We noted controls relating to credit cards improved from February 2021, however, for all 12 months during 2020/2021 credit card expenditure was not individually itemised on the List of Payments presented to Council, and instead the balance accrued and owing was listed as the payment.

In addition, our audit sample testing with respect to credit cards identified the following:

- There was no credit card agreement in place with the credit card holder, being the CEO.
- From our review of 100% of the credit card statements during the financial year, it was noted that six out of the 12 were not independently reviewed by the Council President.
- Two receipts/invoices could not be located to support expenditure incurred on the credit card in the months of March 2021 and May 2021, totaling \$37.48 of unsupported expenditure which is 0.2% of total expenditure via credit card.

SHIRE OF YALGOO**PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2021****FINDINGS IDENTIFIED DURING THE AUDIT****Rating: Significant (2019: Moderate, 2020: Significant)****Implication**

- Non-compliance with Regulation 13(1) of the Local Government (Finance Management) Regulations 1996.
- Failure to maintain adequate records to support credit card transactions results in non-compliance with *Local Government Operational Guidelines – Number 11 – September 2006 ‘Use of Corporate Credit Cards’*.
- Risk that error or fraud may not be detected on a timely basis.

Recommendation

In accordance with Regulation 13(1) of the Local Government (Financial Management) Regulation 1996, we recommend individual accounts paid be itemised on the List of Payments presented to Council which includes individual transactions incurred using the Shire’s credit card.

In addition, we recommend:

- A formal credit card agreement be developed which outlines the appropriate use of the credit card and is signed by the credit card holder.
- The credit card holder reviews and signs the credit card statement on a monthly basis. As the credit card holder is the CEO, it is also recommended that the Council President reviews and signs the credit card statement as evidence of independent review.
- Supporting documentation is maintained for all expenditure incurred using the Shire’s credit card. In the event the receipt/invoice is lost the credit card holder should complete a lost receipt/statutory declaration.

Management comment

From October 2020 the only months not independently reviewed by the Shire President had no expenditure other than the monthly fee.

The two missing receipts totalling \$37.48 were for postage of a legal document in Perth and the purchase of fuel when a fuel card failed. These explanations have been accepted and the payments authorised. A statutory declaration will be placed on file.

As a suitable policy was not in place the CEO implemented a Credit Card Policy in October 2021. Statements are tabled or presented to Council upon request. A more robust requirement for listing the accounts will be included in the next contract for accounting services.

https://www.yalgoo.wa.gov.au/profiles/yalgoo/assets/clientdata/2021-10_ordinary_council_meeting_agenda___reports_29_october_2021.pdf

Responsible officer:

CEO

Completion date:

30 April 2023

SHIRE OF YALGOO**PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2021****FINDINGS IDENTIFIED DURING THE AUDIT****11. Key balance sheet reconciliations****Finding 2019**

Section 7.3 of the Western Australian Local Government Accounting Manual Edition 3 issued by the Department Local Government in September 2012 outlines the minimum level of monitoring and control activities for key risk areas which advises that key balance sheet accounts should be reconciled and reviewed routinely.

During our review of the month end reconciliation procedures, we noted that the following key balance sheet accounts are not being reconciled to the general ledger on a monthly basis:

- investments
- fixed assets
- sundry debtors
- sundry creditors
- rates debtors
- rates valuations.

In relation to the Sundry Debtors and Rate Debtors accounts, as at 31 March 2019, unexplained variances were identified between the general ledger and the sub-ledger.

In addition, we identified that although the:

- municipal Bank Account is reconciled on a monthly basis, this bank account is not reconciled or independently reviewed on a timely basis. Furthermore, we noted that there are long outstanding uncleared transactions recorded on the reconciliation (as previously noted and carried forward from the 2018 Final Management Letter).
- reserves Bank Account(s) is reconciled on a monthly basis, there was no evidence of independent review
- trust Bank Account is reconciled on a monthly basis, there was no evidence of independent reviews.

Furthermore, at the time of the interim audit, the Shire had not rolled over the 2017/18 balances in Ozone making it difficult to agree the audited balances for the year ended 30 June 2018 to the opening balances as at 1 July 2018.

SHIRE OF YALGOO**PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2021****FINDINGS IDENTIFIED DURING THE AUDIT****Status 2020**

During our review of the month end reconciliation procedures, we noted that the following key balance sheet accounts are not being reconciled to the general ledger on a monthly basis:

- trust account
- investments
- fixed assets
- sundry debtors
- sundry creditors
- rates debtors
- rates valuations.

In addition, we identified that although the:

- Municipal Bank Account is reconciled on a monthly basis, this bank account is not reconciled or independently reviewed on a timely basis. Furthermore, we noted that there are long outstanding uncleared transactions recorded on the reconciliation.
- Reserves Bank Account(s) is reconciled on a monthly basis, there was no evidence of independent review.

Status 2021

During our review of the month end reconciliation procedures, we noted that the following key balance sheet accounts were still not being reconciled to the general ledger on a monthly basis:

- trust account
- investments
- fixed assets
- sundry debtors;
- sundry creditors;
- rates debtors
- rates valuations.

In addition, we identified that although the:

- Municipal bank account is reconciled on a monthly basis, the bank account is not reconciled or independently reviewed on a timely basis. Furthermore, we noted that there are long outstanding uncleared transactions recorded on the reconciliation; and
- Reserves bank account(s) are reconciled on a monthly basis, there was no evidence of independent review.

Furthermore the following was noted:

- The municipal bank reconciliation was out of balance by \$15,451 as at 30 June 2021, however this was rectified in July 2021.
- The trust bank account is not correctly reconciled and is out of balance by \$3,334.

Rating: Significant (2019: Moderate, 2020:Significant)

SHIRE OF YALGOO**PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2021****FINDINGS IDENTIFIED DURING THE AUDIT****Implication**

By key balance sheet accounts not being reconciled to the general ledger on a regular basis there is an increased risk that errors, imbalances or fraud will not be detected on a timely basis, which in turn could lead to misstatements in the Shire's financial reporting. There is non-compliance with Regulation 5(1) of the Local Government (Financial Management) Regulations 1996.

Recommendation

We recommend that key balance sheet accounts are regularly reconciled to the general ledger on a timely basis (i.e. monthly), being within the first week after month end. This will ensure that any errors or imbalances are detected on a timely basis and the appropriate action taken accordingly. It is important that the balance sheet reconciliation is independently reviewed and signed off as evidence of independent review.

Management comment

Since October 2020 the only transactions in the Trust Account have been monthly interest. This is checked ad hoc by Management.

There have been improvements in 2022/23 regarding reconciliations of accounts such as rates, debtors creditors and valuations however more qualified staff and training is required to make these reconciliations more timely. Other reconciliations are currently performed externally and will be brought back in house when suitable staff are attracted.

Responsible officer:

Deputy CEO

Completion date:

30 September 2023

SHIRE OF YALGOO**PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2021****FINDINGS IDENTIFIED DURING THE AUDIT****12. General journals – Supporting documentation****Finding 2019**

Section 7.3 of the Western Australian Local Government Accounting Manual Edition 3 issued by the Department Local Government in September 2012 outlines the minimum level of monitoring and control activities for key risk areas. At 14(a), the manual states “*All journals are independently reviewed (including check to ensure correct account allocation) and contain sufficient support information.*”

During our general journal testing, we noted that although in most cases the general journal is printed off and signed off by both the preparer and independent reviewer, there was limited documentation attached to the general journal print-out that supporting the journal posted.

Status 2020

During our general journal testing, we noted the following exceptions:

- For all ten general journals tested, we were unable to determine who at the Shire had prepared the journal with the report only showing “YALGOOACCOUNTS”;
- For eight out of the ten general journals tested, there was no narration noted and we were required to look at the general ledger accounts the journal impacted on to determine the purpose of journal;
- For four out of the ten general journals tested, only the “General Ledger Detailed Batch Journal Listing” had been printed with no supporting documentation attached; and
- For nine out of the ten general journals tested, there was no evidence of independent review.

Status 2021

An improvement in relation to the General Journal controls was noted later in 2021, however during our general journal testing, we noted the following exceptions:

- For 7 out of the 20 general journals tested, we were unable to determine who at the Shire had prepared the journal with the report only showing “YALGOOACCOUNTS”;
- For 2 out of the 20 general journals tested, there was no narration noted nor was there any supporting documentation attached therefore we were required to look at the general ledger accounts the journal impacted on to determine the purpose of journal;
- For 4 out of the 20 general journals tested, there was no evidence of independent review.

Rating: Significant (2019: Moderate, 2020: Significant)**Implication**

In the absence of supporting documentation being attached to the general journal the process of general journal being independently reviewed is null and void and increases the risk of error and omissions not being detected in a timely manner. There is a further risk of non-compliance with Regulation 5(1) of the Local Government (Financial Management) Regulations 1996.

Recommendation

We recommend supporting documentation be attached to the general journal print-off and the general journal should be independently reviewed in conjunction with the supporting documentation. General journals should not be signed off by the independent reviewer without the supporting documentation. In addition, the general journal should be consistently signed off by both the preparer and independent reviewer.

SHIRE OF YALGOO
PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2021
FINDINGS IDENTIFIED DURING THE AUDIT

Management comment

In the case of Ozone, journals were prepared by contract positions and then entered by YALGOOACCOUNTS. Access to this account is limited to the then position of finance officer/executive assistant.

The Shire is currently resourced to implement electronic record keeping. This will help to further improve the capture of documentation and authorisations both onsite and offsite.

Journal records have improved and the new financial system allows for printing that can be authorised and recorded.

Responsible officer: Deputy CEO
Completion date: 30 June 2023

SHIRE OF YALGOO**PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2021****FINDINGS IDENTIFIED DURING THE AUDIT****13. Payroll exceptions****Finding 2019**

As previously noted and carried forward from the 2018 Interim Management Letter, during our payroll testing, we noted the Payroll Report generated from Datacom is not signed off as evidence of independent review.

In addition, we noted the following exceptions pertaining to our audit sample:

- Termination payout calculations are not independently reviewed and signed off.
- The NAB Authorization form for 30 December 2018 did not have two authorities.
- Terminated employee 1/HODGL did not have a documented employment contract supporting the hourly pay rate paid.
- We were unable to agree employee 1/MAHA's pay rate to a documented letter of offer or contract.
- For two employees the Shire's superannuation matching was higher than the agreed 5% in the pay slips tested.
- Electricity allowance calculation not in accordance with section 3 of internal policy, *11.4 Staff Housing – Subsidies*.
- Annual leave taken by employee 1/EGANR for the pay period ended 13 January 2019 was not supported by an authorised leave form.
- Payroll Comparison Report per pay period is not currently issued by Datacom for the Shire's review.

Status 2020

Our payroll testing identified that the Payroll Report generated from Datacom is still not signed off as evidence of independent review.

In addition, we noted the following exceptions pertaining to our audit sample:

- Termination payout calculations are not independently reviewed and signed off;
- The NAB Authorization physical form for 14 July 2019 and 8 March 2020 payroll payments was not physically signed by the two authorities prior to payment on NAB Online;
- For two employee the Shire's superannuation matching was higher than the agreed 5% in the pay slip tested, it is understood that this error occurred when the Shire moved across from Reckon to Ozone; and
- Electricity allowance calculation not in accordance with section 3 of internal policy, *11.4 Staff Housing – Subsidies*. We are unable to determine what the impact of the electricity allowance being calculated in accordance with the internal policy, however the total electricity allowance paid to staff for FY2019/2020 was \$5,537.

SHIRE OF YALGOO**PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2021****FINDINGS IDENTIFIED DURING THE AUDIT****Status 2021**

Our payroll testing identified that the Payroll Report generated from Datacom is still not signed off as evidence of independent review.

In addition, we noted the following exceptions pertaining to our audit sample:

- Termination payout calculations are not independently reviewed and signed off;
- For two employees tested the Shire's superannuation matching was higher than the agreed 5% in the pay slip tested, it is understood that this error occurred when the Shire moved across from Reckon to Ozone;
- Termination checklists are not utilised;
- Numerous instances where documentation was not available in respect of salary sacrifice arrangements, changes from casual to full-time employment, letter of offer or contract for support of payrate; and
- The Payroll Register Summary is not signed as evidence of independent review.

Rating: Significant (2019: Moderate, 2020: Significant)

Implication

The absence of review and approval of payroll reports, termination calculations and leave taken, could result in invalid transactions and incorrect amounts being paid to employees. There is a further risk of non-compliance with Regulation 5(1) of the Local Government (Financial Management) Regulations 1996.

Recommendation

We recommend the following:

- The Payroll Report generated from Datacom be independently reviewed and evidence of this review is documented in the form of a physical sign-off.
- Termination payout calculations be independently reviewed and signed off.
- Ensure that the Shire's superannuation matching is 5% or the relevant percentage and calculated accordingly on the employee's pay slip and legal advice should be obtained with respect to recovery of superannuation overpayments from current employees and former employees.
- All documentation relating to employee payroll be retained in employee files.

Management comment

At the time it was difficult to further segregate duties due to the number of staff. Independent review was simply recorded as the seconder authorising a termination payment.

Administration identified the superannuation error, isolated to two long serving employees with superannuation matching. This money has since been recovered from their superannuation funds. A full review was carried out at the time the error was discovered and no further instances were found. Regular reviews are now performed.

Termination checklists and further termination authorisations will be implemented for departing staff and checks of all payroll documentation will be undertaken when resourcing allows.

Responsible officer:

CEO

Completion date:

30 December 2023

SHIRE OF YALGOO**PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2021****FINDINGS IDENTIFIED DURING THE AUDIT****14. Sundry and Rates Debtors****Finding 2019**

Section 7.3 of the Western Australian Local Government Accounting Manual Edition 3 issued by the Department Local Government in September 2012 outlines the minimum level of monitoring and control activities for key risk areas. At 4(k), the manual states “*Significant overdue customer accounts are investigated by management and actions taken documented.*”

Whilst reviewing the month end reconciliation procedures, we identified that as at 31 March 2019, 96.6% of the outstanding debtors balance were aged 90+ days with the majority of this balance relating to Tourism WA of \$33,000. Our enquiries at the time of our interim audit indicated a credit note should be issued for this balance due to the Shire recording this sundry invoice twice. We were further advised there were other balances on the debtor aged trial balance which a credit note is required to be issued.

In relation to rates debtors, we were advised that after the 35 days have passed for payment to be made, nothing further happens, for example there is no active following up of outstanding balances.

In addition, our sundry debtor and credit notes testing identified the following:

- No documentation was located to support the one credit note that had been issued for the financial period.
- A customer was overcharged by \$5 for the hire of the Shire bus (when compared to the Fees and Charges Schedule).
- There was no supporting documentation located to support the use of the JD Grader Hire on 11 September 2018, specifically there were no details on number of hours etc.
- A sundry debtor form does not appear to be utilised when raising an invoice in Ozone.

Status 2020

Our inquiries in relation to rate debtors identified that the Shire is still not actively following up the outstanding balances, specifically after the 35 days have passed for payment to be made, nothing further happens.

In addition, our sundry debtor testing identified the following:

- Hourly rate charged to a customer were not disclosed in the FY2019/2020 Fees and Charges Schedule for the tipper truck or septic tank.
- A customer was overcharged by \$5 for the hire of the Shire bus (when compared to the Fees and Charges Schedule).
- A sundry debtor form does not appear to be utilised when raising an invoice in Ozone.

Status 2021

While improvements were noted in relation to controls pertaining to sundry debtors for FY2020/2021, our sundry debtor testing identified that a sundry debtor form does not appear to be utilised when raising an invoice in Ozone.

Rating: Moderate (2019: Moderate, 2020 Moderate)

SHIRE OF YALGOO

PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2021

FINDINGS IDENTIFIED DURING THE AUDIT

Implication

Risk of Shire being unable to provide evidence to support sundry debtor transactions.

Recommendation

Consideration to be given to the Shire utilising a sundry debtor form for all sundry debtor invoices raised in Ozone.

Management comment

The Shire will implement a policy that all sundry debtor invoices raised be accompanied by a sundry debtor form.

Responsible officer:

Finance/Corporate Services Officer

Completion date:

30 June 2023

SHIRE OF YALGOO**PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2021****FINDINGS IDENTIFIED DURING THE AUDIT****15. Rates Notices****Finding 2019**

Whilst conducting our rates testing, we identified the following exceptions:

- Interim rate notices are not issued throughout the year by the Shire when Landgate updates the property valuation and in some instances we identified that the property value had not been updated in Ozone to reflect the updated valuation.
- The Shire was unable to provide an explanation to why the rate notice issued for assessment number 600 did not calculate correctly, with the property owner only having to pay \$37.53, whilst our calculations identified that the property owner was liable to pay \$337.53.
- The Officer was unable to locate the Valuer General Report to support the GRV in the 2018/19 rate notices.

Status 2020

Whilst conducting our rates testing, we identified that the Shire had not issued final rate notices for the FY2019/2020 communicating with the rate payers that funds remained outstanding.

Status 2021

Whilst conducting our rates testing, we identified the following exceptions:

- Interim rate notices are not issued throughout the year by the Shire when Landgate updates the property valuation on a timely basis.
- The Shire had not issued final rate notices for the FY2020/2021 communicating with the rate payers that funds remained outstanding.

Rating: Moderate (2019: Moderate, 2020: Moderate)

Implication

With the Shire not issuing interim or final notices, there is risk of funds not being collected in a timely manner.

Recommendation

We recommend that interim rate notices are raised in a timely manner when Landgate updates the property valuation and that final notices are issued as a reminder that funds are outstanding.

Management comment

There is no mandated settlement process for rates when a mining tenement changes hands and companies/holders going into administration or ceasing operation are extremely difficult and costly to recover costs from. Reform is needed in this area as there are too many loopholes for transferring debt to unsuspecting individuals.

Mining tenements are the majority of the Shires rate base and frequent changes to holders, tenement deaths, revaluations are enacted as soon as possible. A backlog was created during 2022/23 due to the go live process of the Shires new financial system. The Shire maintains low outstanding rate amounts and has been extremely forgiving through Covid by freezing penalty interest and 0% rate increases. Interim and back rates are now being regularly supplied as a result of our financial system change and final notices are being sent out, however we still attempt to contact ratepayers by letter or phone to discuss their situation.

Responsible officer:

Rates Officer

Completion date:

30 June 2023

SHIRE OF YALGOO**PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2021****FINDINGS IDENTIFIED DURING THE AUDIT****16. High annual leave accrual at year end****Finding 2019**

We identified three instances where employees have annual leave accrued balances in excess of 304 hours (eight weeks) each.

In addition, we identified that annual leave taken by an outside employee during the year was not supported by an approved annual leave form.

Status 2020

Our testing identified three instances where employees have annual leave accrued balances in excess of 304 hours (eight weeks) each.

In addition, we identified that annual leave taken by three employees during the year was not supported by an approved annual leave form.

Status 2021

Our testing identified four instances where employees have annual leave accrued balances in excess of 350 hours (representing seven weeks for outside employees and nine weeks for inside employees) each.

Rating: Moderate (2019: Moderate, 2020: Moderate)**Implication**

Excessive accrued annual leave balances increases the risk of an adverse impact through excessive liabilities and may also indicate over-reliance on key individuals. It is important for staff to take regular leave for their health and wellbeing, and to develop staff to perform the tasks of others. Fraud can also be more easily concealed by staff who do not take leave.

Recommendation

The Shire should continue to manage and monitor the excessive annual leave balances to reduce the liability, risk of business interruption and potential fraud.

Management comment

The Shire of Yalgoo does have an over reliance on staff. Housing is the first hurdle in attracting qualified staff to the area and is compounded when temporary staff is required. While the Shire covers shortfalls of state government agencies in housing it is difficult to improve our own accommodation resources.

Sick days and short periods of annual leave or RDOs cannot be covered by drive in drive out staff due to distances and skill shortages. The Shire will continue to investigate ways to incentivise staff to use their accrued leave and appropriately cover their tasks during their absence.

Responsible officer:

CEO

Completion date:

Ongoing

SHIRE OF YALGOO**PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2021****FINDINGS IDENTIFIED DURING THE AUDIT****17. Non-Compliance with Section 5.55A of the Local Government Act 1995****Finding 2019**

As required by Section 5.55A of the *Local Government Act 1995*, the Chief Executive Officer (the "CEO") is to publish the annual report on the local government's official website within 14 days after the report has been accepted by the local government. We noted that the Shire's annual report was accepted by the local government on 31 January 2019, however the annual report was not published on the website until 18 February 2019.

Status 2020

We noted that the Shire's annual report was accepted by the local government on 31 January 2020 (Annual Electors meeting held on 28 February 2020), however the annual report was not published on the website until 28 May 2020.

Status 2021

We noted that the Shire's 30 June 2020 annual report was accepted by the local government on 13 April 2022, however the annual report has not been published on the Shire's website as at the date of this report.

Rating: Moderate (2019: Moderate, 2020: Moderate)**Implication**

Non-compliance with Section 5.55A of the *Local Government Act 1995*.

Recommendation

We recommend, in accordance with Section 5.55A of the *Local Government Act 1995*, the CEO publish the annual report on the local government's official website within 14 days after the report has been accepted.

Management comment

While the Shire may have inadvertently not placed a separate copy in the section labelled annual reports, the Agenda and Minutes of the Meeting held on the 13th April 2022 contain the full annual report. The full annual report has therefore been published on the website within the required timeframe. A notice on the website at the time directed individuals to where it could be viewed along with a response to the Minister on audit findings.

<https://www.yalgoo.wa.gov.au/documents/738/2022-04-special-council-meeting-minutes-and-attachments>

Responsible officer:

CEO

Completion date:

6 April 2023

SHIRE OF YALGOO**PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2021****FINDINGS IDENTIFIED DURING THE AUDIT****18. Non-compliance with Local Government (Financial Management) Regulations 1996****Finding 2019**

As required by:

- Regulation 51(2) of the Local Government (Financial Management) Regulations 1996 (“Regulations”), a copy of the annual financial report of a local government is to be submitted to the Departmental CEO within 30 days of the receipt by the local government’s CEO of the auditor’s report on that financial report. We noted at the time of the interim audit, the Shire was unable to provide evidence that the annual financial report had been sent to the Departmental CEO resulting in the annual financial report being submitted to the Departmental CEO on 8 May 2019.
- Regulation 56(4) of the Regulations, the following information is to accompany or be included in the rate notice:
 - a) a brief statement of the objects and reasons for:
 - i) any differential rates imposed by the local government under section 6.33; and
 - ii) any differential minimum payments imposed by the local government under section 6.35(6)(c);

We noted that the Shire’s rate notices and accompanying information for the year ended 30 June 2019 did not include such brief statements.

Status 2020

As required by:

- Regulation 51(2) of the Regulations, a copy of the annual financial report of a local government was not submitted to the Departmental CEO within 30 days of receipt by the local government’s CEO of the auditor’s report on that financial report. The signed audit report contained within the 2018/2019 annual financial report was dated 31 January 2020 and the annual financial report was not submitted to the Departmental CEO until 25 March 2020.
- Regulation 18 of the Regulations, states a Local Government is not required to give local public notice of a proposed change of use of money in a reserve account –
 - a) Where the money is to be used to meet expenditure authorised by the mayor or president under section 6.8(1)(c); or
 - b) Where the total amount to be used does not exceed \$5,000 in a financial year.

Status 2021

As required by:

- Regulation 51(2) of the Regulations, a copy of the annual financial report of a local government was not submitted to the Departmental CEO within 30 days of the receipt by the local government’s CEO of the auditor’s report on that financial report. The signed audit report contained within the 2019/2020 annual financial report was dated 3 March 2022 and the annual financial report was not submitted to the Departmental CEO until 14 April 2022.

Rating: Moderate (2019: Significant, 2020: Significant)

SHIRE OF YALGOO

PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2021

FINDINGS IDENTIFIED DURING THE AUDIT

Implication

- Non-compliance with Regulation 51(2) of the Regulations

Recommendation

We recommend, in accordance with Regulation 51(2) of the Regulations, a copy of the annual financial report of a local government is submitted to the Departmental CEO within 30 days of the receipt by the local government's CEO of the auditor's report on that financial report.

Management comment

This process could quite easily be carried out by the OAG at the same time that the auditors report and Annual Financial Report is released to the local government and Minister for Local Government. The Shire is able to confirm through correspondence that all documents required by the Department during the 2019/20 audit process were sent no later than the 14/4/2022.

As the Department of Local Government is altering the Smart Hub submission portal the Shire is unable to confirm an earlier submission date. Future copies will be provided to the Departmental CEO within the required timeframe.

Responsible officer:

CEO

Completion date:

6 April 2023

SHIRE OF YALGOO
FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2021

TABLE OF CONTENTS

Statement by Chief Executive Officer	2
Statement of Comprehensive Income by Nature or Type	3
Statement of Comprehensive Income by Program	4
Statement of Financial Position	5
Statement of Changes in Equity	6
Statement of Cash Flows	7
Rate Setting Statement	8
Index of Notes to the Financial Report	9
Independent Auditor's Report	54

COMMUNITY VISION

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

Principal place of business:
37 Gibbons Street
Yalgoo WA 6635

**SHIRE OF YALGOO
FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2021**

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

STATEMENT BY CHIEF EXECUTIVE OFFICER

The attached financial report of the Shire of Yalgoo for the financial year ended 30 June 2021 is based on proper accounts and records to present fairly the financial position of the Shire of Yalgoo at 30 June 2021 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

18th

day of

April

2023



Chief Executive Officer

Ian Holland

Name of Chief Executive Officer



SHIRE OF YALGOO
STATEMENT OF COMPREHENSIVE INCOME
BY NATURE OR TYPE
FOR THE YEAR ENDED 30 JUNE 2021

	NOTE	2021 Actual \$	2021 Budget \$	2020 Actual \$
Revenue				
Rates	21(a)	2,594,364	2,654,309	2,005,268
Operating grants, subsidies and contributions	2(a)	3,004,469	1,581,071	3,054,217
Fees and charges	2(a)	250,089	164,960	218,659
Interest earnings	2(a)	8,047	19,000	40,539
Other revenue	2(a)	50,265	7,000	1,185,074
		5,907,234	4,426,340	6,503,757
Expenses				
Employee costs		(1,588,079)	(2,047,002)	(1,929,645)
Materials and contracts		(1,893,209)	(1,749,824)	(2,781,850)
Utility charges		(66,910)	(124,250)	(43,176)
Depreciation on non-current assets	9(b)	(1,412,817)	(1,249,287)	(1,333,936)
Interest expenses	2(b)	(15,463)	(15,707)	(19,958)
Insurance expenses		(250,731)	(208,323)	(216,303)
Other expenditure		(70,987)	(589,579)	(145,308)
		(5,298,196)	(5,983,972)	(6,470,176)
		609,038	(1,557,632)	33,581
Non-operating grants, subsidies and contributions	2(a)	664,348	1,294,110	659,346
Profit on asset disposals	9(a)	16,197	48,500	17,992
(Loss) on asset disposals	9(a)	(4,017)	(33,043)	(28,397)
Fair value adjustments to financial assets at fair value through profit or loss		646	0	288
		677,174	1,309,567	649,229
Net result for the period		1,286,212	(248,065)	682,810
Total other comprehensive income for the period		0	0	0
Total comprehensive income for the period		1,286,212	(248,065)	682,810

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

SHIRE OF YALGOO
STATEMENT OF COMPREHENSIVE INCOME
BY PROGRAM
FOR THE YEAR ENDED 30 JUNE 2021

	NOTE	2021 Actual \$	2021 Budget \$	2020 Actual \$
Revenue				
General purpose funding	2(a)	5,068,001	3,821,531	4,424,118
Law, order, public safety		47,455	24,200	39,366
Health		18,828	15,875	19,951
Housing		14,850	17,500	23,780
Community amenities		18,588	14,250	14,115
Recreation and culture		16,111	4,700	5,362
Transport		315,688	243,224	1,426,937
Economic services		350,157	246,810	492,953
Other property and services		57,556	38,250	57,175
		5,907,234	4,426,340	6,503,757
Expenses				
Governance	2(b)	(379,719)	(487,317)	(338,903)
General purpose funding		(197,644)	(188,980)	(191,359)
Law, order, public safety		(166,083)	(180,371)	(161,025)
Health		(113,030)	(173,408)	(113,648)
Education and welfare		(6,921)	(22,749)	(6,048)
Housing		(340,652)	(276,383)	(277,474)
Community amenities		(199,426)	(258,113)	(219,037)
Recreation and culture		(923,422)	(914,227)	(877,706)
Transport		(2,098,878)	(2,386,613)	(3,326,795)
Economic services		(847,017)	(1,066,833)	(918,318)
Other property and services		(9,941)	(13,271)	(19,905)
		(5,282,733)	(5,968,265)	(6,450,218)
Finance Costs				
Housing	2(b)	(13,379)	(13,445)	(17,343)
Community amenities		(2,084)	(2,262)	(2,615)
		(15,463)	(15,707)	(19,958)
		609,038	(1,557,632)	33,581
Non-operating grants, subsidies and contributions	2(a)	664,348	1,294,110	659,346
Profit on disposal of assets	9(a)	16,197	48,500	17,992
(Loss) on disposal of assets	9(a)	(4,017)	(33,043)	(28,397)
Fair value adjustments to financial assets at fair value through profit or loss		646	0	288
		677,174	1,309,567	649,229
Net result for the period		1,286,212	(248,065)	682,810
Total other comprehensive income for the period		0	0	0
Total comprehensive income for the period		1,286,212	(248,065)	682,810

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



SHIRE OF YALGOO
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2021

	NOTE	2021 \$	2020 \$
CURRENT ASSETS			
Cash and cash equivalents	3	2,999,589	3,217,062
Trade and other receivables	6	804,249	1,978,883
Other financial assets	5(a)	2,102,916	0
TOTAL CURRENT ASSETS		5,906,754	5,195,945
NON-CURRENT ASSETS			
Other financial assets	5(b)	18,451	17,805
Property, plant and equipment	7	11,189,023	11,128,236
Infrastructure	8	74,910,898	74,401,546
TOTAL NON-CURRENT ASSETS		86,118,372	85,547,587
TOTAL ASSETS		92,025,126	90,743,532
CURRENT LIABILITIES			
Trade and other payables	11	697,080	542,563
Other liabilities	12	61,308	98,857
Borrowings	13(a)	105,420	100,652
Employee related provisions	14	172,207	192,052
TOTAL CURRENT LIABILITIES		1,036,015	934,124
NON-CURRENT LIABILITIES			
Borrowings	13(a)	128,910	234,330
Employee related provisions	14	55,164	56,253
TOTAL NON-CURRENT LIABILITIES		184,074	290,583
TOTAL LIABILITIES		1,220,089	1,224,707
NET ASSETS		90,805,037	89,518,825
EQUITY			
Retained surplus		33,489,090	32,669,747
Reserves - cash backed	4	2,102,916	1,636,047
Revaluation surplus	10	55,213,031	55,213,031
TOTAL EQUITY		90,805,037	89,518,825

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



SHIRE OF YALGOO
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2021

	NOTE	RETAINED SURPLUS	RESERVES CASH BACKED	REVALUATION SURPLUS	TOTAL EQUITY
		\$	\$	\$	\$
Balance as at 1 July 2019		31,881,489	1,741,495	55,213,031	88,836,015
Comprehensive income					
Net result for the period		682,810	0	0	682,810
Total comprehensive income		682,810	0	0	682,810
Transfers from reserves	4	128,720	(128,720)	0	0
Transfers to reserves	4	(23,272)	23,272	0	0
Balance as at 30 June 2020		32,669,747	1,636,047	55,213,031	89,518,825
Comprehensive income					
Net result for the period		1,286,212	0	0	1,286,212
Total comprehensive income		1,286,212	0	0	1,286,212
Transfers to reserves	4	(466,869)	466,869	0	0
Balance as at 30 June 2021		33,489,090	2,102,916	55,213,031	90,805,037

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

SHIRE OF YALGOO
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2021

	NOTE	2021 Actual \$	2021 Budget \$	2020 Actual \$
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts				
Rates		2,414,245	2,654,309	1,944,411
Operating grants, subsidies and contributions		3,205,521	3,357,960	1,440,918
Fees and charges		249,530	164,960	218,659
Interest received		8,047	19,000	40,539
Goods and services tax received		382,055	0	(120,333)
Other revenue		1,158,228	7,000	1,185,074
		7,417,626	6,203,229	4,709,268
Payments				
Employee costs		(1,643,096)	(2,047,002)	(1,880,941)
Materials and contracts		(1,709,107)	(2,573,928)	(2,766,068)
Utility charges		(66,910)	(124,250)	(43,176)
Interest expenses		(15,463)	(15,707)	(19,958)
Insurance paid		(250,731)	(208,323)	(216,303)
Goods and services tax paid		(368,809)	0	0
Other expenditure		(70,987)	(589,580)	(145,308)
		(4,125,103)	(5,558,790)	(5,071,754)
Net cash provided by (used in) operating activities	15	3,292,523	644,439	(362,486)
CASH FLOWS FROM INVESTING ACTIVITIES				
Payments for purchase of property, plant & equipment	7(a)	(1,057,883)	(2,590,057)	(717,735)
Payments for construction of infrastructure	8(a)	(1,116,893)	(1,142,021)	(742,652)
Non-operating grants, subsidies and contributions	2(a)	664,348	1,294,110	659,346
Proceeds from sale of property, plant & equipment	9(a)	204,000	242,500	154,033
Net cash provided by (used in) investment activities		(1,306,428)	(2,195,468)	(647,008)
CASH FLOWS FROM FINANCING ACTIVITIES				
Repayment of borrowings	13(b)	(100,652)	(100,652)	(121,256)
Net cash provided by (used in) financing activities		(100,652)	(100,652)	(121,256)
Net increase (decrease) in cash held		1,885,443	(1,651,681)	(1,130,750)
Cash at beginning of year		3,217,062	3,797,857	4,347,812
Cash and cash equivalents at the end of the year	15	5,102,505	2,146,176	3,217,062

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

SHIRE OF YALGOO
RATE SETTING STATEMENT
FOR THE YEAR ENDED 30 JUNE 2021

	NOTE	2021 Actual \$	2021 Budget \$	2020 Actual \$
OPERATING ACTIVITIES				
Net current assets at start of financial year - surplus/(deficit)	22 (b)	2,929,897	3,075,961	2,265,680
		<u>2,929,897</u>	<u>3,075,961</u>	<u>2,265,680</u>
Revenue from operating activities (excluding rates)				
Governance		0	0	355
General purpose funding		2,473,637	1,167,222	2,390,717
Law, order, public safety		47,455	24,200	39,366
Health		18,828	15,875	20,894
Housing		14,850	17,500	23,780
Community amenities		18,588	15,250	14,115
Recreation and culture		16,111	4,700	6,725
Transport		331,885	243,224	1,436,447
Economic services		350,157	246,810	492,953
Other property and services		58,202	85,750	63,284
		<u>3,329,713</u>	<u>1,820,531</u>	<u>4,488,636</u>
Expenditure from operating activities				
Governance		(379,719)	(487,317)	(338,903)
General purpose funding		(197,644)	(188,980)	(191,359)
Law, order, public safety		(166,083)	(180,371)	(161,025)
Health		(113,030)	(173,408)	(113,648)
Education and welfare		(6,921)	(22,749)	(6,048)
Housing		(354,031)	(289,828)	(294,817)
Community amenities		(201,510)	(260,375)	(221,652)
Recreation and culture		(923,422)	(914,227)	(877,706)
Transport		(2,102,895)	(2,419,656)	(3,355,192)
Economic services		(847,017)	(1,066,833)	(918,318)
Other property and services		(9,941)	(13,271)	(19,905)
		<u>(5,302,213)</u>	<u>(6,017,015)</u>	<u>(6,498,573)</u>
Non-cash amounts excluded from operating activities	22(a)	1,384,822	1,233,830	1,303,569
Amount attributable to operating activities		<u>2,342,219</u>	<u>113,307</u>	<u>1,559,312</u>
INVESTING ACTIVITIES				
Non-operating grants, subsidies and contributions	2(a)	664,348	1,294,110	659,346
Proceeds from disposal of assets	9(a)	204,000	242,500	154,033
Purchase of property, plant and equipment	7(a)	(1,057,883)	(2,590,057)	(717,735)
Purchase and construction of infrastructure	8(a)	(1,116,893)	(1,142,021)	(742,652)
Amount attributable to investing activities		<u>(1,306,428)</u>	<u>(2,195,468)</u>	<u>(647,008)</u>
FINANCING ACTIVITIES				
Repayment of borrowings	13(b)	(100,652)	(100,652)	(121,256)
Transfers to reserves (restricted assets)	4	(466,869)	(471,496)	(23,272)
Transfers from reserves (restricted assets)	4	0	0	128,720
Amount attributable to financing activities		<u>(567,521)</u>	<u>(572,148)</u>	<u>(15,808)</u>
Surplus/(deficit) before imposition of general rates		<u>468,270</u>	<u>(2,654,309)</u>	<u>896,496</u>
Total amount raised from general rates	21(a)	2,594,364	2,654,309	2,033,401
Surplus/(deficit) after imposition of general rates	22(b)	<u>3,062,634</u>	<u>0</u>	<u>2,929,897</u>

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

SHIRE OF YALGOO
INDEX OF NOTES TO THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2021

Note 1	Basis of Preparation	10
Note 2	Revenue and Expenses	11
Note 3	Cash and Cash Equivalents	16
Note 4	Reserves - Cash backed	17
Note 5	Other Financial Assets	18
Note 6	Trade and Other Receivables	19
Note 7	Property, Plant and Equipment	20
Note 8	Infrastructure	22
Note 9	Fixed Assets	24
Note 10	Revaluation Surplus	27
Note 11	Trade and Other Payables	28
Note 12	Other Liabilities	29
Note 13	Information on Borrowings	30
Note 14	Employee Provisions	32
Note 15	Notes to the Statement of Cash Flows	33
Note 16	Total Assets Classified by Function and Activity	34
Note 17	Contingent Liabilities	35
Note 18	Commitments	36
Note 19	Elected Members Remuneration	37
Note 20	Related Party Transactions	39
Note 21	Rating Information	41
Note 22	Rate Setting Statement Information	44
Note 23	Financial Risk Management	45
Note 24	Events occurring after the end of the Reporting Period	48
Note 25	Initial Application of Australian Accounting Standards	49
Note 26	Trust Funds	50
Note 27	Other Significant Accounting Policies	51
Note 28	Activities/Programs	52
Note 29	Financial Ratios	53

SHIRE OF YALGOO
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2021

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 Act 1995* and accompanying Regulations take precedence over Australian Accounting Standards where they are inconsistent.

The *Local Government (Financial Management) Regulations 1996* specify that vested land is a right-of-use asset to be measured at cost. All right-of-use assets (other than vested improvements) under zero cost concessionary leases are measured at zero cost rather than at fair value. The exception is vested improvements on concessionary land leases such as roads, buildings or other infrastructure which continue to be reported at fair value, as opposed to the vested land which is measured at zero cost. The measurement of vested improvements at fair value is a departure from AASB 16 which would have required the Shire to measure any vested improvements at zero cost.

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 financial 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.

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 26 to these financial statements.

INITIAL APPLICATION OF ACCOUNTING STANDARDS

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

These were:

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

The impact of adoption of these standards is described at Note 25.

NEW ACCOUNTING STANDARDS FOR APPLICATION IN FUTURE YEARS

The following new accounting standards will have application to local government in future years:

- AASB 2020-1 *Amendments to Australian Accounting Standards - Classification of Liabilities as Current or Non-current*
- AASB 2020-3 *Amendments to Australian Accounting Standards - Annual Improvements 2018-2020 and Other Amendments*
- AASB 2021-2 *Amendments to Australian Accounting Standards - Disclosure of Accounting Policies or Definition of Accounting Estimates*

It is not expected these standards will have an impact on the financial report.

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 balances, transactions and disclosures impacted by accounting estimates are as follows:

- Employee expenses
- Land held for resale
- Other financial assets
- Property, Plant and Equipment
- Infrastructure
- Intangible assets
- Right-of-use assets
- Lease liabilities
- Borrowing liabilities
- Provisions

SHIRE OF YALGOO
 NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
 FOR THE YEAR ENDED 30 JUNE 2021

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:

	2021 Actual \$	2021 Budget \$	2020 Actual \$
Operating grants, subsidies and contributions			
General purpose funding	2,464,847	1,148,122	2,378,181
Law, order, public safety	43,365	20,000	34,946
Health	17,187	15,725	0
Housing	0	0	316,340
Community amenities	0	0	324,750
Recreation and culture	7,000	0	0
Transport	315,688	243,224	0
Economic services	156,382	119,000	0
Other property and services	0	35,000	0
	3,004,469	1,581,071	3,054,217
Non-operating grants, subsidies and contributions			
General purpose funding	207,055	414,110	0
Recreation and culture	0	0	78,700
Transport	457,293	300,000	580,646
Economic services	0	580,000	0
	664,348	1,294,110	659,346
Total grants, subsidies and contributions	3,668,817	2,875,181	3,713,563
Fees and charges			
Governance	0	100	130
General purpose funding	184	0	0
Law, order, public safety	89	200	165
Health	1,641	150	1,127
Housing	14,850	17,500	23,780
Community amenities	18,588	14,250	14,115
Recreation and culture	9,111	4,700	5,362
Economic services	193,774	127,810	168,203
Other property and services	11,852	250	5,777
	250,089	164,960	218,659

There were no changes to the amounts of fees or charges detailed in the original budget.

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 YALGOO
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2021

2. REVENUE AND EXPENSES (Continued)

(a) Revenue (Continued)	2021 Actual \$	2021 Budget \$	2020 Actual \$
<i>Contracts with customers and transfers for recognisable non-financial assets</i>			
Revenue from contracts with customers and transfers to enable the acquisition or construction of recognisable non-financial assets to be controlled by the Shire was recognised during the year for the following nature or types of goods or services:			
Operating grants, subsidies and contributions	3,004,469	1,581,071	3,054,217
Fees and charges	250,089	164,960	216,995
Other revenue	50,263	7,000	21,711
Non-operating grants, subsidies and contributions	664,348	1,294,110	659,346
	3,969,169	3,047,141	3,952,269
Revenue from contracts with customers and transfers to enable the acquisition or construction of recognisable non-financial assets to be controlled by the Shire is comprised of:			
Revenue from contracts with customers included as a contract liability at the start of the period			
	98,857	0	0
Revenue from contracts with customers recognised during the year	3,205,964	1,753,031	3,292,923
Revenue from transfers intended for acquiring or constructing recognisable non financial assets during the year	664,348	1,294,110	659,346
	3,969,169	3,047,141	3,952,269
Information about receivables, contract assets and contract liabilities from contracts with customers along with financial assets and associated liabilities arising from transfers to enable the acquisition or construction of recognisable non financial assets is:			
Trade and other receivables from contracts with customers	347,653		599,996
Contract liabilities from contracts with customers	(61,308)		(98,857)

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

SHIRE OF YALGOO
 NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
 FOR THE YEAR ENDED 30 JUNE 2021

2. REVENUE AND EXPENSES (Continued)

(a) Revenue (Continued)

Revenue from statutory requirements

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

General rates

Statutory permits and licences

Other revenue

Reimbursements and recoveries

Other

Interest earnings

Interest on reserve funds

Rates instalment and penalty interest (refer Note 20(c))

Other interest earnings

	2021 Actual \$	2021 Budget \$	2020 Actual \$
General rates	2,594,364	2,654,309	2,005,268
Statutory permits and licences	5,165	0	1,664
	2,599,529	2,654,309	2,006,932
Other revenue			
Reimbursements and recoveries	41,591	0	1,163,363
Other	8,674	7,000	21,711
	50,265	7,000	1,185,074
Interest earnings			
Interest on reserve funds	7,827	16,000	28,158
Rates instalment and penalty interest (refer Note 20(c))	13	0	10,024
Other interest earnings	207	3,000	2,357
	8,047	19,000	40,539

SIGNIFICANT ACCOUNTING POLICIES

Interest earnings

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

Interest earnings (continued)

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

SHIRE OF YALGOO
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2021

2. REVENUE AND EXPENSES (Continued)

(b) Expenses	Note	2021 Actual \$	2021 Budget \$	2020 Actual \$
<i>Auditors remuneration</i>				
-Audit of the Annual Financial Report		37,000	38,000	37,000
-Audit of the Roads to Recovery Grant Acquittal		2,150	0	0
		39,150	38,000	37,000
<i>Interest expenses (finance costs)</i>				
<i>Borrowings</i>				
	13(b)	15,463	15,707	19,958
		15,463	15,707	19,958
<i>Other expenditure</i>				
Impairment loss on trade and other receivables		0	0	0
Impairment loss on trade and other receivables from contracts with customers		41,424	0	0
Sundry expenses		29,563	589,579	145,308
		70,987	589,579	145,308

SHIRE OF YALGOO
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2021

2. REVENUE AND EXPENSES

REVENUE RECOGNITION POLICY

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

Revenue Category	Nature of goods and services	When obligations typically satisfied	Payment terms	Returns/Refunds/Warranties	Determination of transaction price	Allocating transaction price	Measuring obligations for returns	Timing of revenue recognition
Rates	General Rates	Over time	Payment dates adopted by Council during the year	None	Adopted by council annually	When taxable event occurs	Not applicable	When rates notice is issued
Specified area rates	Rates charge for specific defined purpose	Over time	Payment dates adopted by Council during the year	Refund in event monies are unspent	Adopted by council annually	When taxable event occurs	Not applicable	When rates notice is issued
Service charges	Charge for specific service	Over time	Payment dates adopted by Council during the year	Refund in event monies are unspent	Adopted by council annually	When taxable event occurs	Not applicable	When rates notice is issued
Grant contracts with customers	Community events, minor facilities, research, design, planning evaluation and services	Over time	Fixed terms transfer of funds based on agreed milestones and reporting	Contract obligation if project not complete	Set by mutual agreement with the customer	Based on the progress of works to match performance obligations	Returns limited to repayment of transaction price of terms breached	Output method based on project milestones and/or completion date matched to performance obligations as inputs are shared
Grants, subsidies or contributions for the construction of non-financial assets	Construction or acquisition of recognisable non-financial assets to be controlled by the local government	Over time	Fixed terms transfer of funds based on agreed milestones and reporting	Contract obligation if project not complete	Set by mutual agreement with the customer	Based on the progress of works to match performance obligations	Returns limited to repayment of transaction price of terms breached	Output method based on project milestones and/or completion date matched to performance obligations as inputs are shared
Grants with no contract commitments	General appropriations and contributions with no reciprocal commitment	No obligations	Not applicable	Not applicable	Cash received	On receipt of funds	Not applicable	When assets are controlled
Licences/ Registrations/ Approvals	Building, planning, development and animal management, having the same nature as a licence regardless of naming.	Single point in time	Full payment prior to issue	None	Set by State legislation or limited by legislation to the cost of provision	Based on timing of issue of the associated rights	No refunds	On payment and issue of the licence, registration or approval
Pool inspections	Compliance safety check	Single point in time	Equal proportion based on an equal annually fee	None	Set by State legislation	Apportioned equally across the inspection cycle	No refunds	After inspection complete based on a 4 year cycle
Other inspections	Regulatory Food, Health and Safety	Single point in time	Full payment prior to inspection	None	Set by State legislation or limited by legislation to the cost of provision	Applied fully on timing of inspection	Not applicable	Revenue recognised after inspection event occurs
Waste management collections	Kerbside collection service	Over time	Payment on an annual basis in advance	None	Adopted by council annually	Apportioned equally across the collection period	Not applicable	Output method based on regular weekly and fortnightly period as proportionate to collection service
Waste management entry fees	Waste treatment, recycling and disposal service at disposal sites	Single point in time	Payment in advance at gate or on normal trading terms if credit provided	None	Adopted by council annually	Based on timing of entry to facility	Not applicable	On entry to facility
Airport landing charges	Permission to use facilities and runway	Single point in time	Monthly in arrears	None	Adopted by council annually	Applied fully on timing of landing/take-off	Not applicable	On landing/departure event
Property hire and entry	Use of halls and facilities	Single point in time	In full in advance	Refund if event cancelled within 7 days	Adopted by council annually	Based on timing of entry to facility	Returns limited to repayment of transaction price	On entry or at conclusion of hire
Memberships	Gym and pool membership	Over time	Payment in full in advance	Refund for unused portion on application	Adopted by council annually	Apportioned equally across the access period	Returns limited to repayment of transaction price	Output method Over 12 months matched to access right
Fees and charges for other goods and services	Cemetery services, library fees, reinstatements and private works	Single point in time	Payment in full in advance	None	Adopted by council annually	Applied fully based on timing of provision	Not applicable	Output method based on provision of service or completion of works
Sale of stock	Aviation fuel, kiosk and visitor centre stock	Single point in time	In full in advance, on 15 day credit	Refund for faulty goods	Adopted by council annually, set by mutual agreement	Applied fully based on timing of provision	Returns limited to repayment of transaction price	Output method based on goods
Commissions	Commissions on licencing and ticket sales	Over time	Payment in full on sale	None	Set by mutual agreement with the customer	On receipt of funds	Not applicable	When assets are controlled
Reimbursements	Insurance claims	Single point in time	Payment in arrears for claimable event	None	Set by mutual agreement with the customer	When claim is agreed	Not applicable	When claim is agreed

SHIRE OF YALGOO
 NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
 FOR THE YEAR ENDED 30 JUNE 2021

3. CASH AND CASH EQUIVALENTS

	NOTE	2021	2020
		\$	\$
Cash at bank and on hand		2,999,589	3,217,062
Total cash and cash equivalents		2,999,589	3,217,062
Restrictions			
The following classes of assets have restrictions imposed by regulations or other externally imposed requirements which limit or direct the purpose for which the resources may be used:			
- Cash and cash equivalents		184,833	1,858,429
		184,833	1,858,429
The restricted assets are a result of the following specific purposes to which the assets may be used:			
Reserves - cash backed	4	0	1,636,047
Contract liabilities from contracts with customers	12	61,308	98,857
Unspent loans	13(c)	123,525	123,525
Total restricted assets		184,833	1,858,429

SIGNIFICANT ACCOUNTING POLICIES

Cash and cash equivalents

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

Restricted assets

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

SHIRE OF YALGOO
 NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
 FOR THE YEAR ENDED 30 JUNE 2021

4. RESERVES - CASH BACKED

	2021				2021				2021				2020				2020			
	Actual	Transfer to	Actual	Closing	Budget	Transfer to	Budget	Closing	Actual	Transfer to	Actual	Closing	Actual	Transfer to	Actual	Closing				
	Opening Balance		Actual	Balance	Opening Balance		Budget	Balance	Opening Balance		Actual	Balance	Opening Balance		Actual	Balance				
(a) Reserves cash backed - Leave Reserve	49,270	385	0	49,655	49,270	482	0	49,752	48,620	650	0	49,270	48,620	650	0	49,270				
(b) Reserves cash backed - Plant	60,972	477	0	61,449	60,972	596	0	61,568	60,168	804	0	60,972	60,168	804	0	60,972				
(c) Reserves cash backed - Building	162,254	1,268	0	163,522	162,254	1,588	0	163,842	160,114	2,140	0	162,254	160,114	2,140	0	162,254				
(d) Reserves cash backed - Yalgoo-Nirngnan Road	532,233	321,741	0	853,974	532,233	322,785	0	855,018	525,216	7,017	0	532,233	525,216	7,017	0	532,233				
(e) Reserves cash backed - Sports Complex	95,789	749	0	96,538	95,789	937	0	96,726	94,526	96,726	0	95,789	94,526	96,726	0	95,789				
(f) Reserves cash backed - Housing Maintenance	123,247	963	0	124,210	123,246	1,205	0	124,451	121,621	1,626	0	123,247	121,621	1,626	0	123,247				
(g) Reserves cash backed - General Road	493	129,307	0	129,800	493	128,725	0	129,218	127,509	1,704	0	493	127,509	1,704	0	493				
(h) Reserves cash backed - Community Amenities Maintenance	271,589	2,123	0	273,712	271,589	2,656	0	274,245	268,005	3,584	0	271,589	268,005	3,584	0	271,589				
(i) Reserves cash backed - HCP	141,759	1,108	0	142,867	141,758	1,386	0	143,144	139,889	1,870	0	141,759	139,889	1,870	0	141,759				
(j) Reserves cash backed - Yalgoo-Morawa Road	173,607	8,553	0	182,160	173,607	10,894	0	184,501	171,318	2,289	0	173,607	171,318	2,289	0	173,607				
(k) Reserves cash backed - Superannuation Back-Pay	24	0	0	24	24	0	0	24	24	0	0	24	24	0	0	24				
(l) Reserves cash backed - Office Equipment	3,623	27	0	3,650	3,624	35	0	3,659	3,575	48	0	3,623	3,575	48	0	3,623				
(m) Reserves cash backed - Natural Disaster Trigger Point	12,807	100	0	12,907	12,808	125	0	12,933	12,638	169	0	12,807	12,638	169	0	12,807				
(n) Reserves cash backed - Emergency Road Repairs	8,380	68	0	8,448	8,381	82	0	8,463	8,272	108	0	8,380	8,272	108	0	8,380				
	1,636,047	466,869	0	2,102,916	1,636,048	471,496	0	2,107,544	1,741,495	23,272	0	1,636,047	1,741,495	23,272	0	1,636,047				

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) Reserves cash backed - Leave Reserve	ongoing	Purpose - To be used to fund annual and long service leave requirements.
(b) Reserves cash backed - Plant	ongoing	Purpose - To be used for the purchase of major plant.
(c) Reserves cash backed - Building	ongoing	Purpose - To be used for the replacement of council properties including housing and other properties.
(d) Reserves cash backed - Yalgoo-Nirngnan Road	ongoing	Purpose - To be used to maintain the sealed Yalgoo Nirngnan Road.
(e) Reserves cash backed - Sports Complex	ongoing	Purpose - For the development of new recreational facilities.
(f) Reserves cash backed - Housing Maintenance	ongoing	Purpose - For the maintenance of staff and other housing owned by the Shire.
(g) Reserves cash backed - General Road	ongoing	Purpose - For the maintenance of grids etc on roads in the Shire.
(h) Reserves cash backed - Community Amenities Maintenance	ongoing	Purpose - For the maintenance of community amenities.
(i) Reserves cash backed - HCP	ongoing	Purpose - For future community projects operating expenditure.
(j) Reserves cash backed - Yalgoo-Morawa Road	ongoing	Purpose - To be used to maintain the sealed Yalgoo Morawa Road.
(k) Reserves cash backed - Superannuation Back-Pay	ongoing	Purpose - For the purpose of paying any superannuation and back pay costs.
(l) Reserves cash backed - Office Equipment	ongoing	Purpose - For the purpose of purchase of new office equipment and the maintenance of existing equipment.
(m) Reserves cash backed - Natural Disaster Trigger Point	ongoing	Purpose - To be used to fund the Shire mandatory contribution when the Shire receives funding for reparation after natural disaster events.
(n) Reserves cash backed - Emergency Road Repairs	ongoing	Purpose - To be used to fund emergency repairs to roads that are damaged by unfunded events (storm damages, vehicular, etc).

5. OTHER FINANCIAL ASSETS

(a) Current assets

Financial assets at amortised cost

2021	2020
\$	\$
2,102,916	0
2,102,916	0

Other financial assets at amortised cost

Term deposits

2,102,916	0
2,102,916	0

(b) Non-current assets

Financial assets at fair value through profit and loss

18,451	17,805
18,451	17,805

Financial assets at fair value through profit and loss

Units in Local Government House Trust

18,451	17,805
18,451	17,805

SIGNIFICANT ACCOUNTING POLICIES

Other financial assets at amortised cost

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

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

Financial assets at fair value through profit and loss

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

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

Impairment and risk

Information regarding impairment and exposure to risk can be found at Note 23.

SHIRE OF YALGOO
 NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
 FOR THE YEAR ENDED 30 JUNE 2021

6. TRADE AND OTHER RECEIVABLES

Current
Rates receivable
Trade and other receivables
GST receivable
Allowance for impairment of receivables
Other receivables - flood damage grant
Other receivables - motor vehicle licences
Accrued Income
Other receivables - ATO FBT refund and fuel credits

2021	2020
\$	\$
368,379	183,762
347,653	599,996
107,087	120,333
(41,424)	(41,983)
2,634	1,110,597
0	632
0	5,546
19,920	0
804,249	1,978,883

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 23.

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 YALGOO
 NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
 FOR THE YEAR ENDED 30 JUNE 2021

7. PROPERTY, PLANT AND EQUIPMENT

(a) Movements in Balances

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

	Land	Buildings - non-specialised	Buildings - specialised	Total land and buildings	Furniture and equipment	Plant and equipment	Total property, plant and equipment
	\$	\$	\$	\$	\$	\$	\$
Balance at 1 July 2019	332,085	1,548,379	7,485,407	9,365,871	35,644	1,914,027	11,315,542
Additions	0	7,482	96,342	103,824	0	613,910	717,734
(Disposals)	0	0	0	0	0	(164,438)	(164,438)
Depreciation (expense)	0	(46,974)	(222,684)	(269,658)	(8,069)	(462,875)	(740,602)
Balance at 30 June 2020	332,085	1,508,887	7,359,065	9,200,037	27,575	1,900,624	11,128,236
Comprises:							
Gross balance amount at 30 June 2020	332,085	1,648,758	7,996,330	9,977,173	54,147	3,252,970	13,284,290
Accumulated depreciation at 30 June 2020	0	(139,871)	(637,265)	(777,136)	(26,572)	(1,352,346)	(2,156,054)
Balance at 30 June 2020	332,085	1,508,887	7,359,065	9,200,037	27,575	1,900,624	11,128,236
Additions	0	0	229,084	229,084	0	828,799	1,057,883
(Disposals)	0	0	0	0	0	(191,820)	(191,820)
Depreciation (expense)	0	(47,197)	(225,595)	(272,792)	(8,070)	(524,414)	(805,276)
Balance at 30 June 2021	332,085	1,461,690	7,362,554	9,156,329	19,505	2,013,189	11,189,023
Comprises:							
Gross balance amount at 30 June 2021	332,085	1,648,758	8,225,414	10,206,257	54,146	3,740,046	14,000,449
Accumulated depreciation at 30 June 2021	0	(187,068)	(862,860)	(1,049,928)	(34,641)	(1,726,857)	(2,811,426)
Balance at 30 June 2021	332,085	1,461,690	7,362,554	9,156,329	19,505	2,013,189	11,189,023

SHIRE OF YALGOO
 NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
 FOR THE YEAR ENDED 30 JUNE 2021

7. PROPERTY, PLANT AND EQUIPMENT (Continued)

(b) Carrying Value Measurements

(i) Fair Value	Asset Class	Fair Value Hierarchy	Valuation Technique	Basis of Valuation	Date of Last Valuation	Inputs Used
	Land and buildings					
	Land	Level 2	Market approach using recent observable market data for similar properties/income approach using discounted cashflow methodology	Independent registered valuer	June 2017	Price per hectare/market borrowing rates
	Buildings - non-specialised	Level 2	Market approach using recent observable market data for similar properties/income approach using discounted cashflow methodology	Independent registered valuer	June 2017	Price per hectare/market borrowing rates
	Buildings - specialised	Level 3	Improvements valued using cost approach using depreciated replacement cost	Independent registered valuer	June 2017	Improvements to land using construction costs (level 2), current condition, residual values and remaining useful life assessments (level 3) inputs
(ii) Cost						
	Furniture and equipment	Level 3	Cost	Cost		Purchase Cost
	Plant and equipment	Level 3	Cost	Cost		Purchase Cost

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 was effective from 1 July 2019 and represented a change in accounting policy. Revaluations carried out previously were not reversed as it was deemed fair value approximated cost at the date of change.

SHIRE OF YALGOO
 NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
 FOR THE YEAR ENDED 30 JUNE 2021

8. INFRASTRUCTURE

(a) Movements in Balances

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

	Infrastructure -		Other		Total Infrastructure
	roads	Airport	infrastructure - Airport	Other infrastructure	
Balance at 1 July 2019	\$ 69,426,290	1,442,343	\$ 3,383,595	\$ 74,252,228	
Additions	679,870	0	62,782	742,652	
Depreciation (expense)	(426,111)	(40,789)	(126,434)	(593,334)	
Balance at 30 June 2020	69,680,049	1,401,554	3,319,943	74,401,546	
Comprises:					
Gross balance at 30 June 2020	80,173,722	2,039,468	3,561,642	85,774,832	
Accumulated depreciation at 30 June 2020	(10,493,673)	(637,914)	(241,699)	(11,373,286)	
Balance at 30 June 2020	69,680,049	1,401,554	3,319,943	74,401,546	
Additions	1,032,932	0	83,961	1,116,893	
Depreciation (expense)	(437,809)	(40,790)	(128,942)	(607,541)	
Balance at 30 June 2021	70,275,172	1,360,764	3,274,962	74,910,898	
Comprises:					
Gross balance at 30 June 2021	81,206,654	2,039,468	3,645,603	86,891,725	
Accumulated depreciation at 30 June 2021	(10,931,482)	(678,704)	(370,641)	(11,980,827)	
Balance at 30 June 2021	70,275,172	1,360,764	3,274,962	74,910,898	

SHIRE OF YALGOO
 NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
 FOR THE YEAR ENDED 30 JUNE 2021

8. INFRASTRUCTURE (Continued)

(b) Carrying Value Measurements

(i) Fair Value	Asset Class	Fair Value Hierarchy	Valuation Technique	Basis of Valuation	Date of Last Valuation	Inputs Used
	Infrastructure - roads	Level 3	Cost approach using depreciated replacement cost	Management valuation	June 2018	Construction costs (level 2), current condition, residual values and remaining useful life assessments (level 3) inputs
	Other infrastructure - Airport	Level 3	Cost approach using depreciated replacement cost	Management valuation	June 2018	Construction costs (level 2), current condition, residual values and remaining useful life assessments (level 3) inputs
	Other infrastructure	Level 3	Cost approach using depreciated replacement cost	Independent registered valuer	June 2018	Construction costs (level 2), current condition, residual values and remaining useful life assessments (level 3) inputs

SHIRE OF YALGOO
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2021

9. FIXED ASSETS

SIGNIFICANT ACCOUNTING POLICIES

Fixed assets

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

Initial recognition and measurement between mandatory revaluation dates

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

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

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

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

Revaluation

The fair value of land, buildings, 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.

AUSTRALIAN ACCOUNTING STANDARDS - INCONSISTENCY Revaluation (Continued)

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.

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, is 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.

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.

SHIRE OF YALGOO
 NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
 FOR THE YEAR ENDED 30 JUNE 2021

9. FIXED ASSETS

(a) Disposals of Assets

	2021 Actual Net Book Value	2021 Actual Sale Proceeds	2021 Actual Profit	2021 Actual Loss	2021 Budget Net Book Value	2021 Budget Sale Proceeds	2021 Budget Profit	2021 Budget Loss	2020 Actual Net Book Value	2020 Actual Sale Proceeds	2020 Actual Profit	2020 Actual Loss
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Plant and equipment	191,820	204,000	16,197	(4,017)	227,043	242,500	48,500	(33,043)	164,438	154,033	17,992	(28,397)
	191,820	204,000	16,197	(4,017)	227,043	242,500	48,500	(33,043)	164,438	154,033	17,992	(28,397)

The following assets were disposed of during the year.

	2021 Actual Net Book Value	2021 Actual Sale Proceeds	2021 Actual Profit	2021 Actual Loss
Plant and Equipment				
Transport				
Side Tipper Trailer	16,439	32,636	16,197	0
Grader	117,197	115,000	0	(2,197)
Motor Vehicle - Works Foreman	58,184	56,364	0	(1,820)
	191,820	204,000	16,197	(4,017)
	191,820	204,000	16,197	(4,017)

SHIRE OF YALGOO
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2021

9. FIXED ASSETS

(b) Depreciation

	2021 Actual	2021 Budget	2020 Actual
	\$	\$	\$
Buildings - non-specialised	47,197	0	46,974
Buildings - specialised	225,595	262,351	222,684
Furniture and equipment	8,070	9,994	8,069
Plant and equipment	524,414	612,152	462,875
Infrastructure - roads	437,809	362,294	426,111
Other infrastructure - Airport	40,790	0	40,789
Other infrastructure	128,942	2,496	126,434
	1,412,817	1,249,287	1,333,936

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
Buildings	35 years
Furniture and equipment	3 to 10 years
Plant and equipment	5 to 10 years
Sealed roads and streets construction/road base	41 years
Clearing and earthworks Seal	not depreciated
- bituminous seals	20 to 30 years
Gravel roads	
Construction/road base	23 years
Gravel sheet	23 years
Formed roads (unsealed)	
Clearing and earthworks	not depreciated
Construction/road base	14 years
Footpaths - slab	not depreciated
Airport infrastructure	40 to 50 years
Other infrastructure	6 to 67 years

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 YALGOO
 NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
 FOR THE YEAR ENDED 30 JUNE 2021

10. REVALUATION SURPLUS

Revaluation surplus - Land - freehold land
 Revaluation surplus - Buildings - specialised
 Revaluation surplus - Furniture and equipment
 Revaluation surplus - Plant and equipment
 Revaluation surplus - Infrastructure - roads
 Revaluation surplus - Other infrastructure - Airport
 Revaluation surplus - Other infrastructure

	2021 Opening Balance	2021 Closing Balance	2020 Opening Balance	2020 Closing Balance
	\$	\$	\$	\$
Revaluation surplus - Land - freehold land	62,000	62,000	62,000	62,000
Revaluation surplus - Buildings - specialised	1,901,848	1,901,848	1,901,848	1,901,848
Revaluation surplus - Furniture and equipment	25,665	25,665	25,665	25,665
Revaluation surplus - Plant and equipment	1,561,098	1,561,098	1,561,098	1,561,098
Revaluation surplus - Infrastructure - roads	49,372,768	49,372,768	49,372,768	49,372,768
Revaluation surplus - Other infrastructure - Airport	1,335,784	1,335,784	1,335,784	1,335,784
Revaluation surplus - Other infrastructure	953,868	953,868	953,868	953,868
	55,213,031	55,213,031	55,213,031	55,213,031

SHIRE OF YALGOO
 NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
 FOR THE YEAR ENDED 30 JUNE 2021

11. TRADE AND OTHER PAYABLES

Current

Sundry creditors	
Prepaid rates	
Accrued salaries and wages	
ATO liabilities	
Bonds and deposits held	
Other sundry liabilities	
Accrued interest on long term borrowings	
Superannuation contributions	

2021	2020
\$	\$
496,766	319,789
29,541	25,043
16,394	87,882
104,157	66,752
15,930	14,786
2,219	3,992
790	1,034
31,283	23,285
697,080	542,563

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 YALGOO
 NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
 FOR THE YEAR ENDED 30 JUNE 2021

12. OTHER LIABILITIES

Current
 Contract liabilities

2021	2020
\$	\$
61,308	98,857
61,308	98,857
61,308	98,857

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.

Liabilities under transfers to acquire or construct non-financial assets to be controlled by the entity

Grant liabilities represent the the Shire's performance obligations to construct recognisable non-financial assets to identified specifications which are yet to be satisfied.

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

SHIRE OF YALGOO
 NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
 FOR THE YEAR ENDED 30 JUNE 2021

Particulars	Date	Unspent Balance	Borrowed	Expended	Unspent
	Borrowed	1 July 2020	During Year	During Year	Balance 30 June 2021
Loan 56 - Purchase of staff housing	31-Dec-14	\$ 123,525	\$ 0	\$ 0	\$ 123,525
* WA Treasury Corporation		123,525	0	0	123,525

	2021	2020
Credit Standby Arrangements		
Bank overdraft limit	50,000	50,000
Bank overdraft at balance date		0
Credit card limit	15,000	15,000
Credit card balance at balance date	(75)	(3,992)
Total amount of credit unused	64,925	61,008
Loan facilities		
Loan facilities - current	105,420	100,652
Loan facilities - non-current	128,910	234,330
Total facilities in use at balance date	234,330	334,982
Unused loan facilities at balance date	NIL	NIL

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 23.

SHIRE OF YALGOO
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2021

14. EMPLOYEE RELATED PROVISIONS

(a) Employee Related Provisions

	Provision for Annual Leave \$	Provision for Long Service Leave \$	Total \$
Opening balance at 1 July 2020			
Current provisions	159,172	32,880	192,052
Non-current provisions	0	56,253	56,253
	159,172	89,133	248,305
Additional provision			
Amounts used	0	12,761	12,761
Balance at 30 June 2021	(33,695)	0	(33,695)
	125,477	101,894	227,371
Comprises			
Current	125,477	46,730	172,207
Non-current	0	55,164	55,164
	125,477	101,894	227,371

Amounts are expected to be settled on the following basis:

Less than 12 months after the reporting date
More than 12 months from reporting date

	2021 \$	2020 \$
Less than 12 months after the reporting date	82,099	66,265
More than 12 months from reporting date	145,272	182,040
	227,371	248,305

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

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

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

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.

15. NOTES TO THE STATEMENT OF CASH FLOWS

Reconciliation of Cash

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

	2021 Actual	2021 Budget	2020 Actual
	\$	\$	\$
Cash and cash equivalents	2,999,589	2,146,176	3,217,062
Reconciliation of Net Cash Provided By Operating Activities to Net Result			
Net result	1,286,212	(248,065)	682,810
Non-cash flows in Net result:			
Adjustments to fair value of financial assets at fair value through profit and loss	(646)	0	(288)
Depreciation on non-current assets	1,412,817	1,249,287	1,333,936
(Profit)/loss on sale of asset	(12,180)	(15,457)	10,405
Changes in assets and liabilities:			
(Increase)/decrease in receivables	1,174,634	1,776,888	(1,632,400)
(Increase)/decrease in contract assets	(37,549)	0	(169,338)
Increase/(decrease) in payables	154,517	(824,104)	60,594
Increase/(decrease) in employee provisions	(20,934)	0	11,141
Non-operating grants, subsidies and contributions	(664,348)	(1,294,110)	(659,346)
Net cash from operating activities	3,292,523	644,439	(362,486)

SHIRE OF YALGOO
 NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
 FOR THE YEAR ENDED 30 JUNE 2021

16. TOTAL ASSETS CLASSIFIED BY FUNCTION AND ACTIVITY

	2021	2020
	\$	\$
Governance	4,407	5,952
General purpose funding	3,484,341	2,448,668
Law, order, public safety	149,627	181,538
Health	923,965	928,795
Housing	2,424,277	2,491,137
Community amenities	1,036,316	915,489
Recreation and culture	6,406,566	6,595,283
Transport	75,071,923	74,838,380
Economic services	2,029,270	1,732,403
Other property and services	494,433	605,887
	<u>92,025,126</u>	<u>90,743,532</u>

17. CONTINGENT LIABILITIES

Shire of Yalgoo has identified the following sites, in relation to land owned, vested or leased, that is known to be, or suspected of being contaminated. As at the date of this report the value and timing of remediation has not been ascertained.

Lot 196, 21 Stanley Street, Yalgoo - Shire depot, contaminated with heavy metals and hydrocarbons, investigation of rehabilitation works is required.

SHIRE OF YALGOO
 NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
 FOR THE YEAR ENDED 30 JUNE 2021

18. CAPITAL AND LEASING COMMITMENTS

	2021	2020
(a) Capital Expenditure Commitments	\$	\$
Contracted for:		
- capital expenditure projects	138,151	341,930
	<u>138,151</u>	<u>341,930</u>
Payable:		
- not later than one year	138,151	341,930

The Shire contracted Willoughby Construction and Murchison Rammed Earth to construct the Yalgoo Caravan Park Chalets. Tender price \$341,930 payments made to 30 June 2021 \$203,779, balance outstanding \$138,151.

(b) Operating Lease Commitments

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

Payable:
 - not later than one year

	2021	2020
	\$	\$
	0	3,594
	<u>0</u>	<u>3,594</u>

SIGNIFICANT ACCOUNTING POLICIES

Leases

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

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

Leases (Continued)

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

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

19. ELECTED MEMBERS REMUNERATION

	2021 Actual	2021 Budget	2020 Actual
	\$	\$	\$
Elected member Cr G Payne			
President's annual allowance	11,000	12,000	11,851
Deputy President's annual allowance	0	0	250
Meeting attendance fees	7,281	7,500	7,770
ICT expenses	3,500	3,500	2,917
Travel and accommodation expenses	832	1,250	2,128
	22,613	24,250	24,916
Elected member Cr G Trenfield			
Deputy President's annual allowance	3,000	3,000	2,250
Meeting attendance fees	3,557	4,500	3,678
ICT expenses	3,500	3,500	3,500
Travel and accommodation expenses	0	1,250	0
	10,057	12,250	9,428
Elected member Cr T Hodder			
Meeting attendance fees	3,321	4,500	4,269
ICT expenses	3,500	3,500	3,500
Travel and accommodation expenses	0	1,250	990
	6,821	9,250	8,759
Elected member Cr P Lawson			
Meeting attendance fees	2,140	4,500	3,205
ICT expenses	3,500	3,500	3,500
Travel and accommodation expenses	0	1,250	238
	5,640	9,250	6,943
Elected member Cr R Valenzuela			
Meeting attendance fees	3,678	4,500	2,497
ICT expenses	3,500	3,500	2,625
Travel and accommodation expenses	0	1,250	0
	7,178	9,250	5,122
Elected member Cr G Simpson			
Meeting attendance fees	2,613	4,500	2,378
ICT expenses	3,208	3,500	2,625
Travel and accommodation expenses	0	1,250	0
	5,821	9,250	5,003
Elected member Cr J Kanny			
President's annual allowance	0	0	2000
Meeting attendance fees	0	0	1,093
ICT expenses	0	0	583
Travel and accommodation expenses	0	0	547
	0	0	4,223
Elected member Cr R Grinham			
Meeting attendance fees	0	0	474
ICT expenses	0	0	1,167
Travel and accommodation expenses	0	0	891
	0	0	2,532
	58,130	73,500	66,926

19. ELECTED MEMBERS REMUNERATION

	2021 Actual	2021 Budget	2020 Actual
	\$	\$	\$
Fees, expenses and allowances to be paid or reimbursed to elected council members.			
President's allowance	11,000	12,000	13,851
Deputy President's allowance	3,000	3,000	2,500
Meeting attendance fees	22,590	30,000	25,364
ICT expenses	20,708	21,000	20,417
Travel and accommodation expenses	832	7,500	4,794
	58,130	73,500	66,926

SHIRE OF YALGOO
 NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
 FOR THE YEAR ENDED 30 JUNE 2021

20. RELATED PARTY TRANSACTIONS

Key Management Personnel (KMP) Compensation Disclosure

	2021 Actual	2020 Actual
The total of remuneration paid to KMP of the Shire during the year are as follows:	\$	\$
Short-term employee benefits	200,323	187,082
Post-employment benefits	20,967	0
Other long-term benefits	15,957	0
	237,248	187,082

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.

SHIRE OF YALGOO
 NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
 FOR THE YEAR ENDED 30 JUNE 2021

20. RELATED PARTY TRANSACTIONS (Continued)

Transactions with related parties

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

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

The following transactions occurred with related parties:	2021 Actual \$	2020 Actual \$
Sale of goods and services	0	1,952
Purchase of goods and services	19,823	6,357
Amounts outstanding from related parties:		
Trade and other receivables	63	1,557
Amounts payable to related parties:		
Trade and other payables	4,701	1,526

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

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

Any entity that is controlled by or over which KMP, or close family members of KMP, have authority and responsibility for planning, directing and controlling the activity of the entity, directly or indirectly, are considered related parties in relation to the Shire.

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 YALGOO
 NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
 FOR THE YEAR ENDED 30 JUNE 2021

20. RATING INFORMATION (Continued)

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

Incentives

The Council offered the following rate incentive scheme in the 2020-21 financial year.

Cash prize of \$1000 made to the first drawn entry of ratepayers who have paid their rates by the due date and in one lump sum.

Rates Discounts

Rate or Fee Discount Granted	Discount %	Discount \$	2021 Actual \$	2021 Budget \$	2020 Actual \$	Circumstances in which Discount is Granted
Rates small balances less than \$10.00	N/A	N/A	0	0	9	
General Rates - Living Cities	N/A	N/A	0	0	28,124	
			0	0	28,133	
Total discounts/concessions (Note 21(a))			0	0	28,133	

Rates small balances less than \$10.00. Rates balances less than \$10.00 are written off.

To write off small rates balances. To reduce administrative costs in endeavouring to collect small balances below \$10.00 in value.

21. RATING INFORMATION (Continued)

(c) Interest Charges & Instalments

Instalment Options	Date Due	Instalment Plan Admin Charge \$	Instalment Plan Interest Rate %	Unpaid Rates Interest Rate %
Option One				
Single full payment	Monday , 12 October 2020	0.00	0.00%	0.00%
Option Three				
First instalment	Monday , 12 October 2020	0.00	0.00%	0.00%
Second instalment	Monday, 14 December 2020	0.00	0.00%	0.00%
Third instalment	Monday , 15 February 2021	0.00	0.00%	0.00%
Fourth instalment	Monday , 19 April 2021	0.00	0.00%	0.00%

	2021 Actual \$	2021 Budget \$	2020 Actual \$
Interest on unpaid rates	13	0	8,568
Interest on instalment plan	0	0	1,456
Charges on instalment plan	184	0	130
	197	0	10,154

SHIRE OF YALGOO
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2021

22. RATE SETTING STATEMENT INFORMATION

	2020/21 (30 June 2021 Carried Forward)	2020/21 Budget (30 June 2021 Carried Forward)	2020/21 (1 July 2020 Brought Forward)	2019/20 (30 June 2020 Carried Forward)
Note	\$	\$	\$	\$
(a) Non-cash amounts excluded from operating activities				
The following non-cash revenue or expenditure has been excluded from amounts attributable to operating activities within the Rate Setting Statement in accordance with <i>Financial Management Regulation 32</i> .				
Adjustments to operating activities				
	Less: Profit on asset disposals			
9(a)	(16,197)	(48,500)	(17,992)	(17,992)
	Less: Fair value adjustments to financial assets at fair value through profit and loss			
	(646)	0	(288)	(288)
	Movement in accrued salaries and wages			
	6,008	0	(48,173)	(48,173)
	Movement in employee benefit provisions (non-current)			
	(20,934)	0	11,141	11,141
	Movement in accrued interest on long term borrowings			
	(243)	0	(3,542)	(3,452)
9(a)	4,017	33,043	28,397	28,397
9(b)	1,412,817	1,249,287	1,333,936	1,333,936
	Non cash amounts excluded from operating activities			
	1,384,822	1,233,830	1,303,479	1,303,569
(b) Surplus/(deficit) after imposition of general rates				
The following current assets and liabilities have been excluded from the net current assets used in the Rate Setting Statement in accordance with <i>Financial Management Regulation 32</i> to agree to the surplus/(deficit) after imposition of general rates.				
Adjustments to net current assets				
	Less: Reserves - cash backed			
4	(2,102,916)	(2,107,544)	(1,636,047)	(1,636,047)
	Add: Current liabilities not expected to be cleared at end of year			
	- Current portion of borrowings			
13(a)	105,420	104,602	100,652	100,652
	- Accrued salaries and wages			
	16,394	10,386	10,386	10,386
	- Accrued interest on long term borrowings			
	790	982	1,033	1,033
	- Employee benefit provisions			
	172,207	192,052	192,052	192,052
	Total adjustments to net current assets			
	(1,808,105)	(1,799,522)	(1,331,924)	(1,331,924)
Net current assets used in the Rate Setting Statement				
	Total current assets			
	5,906,754	2,246,176	5,195,945	5,195,945
	Less: Total current liabilities			
	(1,036,015)	(446,654)	(934,124)	(934,124)
	Less: Total adjustments to net current assets			
	(1,808,105)	(1,799,522)	(1,331,924)	(1,331,924)
	Net current assets used in the Rate Setting Statement			
	3,062,634	0	2,929,897	2,929,897

SHIRE OF YALGOO
 NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
 FOR THE YEAR ENDED 30 JUNE 2021

23. FINANCIAL RISK MANAGEMENT

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

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

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

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

(a) Interest rate risk

Cash and cash equivalents

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

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

	Weighted Average Interest Rate	Carrying Amounts	Fixed Interest Rate	Variable Interest Rate	Non Interest Bearing
	%	\$	\$	\$	\$
2021					
Cash and cash equivalents	0.50%	2,999,589	0	2,999,389	200
2020					
Cash and cash equivalents	0.95%	3,217,062	0	3,216,862	200

Sensitivity

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

Impact of a 1% movement in interest rates on profit and loss and equity*

	2021	2020
	\$	\$
	29,996	32,171

* Holding all other variables constant

Borrowings

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

23. 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. It also encourages ratepayers to pay rates by the due date through incentives.

Credit risk on rates and annual charges is minimised by the ability of the Shire to recover these debts as a secured charge over the land, that is, the land can be sold to recover the debt. Whilst the Shire was historically able to charge interest on overdue rates and annual charges at higher than market rates, which further encourage 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 2020 or 1 July 2021 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.

The loss allowance as at 30 June 2021 for rates receivable was determined as follows:

	Current	More than 1 year past due	More than 2 years past due	More than 3 years past due	Total
30 June 2021					
Rates receivable					
Expected credit loss	0.00%	0.00%	0.00%	65.62%	
Gross carrying amount	61,215	194,234	50,249	62,681	368,379
Loss allowance				41,424	41,424
29 June 2020					
Rates receivable					
Expected credit loss	0.00%	0.00%	0.00%	100.00%	
Gross carrying amount	0	113,267	28,512	41,983	183,762
Loss allowance				41,983	41,983

The loss allowance as at 30 June 2021 and 30 June 2020 was determined as follows for trade receivables.

	Current	More than 30 days past due	More than 60 days past due	More than 90 days past due	Total
30 June 2021					
Trade and other receivables					
Expected credit loss	0.00%	0.00%	0.00%	0.00%	
Gross carrying amount	301,295	0	240	46,118	347,653
29 June 2020					
Trade and other receivables					
Expected credit loss	0.00%	0.00%	0.00%	0.00%	
Gross carrying amount	0	1,036	326,648	272,312	599,996

23. FINANCIAL RISK MANAGEMENT (Continued)

(c) Liquidity risk

Payables and borrowings

Payables and borrowings are both subject to liquidity risk – that is the risk that insufficient funds may be on hand to meet payment obligations as and when they fall due. The Shire manages this risk by monitoring its cash flow requirements and liquidity levels and maintaining an adequate cash buffer. Payment terms can be extended and overdraft facilities drawn upon if required and disclosed in Note 13(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
	\$	\$	\$	\$	\$
2021					
Payables	697,079	0	0	697,079	697,080
Borrowings	116,407	136,991	0	253,398	234,330
Contract liabilities	61,308	0	0	61,308	61,308
	874,794	136,991	0	1,011,785	992,718
2020					
Payables	505,629	0	0	505,629	542,563
Borrowings	100,652	234,330	0	334,982	334,982
	606,281	234,330	0	840,611	877,545

24. EVENTS OCCURRING AFTER THE END OF THE REPORTING PERIOD

The Shire of Yalgoo has not identified any events occurring after the 30 June 2021.

SHIRE OF YALGOO
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2021

25. INITIAL APPLICATION OF AUSTRALIAN ACCOUNTING STANDARDS

During the 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 1059 Service Concession Arrangements: Grantors

"The Shire adopted AASB 1059 Service Concession Arrangements: Grantors on 1 July 2020, which resulted in no changes in accounting policies.

26. TRUST FUNDS

The Shire held no funds at balance date which are required to be held in trust and which are not included in the financial statements.

SHIRE OF YALGOO
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2021

27. 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 end of the reporting period.

SHIRE OF YALGOO
 NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
 FOR THE YEAR ENDED 30 JUNE 2021

28. ACTIVITIES/PROGRAMS

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

PROGRAM NAME AND OBJECTIVES	ACTIVITIES
GOVERNANCE To provide a decision making process for the efficient allocation of scarce resources.	Administration and operation facilities and services to the members of the Council. Other costs that relate to the tasks of assisting elected members and ratepayers on matters which do not concern other specific functions/activities of the Shire are also recorded here.
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 and environmentally conscious community.	Supervision and enforcement of various local laws relating to fire prevention, animal control and other aspects of public safety including emergency services.
HEALTH To provide an operational framework for environmental and community health.	Food quality, pest control and immunisation services.
EDUCATION AND WELFARE To provide services to disadvantaged persons, the elderly, children and youth.	To promote education services through the education initiatives.
HOUSING To provide housing for Shire of Yalgoo staff.	Provision and maintenance of staff, rental and Joint Venture Housing.
COMMUNITY AMENITIES To provide services required by the community.	Rubbish collection services, operation of rubbish disposal sites, noise control, litter control, administration of town planning schemes, strategic planning, maintenance of the cemetery, public conveniences and town storm water drainage.
RECREATION AND CULTURE To establish and effectively manage infrastructure and resources which will help the social well being of the community.	Maintenance of public halls, water park, recreation grounds and various reserves. The operation of library and maintenance of cultural heritage assets and TV/radio transmission services.
TRANSPORT To provide safe, effective and efficient transport services to the community.	Construction and maintenance of roads, streets, footpaths, drainage works, lighting of streets, maintenance of the depot and airstrips.
ECONOMIC SERVICES To help promote the shire and its economic wellbeing.	Regulation and provision of tourism services including the caravan park, area promotion, community activities, building control, noxious weeds and vermin control.
OTHER PROPERTY AND SERVICES To monitor and control Shire's overheads operating accounts.	Private works operation, plant repair and operation costs and engineering operation costs.

29. FINANCIAL RATIOS

	2021 Actual	2020 Actual	2019 Actual
Current ratio	5.80	3.76	3.68
Asset consumption ratio	0.85	0.85	0.86
Asset renewal funding ratio	N/A	0.98	0.97
Asset sustainability ratio	1.11	0.86	0.09
Debt service cover ratio	17.66	9.75	11.77
Operating surplus ratio	0.21	0.01	0.04
Own source revenue coverage ratio	0.55	0.53	0.40

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