

SHIRE OF MT MARSHALL
FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2022

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The Shire of Mt Marshall conducts the operations of a local government with the following community vision:

Build an active, safe and vibrant community with shared social values based on mutual respect and fairness.

Principal place of business:
80 Monger Street
Bencubbin
WA 6477

**SHIRE OF MT MARSHALL
FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2022**

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

STATEMENT BY CHIEF EXECUTIVE OFFICER

The attached financial report of the Shire of Mt Marshall for the financial year ended 30 June 2022 is based on proper accounts and records to present fairly the financial position of the Shire of Mt Marshall at 30 June 2022 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

12th

day of

April

2023



Chief Executive Officer

Ben McKay

Name of Chief Executive Officer

SHIRE OF MT MARSHALL
STATEMENT OF COMPREHENSIVE INCOME
BY NATURE OR TYPE
FOR THE YEAR ENDED 30 JUNE 2022

	NOTE	2022 Actual	2022 Budget	Restated * 2021 Actual
		\$	\$	\$
Revenue				
Rates	27(a),2(a)	1,522,430	1,519,248	1,452,598
Operating grants, subsidies and contributions	2(a)	3,897,512	1,769,917	2,724,514
Fees and charges	26(c),2(a)	629,952	717,422	727,945
Interest earnings	2(a)	28,364	30,144	33,902
Other revenue	2(a)	304,208	87,724	181,235
		6,382,466	4,124,455	5,120,194
Expenses				
Employee costs		(1,446,082)	(1,739,250)	(1,595,377)
Materials and contracts		(2,059,909)	(1,530,935)	(1,279,999)
Utility charges		(253,740)	(115,900)	(243,628)
Depreciation	10(a)	(3,144,467)	(2,906,935)	(3,063,330)
Finance costs	2(b)	(44,456)	(40,058)	(41,927)
Insurance		(207,758)	(164,403)	(190,786)
Other expenditure	2(b)	(137,862)	(137,520)	(145,495)
		(7,294,274)	(6,635,001)	(6,560,542)
		(911,808)	(2,510,546)	(1,440,348)
Capital grants, subsidies and contributions	2(a)	1,599,751	2,935,614	1,795,873
Profit on asset disposals	10(d)	89,889	44,000	52,369
Loss on asset disposals	10(d)	(74,959)	(149,000)	(65,859)
Fair value adjustments to financial assets at fair value through profit or loss		3,997	0	2,586
		1,618,678	2,830,614	1,784,969
Net result for the period	26(b)	706,870	320,068	344,621
Other comprehensive income for the period				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Changes in asset revaluation surplus	17	350,222	0	0
Total other comprehensive income for the period	17	350,222	0	0
Total comprehensive income for the period		1,057,092	320,068	344,621

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

* Refers to Note 32 'Correction of Prior Period Errors'

SHIRE OF MT MARSHALL
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2022

	NOTE	2022 \$	2021 Restated \$	1 July 2020 Restated * \$
CURRENT ASSETS				
Cash and cash equivalents	3	3,165,353	2,627,918	3,595,948
Trade and other receivables	5	257,853	219,496	188,186
Other financial assets	4(a)	10,279	9,894	9,524
Inventories	6	16,417	5,582	14,385
Other assets	7	286,478	169,552	5,476
TOTAL CURRENT ASSETS		3,736,380	3,032,442	3,813,519
NON-CURRENT ASSETS				
Trade and other receivables	5	2,744	1,737	1,078
Other financial assets	4(b)	271,621	277,903	285,211
Property, plant and equipment	8	18,242,745	17,953,998	18,153,872
Infrastructure	9	91,675,945	91,536,262	90,217,920
Right-of-use assets	11(a)	113,624	130,861	148,098
TOTAL NON-CURRENT ASSETS		110,306,679	109,900,761	108,806,179
TOTAL ASSETS		114,043,059	112,933,203	112,619,698
CURRENT LIABILITIES				
Trade and other payables	12	662,041	531,812	455,245
Other liabilities	13	1,398	17,418	5,129
Lease liabilities	11(b)	11,348	10,932	10,533
Borrowings	14	48,264	46,458	44,720
Employee related provisions	15	190,185	207,109	249,325
TOTAL CURRENT LIABILITIES		913,236	813,729	764,952
NON-CURRENT LIABILITIES				
Lease liabilities	11(b)	64,741	76,089	87,021
Borrowings	14	910,088	958,353	1,004,811
Employee related provisions	15	28,487	15,617	38,120
Other provisions	16	52,530	52,530	52,530
TOTAL NON-CURRENT LIABILITIES		1,055,846	1,102,589	1,182,482
TOTAL LIABILITIES		1,969,082	1,916,318	1,947,434
NET ASSETS		112,073,977	111,016,885	110,672,264
EQUITY				
Retained surplus		83,992,682	83,359,386	82,200,448
Reserve accounts	30	717,820	644,246	1,458,563
Revaluation surplus	17	27,363,475	27,013,253	27,013,253
TOTAL EQUITY		112,073,977	111,016,885	110,672,264

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

SHIRE OF MT MARSHALL
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2022

	NOTE	RETAINED SURPLUS \$	RESERVE ACCOUNTS \$	REVALUATION SURPLUS \$	TOTAL EQUITY \$
Balance as at 1 July 2020		82,120,454	1,458,563	28,420,044	110,672,264
Correction of prior period error	32	79,994	0	(1,406,791)	(1,326,797)
Restated balance at the beginning of the financial year		82,200,448	1,458,563	27,013,253	110,672,264
Comprehensive income for the period					
Net result for the period		344,621	0	0	344,621
Total comprehensive income for the period		344,621	0	0	344,621
Transfers from reserves	30	819,996	(819,996)	0	0
Transfers to reserves	30	(5,679)	5,679	0	0
Balance as at 30 June 2021		83,359,386	644,246	27,013,253	111,016,885
Comprehensive income for the period					
Net result for the period		706,870	0	0	706,870
Other comprehensive income for the period	17	0	0	350,222	350,222
Total comprehensive income for the period		706,870	0	350,222	1,057,092
Transfers to reserves	30	(73,574)	73,574	0	0
Balance as at 30 June 2022		83,992,682	717,820	27,363,475	112,073,977

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

**SHIRE OF MT MARSHALL
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2022**

	NOTE	2022 Actual \$	2022 Budget \$	2021 Actual \$
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts				
Rates		1,574,425	1,519,248	1,469,772
Operating grants, subsidies and contributions		3,746,117	1,769,917	2,758,503
Fees and charges		627,663	717,422	727,945
Interest received		28,364	30,144	33,902
Goods and services tax received		511,931	208,982	148,372
Other revenue		304,208	87,724	181,235
		6,792,708	4,333,437	5,319,729
Payments				
Employee costs		(1,460,150)	(1,739,250)	(1,678,341)
Materials and contracts		(2,047,104)	(1,530,935)	(1,200,609)
Utility charges		(253,740)	(115,900)	(243,628)
Finance costs		(41,389)	(40,058)	(42,229)
Insurance paid		(207,758)	(164,403)	(190,786)
Goods and services tax paid		(462,906)	(208,982)	(208,982)
Other expenditure		(140,151)	(137,520)	(145,495)
		(4,613,198)	(3,937,048)	(3,710,070)
Net cash provided by (used in) operating activities	18(b)	2,179,510	396,389	1,609,659
CASH FLOWS FROM INVESTING ACTIVITIES				
Payments for purchase of property, plant & equipment	8(a)	(1,245,140)	(3,024,478)	(2,342,282)
Payments for construction of infrastructure	9(a)	(2,382,488)	(2,210,204)	(2,139,687)
Non-operating grants, subsidies and contributions		1,595,930	2,935,614	1,646,091
Proceeds from financial assets at amortised cost - self supporting loans		9,894	9,894	9,524
Proceeds from sale of property, plant & equipment	10(d)	437,120	390,000	303,918
Net cash provided by (used in) investing activities		(1,584,684)	(1,899,174)	(2,522,436)
CASH FLOWS FROM FINANCING ACTIVITIES				
Repayment of borrowings	29(a)	(46,459)	(46,459)	(44,720)
Payments for principal portion of lease liabilities	29(c)	(10,932)	(10,933)	(10,533)
Proceeds from new borrowings	29(a)	0	150,000	0
Net cash provided by (used in) financing activities		(57,391)	92,608	(55,253)
Net increase (decrease) in cash held		537,435	(1,410,177)	(968,030)
Cash at beginning of year		2,627,918	2,627,918	3,595,948
Cash and cash equivalents at the end of the year	18(a)	3,165,353	1,217,741	2,627,918

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

SHIRE OF MT MARSHALL
RATE SETTING STATEMENT
FOR THE YEAR ENDED 30 JUNE 2022

		2022 Actual	2022 Budget	Restated * 2021 Actual
	NOTE	\$	\$	\$
NET CURRENT ASSETS - At start of financial year - surplus/(deficit)	28(b)	1,722,015	1,503,656	1,735,348
OPERATING ACTIVITIES				
Revenue from operating activities (excluding general rate)				
Rates (excluding general rate)	27(b)	53,022	52,724	54,478
Operating grants, subsidies and contributions		3,897,512	1,769,917	2,724,514
Fees and charges		629,952	717,422	727,945
Interest earnings		28,364	30,144	33,902
Other revenue		304,208	87,724	181,235
Profit on asset disposals	10(d)	89,889	44,000	52,369
Fair value adjustments to financial assets at fair value through profit or loss		3,997	0	2,586
		5,006,944	2,701,931	3,777,029
Expenditure from operating activities				
Employee costs		(1,446,082)	(1,739,250)	(1,595,377)
Materials and contracts		(2,059,909)	(1,530,935)	(1,279,999)
Utility charges		(253,740)	(115,900)	(243,628)
Depreciation		(3,144,467)	(2,906,935)	(3,063,330)
Finance costs		(44,456)	(40,058)	(41,927)
Insurance		(207,758)	(164,403)	(190,786)
Other expenditure		(137,862)	(137,520)	(145,495)
Loss on asset disposals	10(d)	(74,959)	(149,000)	(65,859)
		(7,369,233)	(6,784,001)	(6,626,401)
Non-cash amounts excluded from operating activities	28(a)	3,137,646	3,012,714	3,051,509
Amount attributable to operating activities		775,357	(1,069,356)	202,137
INVESTING ACTIVITIES				
Non-operating grants, subsidies and contributions		1,599,751	2,935,614	1,795,873
Proceeds from disposal of assets	10(d)	437,120	390,000	303,918
Proceeds from financial assets at amortised cost - self supporting loans	29(a)	9,894	9,894	9,524
Purchase of property, plant and equipment	8(a)	(1,245,140)	(3,024,478)	(2,342,282)
Purchase and construction of infrastructure	9(a)	(2,382,488)	(2,210,204)	(2,139,687)
Amount attributable to investing activities		(1,580,863)	(1,899,174)	(2,372,654)
FINANCING ACTIVITIES				
Repayment of borrowings	29(a)	(46,459)	(46,459)	(44,720)
Proceeds from borrowings	29(a)	0	150,000	0
Payments for principal portion of lease liabilities	29(c)	(10,932)	(10,933)	(10,533)
Transfers to reserves (restricted assets)	30	(73,574)	(94,258)	(5,679)
Transfers from reserves (restricted assets)	30	0	0	819,996
Amount attributable to financing activities		(130,965)	(1,650)	759,064
Surplus/(deficit) before imposition of general rates		785,544	(1,466,524)	323,895
Total amount raised from general rates	27(a)	1,469,408	1,466,524	1,398,120
Surplus/(deficit) after imposition of general rates	28(b)	2,254,952	0	1,722,015

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

SHIRE OF MT MARSHALL
FOR THE YEAR ENDED 30 JUNE 2022
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SHIRE OF MT MARSHALL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2022

1. BASIS OF PREPARATION

The financial report comprises general purpose financial statements which have been prepared in accordance with the Local Government Act 1995 and accompanying regulations.

Local Government Act 1995 Requirements
Section 6.4(2) of the Local Government Act 1995 read with the Local Government (Financial Management) Regulations 1996 prescribe that the financial report be prepared in accordance with the Local Government Act 1995 and, to the extent that they are not inconsistent with the Act, the Australian Accounting Standards. The Australian Accounting Standards (as they apply to local governments and not-for-profit entities) and interpretations of the Australian Accounting Standards Board were applied where no inconsistencies exist.

The Local Government (Financial Management) Regulations 1996 specify that vested land is a right-of-use asset to be measured at cost, and is considered a zero cost concessionary lease. All right-of-use assets under zero cost concessionary leases are measured at zero cost rather than at fair value, except for 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.

All monies held in the Trust Fund are excluded from the financial statements. A separate statement of those monies appears at Note 31 of the financial report.

Judgements and 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:

- estimated fair value of certain financial assets
- impairment of financial assets
- estimation of fair values of land and buildings, and infrastructure.
- estimation uncertainties made in relation to lease accounting

SHIRE OF MT MARSHALL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2022

2. REVENUE AND EXPENSES

(a) Revenue

Contracts with customers

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	Timing of revenue recognition
Rates	General Rates	Over time	Payment dates adopted by Council during the year	None	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	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	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	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	Output method based on project milestones and/or completion date matched to performance obligations as inputs are shared
Grants with no contractual commitments	General appropriations and contributions with no specific contractual commitments	No obligations	Not applicable	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	On payment and issue of the licence, registration or approval
Waste management collections	Kerbside collection service	Over time	Payment on an annual basis in advance	None	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	On entry to facility
Airport landing charges	Permission to use facilities and runway	Single point in time	Monthly in arrears	None	On landing/departure event
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	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	Output method based on goods

SHIRE OF MT MARSHALL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2022

2. REVENUE AND EXPENSES (Continued)

Revenue Recognition (Continued)

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

Revenue recognised during the year under each basis of recognition by nature or types of goods or services is provided in the table below:

For the year ended 30 June 2022

Nature or type	Contracts with customers	Capital grant/contributions	Statutory Requirements	Other	Total
	\$	\$	\$	\$	\$
Rates	0	0	1,522,430	0	1,522,430
Operating grants, subsidies and contributions	121,087	0	0	3,776,425	3,897,512
Fees and charges	5,884	0	0	624,068	629,952
Interest earnings	0	0	12,436	15,928	28,364
Other revenue	39,092	0	0	265,116	304,208
Non-operating grants, subsidies and contributions	0	1,599,751	0	0	1,599,751
Total	166,063	1,599,751	1,534,866	4,681,537	7,982,217

For the year ended 30 June 2021

Nature or type	Contracts with customers	Capital grant/contributions	Statutory Requirements	Other	Total
	\$	\$	\$	\$	\$
Rates	0	0	1,452,598	0	1,452,598
Operating grants, subsidies and contributions	95,079	0	0	2,629,435	2,724,514
Fees and charges	8,974	0	0	718,971	727,945
Interest earnings	0	0	14,734	19,168	33,902
Other revenue	49,053	0	0	132,182	181,235
Non-operating grants, subsidies and contributions	0	1,795,873	0	0	1,795,873
Total	153,106	1,795,873	1,467,332	3,499,756	6,916,067

Note	2022 Actual	2022 Budget	2021 Actual
	\$	\$	\$
(a) Revenue (Continued)			
Interest earnings			
Financial assets at amortised cost - self supporting loans	8,797	8,144	8,450
Interest on reserve funds	1,589	5,000	5,678
Rates instalment and penalty interest (refer Note 27(f))	11,086	12,000	12,898
Other interest earnings	6,892	5,000	6,876
	28,364	30,144	33,902
(b) Expenses			
Auditors remuneration			
- Audit of the Annual Financial Report	46,500	55,000	46,500
- Other services	1,800	0	1,800
	48,300	55,000	48,300
Finance costs			
Borrowings 29(a)	41,309	38,242	39,680
Lease liabilities 29(c)	3,147	1,816	2,247
	44,456	40,058	41,927
Other expenditure			
Impairment losses on rates receivables	0	1,500	0
Impairment losses on receivables from contracts with customers	(2,289)	0	2,013
Sundry expenses	140,151	136,020	143,482
	137,862	137,520	145,495

SHIRE OF MT MARSHALL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2022

3. CASH AND CASH EQUIVALENTS

Cash at bank and on hand
Term deposits
Total cash and cash equivalents

Held as
- Unrestricted cash and cash equivalents
- Restricted cash and cash equivalents

Note	2022	2021
	\$	\$
	3,165,353	1,983,672
	0	644,246
18(a)	3,165,353	2,627,918
	2,442,857	1,952,349
18(a)	722,496	675,569
	3,165,353	2,627,918

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.

Bank overdrafts are reported as short term borrowings in current liabilities in the statement of financial position.

Term deposits are presented as cash equivalents if they have a maturity of three months or less from the date of acquisition and are repayable with 24 hours notice with no loss of interest.

Restricted financial assets

Restricted financial asset balances are not available for general use by the local government due to externally imposed restrictions. Restrictions are specified in an agreement, contract or legislation. This applies to reserves and unspent grants, subsidies and contributions.

Details of restrictions on financial assets can be found at Note 18.

4. OTHER FINANCIAL ASSETS

(a) Current assets

Financial assets at amortised cost

Other financial assets at amortised cost

Self supporting loans receivable

Held as
- Unrestricted other financial assets at amortised cost

(b) Non-current assets

Financial assets at amortised cost
Financial assets at fair value through profit and loss

Financial assets at amortised cost

Self supporting loans receivable

Financial assets at fair value through profit and loss

Units in Local Government House Trust

	2022	2021
	\$	\$
	10,279	9,894
	10,279	9,894
28(b)	10,279	9,894
	10,279	9,894
	10,279	9,894
	10,279	9,894
	193,817	204,096
	77,804	73,807
	271,621	277,903
	193,817	204,096
	193,817	204,096
	77,804	73,807
	77,804	73,807

Loans receivable from clubs/institutions have the same terms and conditions as the related borrowing disclosed in Note 29(a) as self supporting loans. Fair value of financial assets at fair value through profit and loss is determined from the net asset value of the units held in Trust at balance date as compiled by WALGA.

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.

Fair values of financial assets at amortised cost are not materially different to their carrying amounts, since the interest receivable on those assets is either close to current market rates or the assets are of a short term nature. Non-current financial assets at amortised cost fair values are based on discounted cash flows using a current market rates. They are classified as level 2 fair values in the fair value hierarchy (see Note 25 (i)) due to the observable market rates.

Interest received is presented under cashflows from operating activities in the Statement of Cash Flows where it is earned from financial assets that are held for cash management purposes.

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 MT MARSHALL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2022

5. TRADE AND OTHER RECEIVABLES

Current

Rates receivable	
Trade and other receivables	
GST receivable	
Receivables for employee related provisions	15
Allowance for credit losses of trade and other receivables	23(b)

Note	2022	2021
	\$	\$
	65,119	121,511
	150,664	14,342
	37,446	86,471
	5,163	0
	(539)	(2,828)
	257,853	219,496
	2,744	1,737
	2,744	1,737

Non-current

Pensioner's rates and ESL deferred

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 grants, contributions, reimbursements, and goods sold and services performed in the ordinary course of business.

Trade and other receivables are recognised initially at the amount of consideration that is unconditional, unless they contain significant financing components, when they are recognised at fair value.

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.

Classification and subsequent measurement

Receivables which are generally due for settlement within 30 days except rates receivables which are expected to be collected within 12 months are classified as current assets. All other receivables such as, deferred pensioner rates receivable after the end of the reporting period are classified as non-current assets.

Trade and other receivables are held with the objective to collect the contractual cashflows and therefore the Shire 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 MT MARSHALL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2022

6. INVENTORIES

	Note	2022	2021
Current		\$	\$
Fuel and materials		16,417	5,582
		<u>16,417</u>	<u>5,582</u>

The following movements in inventories occurred during the year:

Balance at beginning of year	5,582	14,385
Inventories expensed during the year	(173,330)	(8,803)
Additions to inventory	184,165	0
Balance at end of year	<u>16,417</u>	<u>5,582</u>

SIGNIFICANT ACCOUNTING POLICIES

General

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

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

SHIRE OF MT MARSHALL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2022

7. OTHER ASSETS

Other assets - current

Prepayments
 Accrued income
 Contract assets

2022	2021
\$	\$
6,690	9,407
2,094	5,144
277,694	155,001
286,478	169,552

SIGNIFICANT ACCOUNTING POLICIES

Other current assets

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

Contract assets

Contract assets primarily relate to the Shire's right to . consideration for work completed but not billed at the end of the period.

Impairment of assets associated with contracts with customers are detailed at note 2 (b).

SHIRE OF MT MARSHALL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2022

8. 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.

	Note	Land	Buildings - non- specialised	Buildings - specialised	Total land and buildings	Furniture and equipment	Plant and equipment	Motor vehicles	Work in progress - PPE	Total property, plant and equipment
		\$	\$	\$	\$	\$	\$	\$	\$	\$
Restated balance at 1 July 2020		644,841	2,317,954	11,447,137	14,409,932	11,579	3,287,653	444,708	0	18,153,872
Additions		0	1,864,112	0	1,864,112	0	249,155	229,015	0	2,342,282
Disposals		0	0	0	0	0	(111,856)	(205,552)	0	(317,408)
Depreciation	10(a)	0	(115,530)	(339,544)	(455,074)	(3,860)	(465,615)	(52,096)	0	(976,645)
Transfers (to)/from infrastructure		0	(1,713,394)	465,291	(1,248,103)	0	0	0		(1,248,103)
Balance at 30 June 2021		644,841	2,353,142	11,572,884	14,570,867	7,719	2,959,337	416,075	0	17,953,998
Comprises:										
Gross balance amount at 30 June 2021		644,841	2,689,466	12,865,036	16,199,343	186,861	4,269,662	491,680	0	21,147,546
Accumulated depreciation at 30 June 2021		0	(336,324)	(1,292,152)	(1,628,476)	(179,142)	(1,310,325)	(75,605)	0	(3,193,548)
Balance at 30 June 2021		644,841	2,353,142	11,572,884	14,570,867	7,719	2,959,337	416,075	0	17,953,998
Additions		0	46,670	236,430	283,100	0	686,550	275,490	0	1,245,140
Disposals		(13,783)	(19,906)	(155)	(33,844)	0	(194,843)	(193,503)	0	(422,190)
Revaluation increments / (decrements) transferred to revaluation surplus		96,511	(124,095)	377,806	350,222	0	0	0	0	350,222
Depreciation	10(a)	0	(65,037)	(398,541)	(463,578)	(3,859)	(402,916)	(52,655)	0	(923,008)
Transfers (to)/from infrastructure		0	(252,896)	216,276	(36,620)	0	0	0	75,203	38,583
Balance at 30 June 2022		727,569	1,937,878	12,004,700	14,670,147	3,860	3,048,128	445,407	75,203	18,242,745
Comprises:										
Gross balance amount at 30 June 2022		727,569	1,937,878	12,004,700	14,670,147	186,861	4,615,450	527,316	75,203	20,074,977
Accumulated depreciation at 30 June 2022		0	0	0	0	(183,001)	(1,567,322)	(81,909)	0	(1,832,232)
Balance at 30 June 2022		727,569	1,937,878	12,004,700	14,670,147	3,860	3,048,128	445,407	75,203	18,242,745

SHIRE OF MT MARSHALL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2022

8. PROPERTY, PLANT AND EQUIPMENT (Continued)

(b) Carrying Value Measurements

Asset Class	Fair Value Hierarchy	Valuation Technique	Basis of Valuation	Date of Last Valuation	Inputs Used
(i) Fair Value					
Land and buildings					
Land - freehold land	2	Market approach using recent observable market data for similar properties	Independent registered valuers	June 2022	Price per hectare
Buildings - non-specialised	2	Market approach using recent observable market data for similar properties	Independent registered valuers	June 2022	Price per square metre
Buildings - specialised	3	Improvements to land valued using cost approach using depreciated replacement cost	Independent registered valuers	June 2022	Improvements to buildings using construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs
Level 3 inputs are based on assumptions with regards to future values and patterns of consumption utilising current information. If the basis of these assumptions were varied, they have the potential to result in a significantly higher or lower fair value measurement.					
During the period there were no changes in the valuation techniques used by the local government to determine the fair value of property, plant and equipment using either level 2 or level 3 inputs.					
(ii) Cost					
Furniture and equipment		Cost	Cost		Purchase Cost
Plant and equipment		Cost	Cost		Purchase Cost
Motor vehicles		Cost	Cost		Purchase Cost

SHIRE OF MT MARSHALL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2022

9. 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.

	Note	Infrastructure - roads	Infrastructure - footpaths	Infrastructure - parks and ovals	Infrastructure - playground equipment	Infrastructure - airports	Infrastructure - other	Work in progress - infrastructure	Total Infrastructure
		\$	\$	\$	\$	\$	\$	\$	\$
Balance at 1 July 2020		84,317,666	849,007	333,437	115,205	1,047,292	3,555,313	0	90,217,920
Additions		1,898,893	20,160	200,853	0	19,781	0	0	2,139,687
Depreciation	10(a)	(1,824,305)	(21,891)	(63,470)	(5,149)	(20,868)	(133,765)	0	(2,069,448)
Transfers (to)/from property, plant and equipment		0	0	0	0	0	1,248,103	0	1,248,103
Balance at 30 June 2021		84,392,254	847,276	470,820	110,056	1,046,205	4,669,651	0	91,536,262
Comprises:									
Gross balance at 30 June 2021		120,604,036	1,233,711	1,146,304	190,934	1,092,878	7,806,224	0	132,074,087
Accumulated depreciation at 30 June 2021		(36,211,782)	(386,435)	(675,484)	(80,878)	(46,673)	(3,136,573)	0	(40,537,825)
Balance at 30 June 2021		84,392,254	847,276	470,820	110,056	1,046,205	4,669,651	0	91,536,262
Additions		2,097,299	0	187,394	0	5,221	92,574	0	2,382,488
Depreciation	10(a)	(1,940,550)	(22,261)	(57,684)	(5,149)	(21,532)	(157,046)	0	(2,204,222)
Transfers (to)/from property, plant and equipment		0	0	(46,417)	7,140	(19,821)	9,098	11,417	(38,583)
Balance at 30 June 2022		84,549,003	825,015	554,113	112,047	1,010,073	4,614,277	11,417	91,675,945
Comprises:									
Gross balance at 30 June 2022		122,701,335	1,233,711	1,287,281	198,074	1,078,278	7,907,897	11,417	134,417,993
Accumulated depreciation at 30 June 2022		(38,152,332)	(408,696)	(733,168)	(86,027)	(68,205)	(3,293,620)	0	(42,742,048)
Balance at 30 June 2022		84,549,003	825,015	554,113	112,047	1,010,073	4,614,277	11,417	91,675,945

SHIRE OF MT MARSHALL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2022

9. INFRASTRUCTURE (Continued)

(b) Carrying Value Measurements

Asset Class	Fair Value Hierarchy	Valuation Technique	Basis of Valuation	Date of Last Valuation	Inputs Used
(i) Fair Value					
Infrastructure - roads	3	Cost approach using depreciated replacement cost	Management valuation	June 2018	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs
Infrastructure - footpaths	3	Cost approach using depreciated replacement cost	Management valuation	June 2018	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs
Infrastructure - parks and ovals	3	Cost approach using depreciated replacement cost	Management valuation	June 2018	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs
Infrastructure - playground equipment	3	Cost approach using depreciated replacement cost	Management valuation	June 2018	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs
Infrastructure - airports	3	Cost approach using depreciated replacement cost	Management valuation	June 2018	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs
Infrastructure - other	3	Cost approach using depreciated replacement cost	Management valuation	June 2018	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs

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

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

SHIRE OF MT MARSHALL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2022

10. FIXED ASSETS

(a) Depreciation

	Note	2022 Actual \$	2022 Budget \$	2021 Actual \$
Buildings - non-specialised	8(a)	65,037	108,563	115,530
Buildings - specialised	8(a)	398,541	347,405	339,544
Furniture and equipment	8(a)	3,859	3,626	3,860
Plant and equipment	8(a)	402,916	437,537	465,615
Motor vehicles	8(a)	52,655	48,955	52,096
Infrastructure - roads	9(a)	1,940,550	1,714,292	1,824,305
Infrastructure - footpaths	9(a)	22,261	20,571	21,891
Infrastructure - parks and ovals	9(a)	57,684	59,642	63,470
Infrastructure - playground equipment	9(a)	5,149	4,838	5,149
Infrastructure - airports	9(a)	21,532	19,610	20,868
Infrastructure - other	9(a)	157,046	125,699	133,765
Right-of-use assets - land	11(a)	14,971	14,069	14,972
Right-of-use assets - furniture and equipment	11(a)	2,266	2,128	2,265
		3,144,467	2,906,935	3,063,330

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	3 to 50 years
Furniture and equipment	4 to 10 years
Plant and equipment	4 to 15 years
Sealed roads and streets	
formation	not depreciated
pavement	50 to 60 years
seal	
- bituminous seals	20 years
- asphalt surfaces	25 years
Gravel roads	
formation	not depreciated
pavement	40 years
Road signs	15 years
Footpaths - slab	56 years
Sewerage piping	100 to 110 years
Water supply piping and drainage systems	20 to 120 years
Right of use (land)	Based on the remaining lease
Right of use (furniture and equipment)	Based on the remaining lease
Parks and ovals	8 to 30 years
Playground equipment	10 to 50 years
Airstrips	25 to 50 years
Other infrastructure	10 to 50 years

(b) Temporarily Idle or retired from use assets

The carrying value of assets held by the Shire which are temporarily idle or retired from active use and not classified as held for sale are shown in the table below.

	2022 \$	2021 \$
Furniture and equipment	0	14,999
Plant and equipment	1,800	0
	1,800	14,999

(c) Fully Depreciated Assets in Use

The gross carrying value of assets held by the Shire which are currently in use yet fully depreciated are shown in the table below.

	2022 \$	2021 \$
Furniture and equipment	148,268	148,268
	148,268	148,268

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FOR THE YEAR ENDED 30 JUNE 2022

10. FIXED ASSETS (Continued)

(d) Disposals of assets

	2022 Actual Net Book Value	2022 Actual Sale Proceeds	2022 Actual Profit	2022 Actual Loss	2022 Budget Net Book Value	2022 Budget Sale Proceeds	2022 Budget Profit	2022 Budget Loss	2021 Actual Net Book Value	2021 Actual Sale Proceeds	2021 Actual Profit	2021 Actual Loss
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Land - freehold land	13,783	7,472	0	(6,311)	0	0	0	0	0	0	0	0
Buildings - non-specialised	19,906	7,966		(11,940)	79,000	50,000	0	(29,000)	0	0	0	0
Buildings - specialised	155	0		(155)	0	0	0	0	0	0	0	0
Plant and equipment	194,843	198,954	56,740	(52,629)	416,000	340,000	44,000	(120,000)	111,856	127,037	28,513	(13,332)
Motor vehicles	193,503	222,728	33,149	(3,924)	0	0	0	0	205,552	176,881	23,856	(52,527)
	422,190	437,120	89,889	(74,959)	495,000	390,000	44,000	(149,000)	317,408	303,918	52,369	(65,859)

The following assets were disposed of during the year.

	2022 Actual Net Book Value	2022 Actual Sale Proceeds	2022 Actual Profit	2022 Actual Loss
	\$	\$	\$	\$
Plant and Equipment				
Transport				
2012 Volvo G930 motor grader	137,047	84,418	0	(52,629)
Side Tipper trailer	24,913	31,000	6,087	0
2008 Hino Fs1Elkd T/A tip truck	32,883	83,536	50,653	0
	194,843	198,954	56,740	(52,629)
Motor Vehicles				
Governance				
2022 Toyota Prado	56,314	59,091	2,777	0
2021 Toyotal Landcruiser 200	64,965	88,182	23,217	0
Education and welfare				
2019 Isuzu D Max	25,572	32,727	7,155	0
Transport				
Ford Ranger Xls dual cab	30,523	27,273	0	(3,250)
2017 Mitsubishi MQ Triton	16,129	15,455	0	(674)
	193,503	222,728	33,149	(3,924)
Land				
Housing				
8 Dunne Street, Beacon	3,783	0	0	(3,783)
Economic services				
Lot 233 (7) Baxter St, Bencubbin	10,000	7,472	0	(2,528)
	13,783	7,472	0	(6,311)
Buildings				
Recreation and culture				
1 Brown Street, Bencubbin - Aquatic Centre Metal Shed	155	0	0	(155)
Housing				
8 Dunne Street, Beacon	19,906	7,966	0	(11,940)
	20,061	7,966	0	(12,095)
	422,190	437,120	89,889	(74,959)

10. FIXED ASSETS (Continued)

SIGNIFICANT ACCOUNTING POLICIES

Fixed assets

Each class of fixed assets within either property, 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 for assets held at cost

Plant and equipment including furniture and equipment is recognised at cost on acquisition in accordance with *Financial Management Regulation 17A*. Where acquired at no cost the asset is initially recognised at fair value. Assets held at cost are depreciated and assessed for indicators of impairment annually.

Initial recognition and measurement between mandatory revaluation dates for assets held at fair value

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 and infrastructure acquired between scheduled revaluation dates 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 revaluation date in accordance with the mandatory measurement framework.

Revaluation

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

At the end of each period the carrying amount for each asset class 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.

Revaluation (continued)

For property, plant and equipment and infrastructure, 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. Subsequent increases are then recognised in profit or loss to the extent they reverse a net revaluation decrease previously recognised in profit or loss for the same class of asset.

Depreciation

The depreciable amount of all property, plant and equipment and infrastructure, 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 on revaluation

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

- (i) 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
- (ii) 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 ready 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 in the Statement of Comprehensive Income and in Note 10(a).

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11. LEASES

(a) Right-of-Use Assets

Movement in the balance of each class of right-of-use asset between the beginning and the end of the current financial year.	Note	Right-of-use assets - land \$	Right-of-use assets - furniture and equipment \$	Right-of-use assets Total \$
Balance at 1 July 2020		139,793	8,305	148,098
Depreciation		(14,972)	(2,265)	(17,237)
Balance at 30 June 2021		124,821	6,040	130,861
Depreciation	10(a)	(14,971)	(2,266)	(17,237)
Balance at 30 June 2022		109,850	3,774	113,624

The following amounts were recognised in the statement of comprehensive income during the period in respect of leases where the entity is the lessee:

		2022 Actual \$	2021 Actual \$
Depreciation on right-of-use assets	10(a)	(17,237)	(17,237)
Interest expense on lease liabilities	29(c)	(3,147)	(2,247)
Total amount recognised in the statement of comprehensive income		(20,384)	(19,484)
Total cash outflow from leases		(14,079)	(12,780)

(b) Lease Liabilities

Current		11,348	10,932
Non-current		64,741	76,089
	29(c)	76,089	87,021

The Shire has 2 leases relating to landfill sites. The lease term for both leases is 5 years with an option of an additional 5 years.

The Shire has a lease relating to a photocopier. The lease term for this lease is 4 years.

The Shire has recognised a provision for the rehabilitation of the 2 landfill sites as part of the right of use assets (Refer Note 16). The right of use assets relating the rehabilitation of the landfill sites will be depreciated over a 10 year period, similar to the treatment for the right of use assets relating to the leases recognised above.

The measurement of lease liabilities does not include any future cash outflows associated with leases not yet commenced to which the Shire is committed.

Secured liabilities and assets pledged as security

Lease liabilities are effectively secured, as the rights to the leased assets recognised in the financial statements revert to the lessor in the event of default.

SIGNIFICANT ACCOUNTING POLICIES

Leases

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

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

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

Details of individual lease liabilities required by regulations are provided at Note 29(c).

Right-of-use assets - valuation measurement

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

Refer to Note 10 under revaluation for details on the significant accounting policies applying to vested improvements.

Right-of-use assets - depreciation

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

SHIRE OF MT MARSHALL
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11. LEASES (Continued)

(c) Lessor - Property, Plant and Equipment Subject to Lease

The table below represents a maturity analysis of the undiscounted lease payments to be received after the reporting date.

Less than 1 year

1 to 2 years

2 to 3 years

3 to 4 years

4 to 5 years

> 5 years

2022 Actual	2021 Actual
\$	\$
17,512	32,254
15,012	17,512
6,969	15,012
4,056	6,969
9,443	4,056
0	9,443
52,992	85,246
32,254	47,942

Amounts recognised in profit or loss for Property, Plant and Equipment Subject to Lease

Rental income

The Shire leases houses to staff and aged persons with rentals payable monthly. These leases are classified as operating leases as they do not transfer substantially all of the risks and rewards incidental to the ownership of the assets.

The staff houses are not considered investment property as they are leased for use in the supply of services to the community. The aged persons housing are considered a joint operation and are not considered investment property as the primary purpose is provision of community housing.

Lease payments for some contracts include CPI increases, but there are no other variable lease payments that depend on an index or rate. Although the Shire is exposed to changes in the residual value at the end of the current leases, the Shire typically enters into new operating leases and therefore will not immediately realise any reduction in residual value at the end of these leases. Expectations about the future residual values are reflected in the fair value of the properties.

SIGNIFICANT ACCOUNTING POLICIES

The Shire as Lessor

Upon entering into each contract as a lessor, the Shire assesses if the lease is a finance or operating lease.

The contract is classified as a finance lease when the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases not within this definition are classified as operating leases. Rental income received from operating leases is recognised on a straight-line basis over the term of the specific lease.

Initial direct costs incurred in entering into an operating lease (eg legal cost, cost to setup) are included in the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.

When a contract is determined to include lease and non-lease components, the Shire applies AASB 15 to allocate the consideration under the contract to each component.

SHIRE OF MT MARSHALL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2022

12. TRADE AND OTHER PAYABLES

Current

Sundry creditors
Prepaid rates
Accrued payroll liabilities
ATO liabilities
Bonds and deposits held
Accrued interest
Accrued expenses

2022	2021
\$	\$
123,104	412,181
20,914	24,304
4,793	(616)
59,851	75,274
3,278	13,905
9,831	6,764
440,270	0
662,041	531,812

SIGNIFICANT ACCOUNTING POLICIES

Financial liabilities

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

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost.

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.

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 usually paid within 30 days of recognition. The carrying amounts of trade and other payables are considered to be the same as their fair values, due to their short-term nature.

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 MT MARSHALL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2022

13. OTHER LIABILITIES

Current

Contract liabilities
Capital grant/contributions liabilities

Reconciliation of changes in contract liabilities

Opening balance
Additions
Revenue from contracts with customers included as a contract liability at the start of the period

The Shire expects to satisfy the performance obligations from contracts with customers unsatisfied at the end of the reporting period to be satisfied within the next 12 months.

Reconciliation of changes in capital grant/contribution liabilities

Opening balance
Additions
Revenue from capital grant/contributions held as a liability at the start of the period

Expected satisfaction of capital grant/contribution liabilities

Less than 1 year

2022	2021
\$	\$
0	12,199
1,398	5,219
1,398	17,418
12,199	1,129
0	12,199
(12,199)	(1,129)
0	12,199
5,219	4,000
1,398	5,219
(5,219)	(4,000)
1,398	5,219
1,398	5,219
1,398	17,418

Performance obligations in relation to capital grant/contribution liabilities are satisfied as project milestones are met or completion of construction or acquisition of the asset.

SIGNIFICANT ACCOUNTING POLICIES

Contract liabilities

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

Contract liabilities represent obligations which are not yet satisfied. Contract liabilities are recognised as revenue when the performance obligations in the contract are satisfied.

Capital grant/contribution liabilities

Capital grant/contribution liabilities represent the Shire's obligations to construct recognisable non-financial assets to identified specifications to be controlled the Shire which are yet to be satisfied. Capital grant/contribution liabilities are recognised as revenue when the obligations in the contract are satisfied.

Non-current capital grant/contribution liabilities fair values are based on discounted cash flows of expected cashflows to satisfy the obligations using a current borrowing rate. They are classified as level 3 fair values in the fair value hierarchy (see Note 25(i)) due to the unobservable inputs, including own credit risk.

SHIRE OF MT MARSHALL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2022

14. BORROWINGS

	Note	2022			2021		
		Current	Non-current	Total	Current	Non-current	Total
Secured		\$	\$	\$	\$	\$	\$
Debentures		48,264	910,088	958,352	46,458	958,353	1,004,811
Total secured borrowings	29(a)	48,264	910,088	958,352	46,458	958,353	1,004,811

Secured liabilities and assets pledged as security

Debentures, bank overdrafts and bank loans are secured by a floating charge over the assets of the Shire of Mt Marshall. Other loans relate to transferred receivables. Refer to Note 5.

The Shire of Mt Marshall has complied with the financial covenants of its borrowing facilities during the 2022 and 2021 years.

SIGNIFICANT ACCOUNTING POLICIES

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.

Fair values of borrowings are not materially different to their carrying amounts, since the interest payable on those borrowings is either close to current market rates or the borrowings are of a short term nature. Borrowings fair values are based on discounted cash flows using a current borrowing rate. They are classified as level 3 fair values in the fair value hierarchy (see Note 25(i)) due to the unobservable inputs, including own credit risk.

Risk

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

Details of individual borrowings required by regulations are provided at Note 29(a).

SHIRE OF MT MARSHALL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2022

15. EMPLOYEE RELATED PROVISIONS

Employee Related Provisions

Current provisions

Employee benefit provisions

Annual Leave

Long Service Leave

Non-current provisions

Long Service Leave

	2022	2021
	\$	\$
Annual Leave	92,106	88,416
Long Service Leave	98,079	118,693
	190,185	207,109
Long Service Leave	28,487	15,617
	28,487	15,617
	218,672	222,726

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave and associated on costs for services rendered up to the reporting date and recorded as an expense during the period the services are delivered.

Annual leave liabilities are classified as current, as there is no unconditional right to defer settlement for at least 12 months after the end of the reporting period. Assessments indicate that actual settlement of the liabilities is expected to occur as follows:

Amounts are expected to be settled on the following basis:

Less than 12 months after the reporting date

More than 12 months from reporting date

Expected reimbursements from other WA local governments

Note	2022	2021
	\$	\$
Less than 12 months after the reporting date	177,180	85,443
More than 12 months from reporting date	41,492	122,050
Expected reimbursements from other WA local governments	0	15,233
	218,672	222,726
Expected reimbursements of employee related provisions from other WA local governments included within other receivables	(5,163)	0

SIGNIFICANT ACCOUNTING POLICIES

Employee benefits

The Shire's obligations for employees' annual leave, long service leave and other employee leave entitlements are recognised as employee related 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 provisions 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 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.

SHIRE OF MT MARSHALL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2022

16. OTHER PROVISIONS

	Note	Make good provisions	Total
		\$	\$
Opening balance at 1 July 2021			
Non-current provisions		52,530	52,530
		52,530	52,530
Balance at 30 June 2022		52,530	52,530
Comprises			
Non-current		52,530	52,530
		52,530	52,530

Other provisions

Amounts which are reliably expected to be paid out within 12 months of the reporting date are classified as current. Exact timing of payment of non-current obligations is unable to be reliably estimated as it is dependent on factors beyond the control of the local government.

Provisions for remediation costs

Under the licence for the operation of the Bencubbin landfill site, the Shire has a legal obligation to restore the site.

A provision for remediation is recognised when:

- there is a present obligation as a result of waste activities undertaken;
- it is probable that an outflow of economic benefits will be required to settle the obligation; and
- the amount of the provision can be measured reliably.

The provision for future remediation costs is the best estimate of the present value of the expenditure required to settle the remediation obligation at the reporting date. Future remediation costs are reviewed annually and any changes in the estimate are reflected in the present value of the remediation provision at each reporting date.

Amounts which are reliably expected to be paid out within 12 months of the reporting date are classified as current. Exact timing of payment of non-current obligations is unable to be reliably estimated as it is dependent on the remaining life of the waste facility.

Provisions

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

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

SHIRE OF MT MARSHALL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2022

17. REVALUATION SURPLUS

	2022 Opening Balance	2022 Revaluation Increment	2022 Revaluation (Decrement)	Total Movement on Revaluation	2022 Closing Balance	2021 Opening Balance	2021 Revaluation Increment	2021 Revaluation (Decrement)	Total Movement on Revaluation	2021 Closing Balance
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revaluation surplus - Land and buildings	5,005,809	474,317	(124,095)	350,222	5,356,031	5,005,809	0	0	0	5,005,809
Revaluation surplus - Infrastructure - roads	18,941,495	0	0	0	18,941,495	18,941,495	0	0	0	18,941,495
Revaluation surplus - Infrastructure - footpaths	431,791	0	0	0	431,791	431,791	0	0	0	431,791
Revaluation surplus - Infrastructure - parks and ovals	369,597	0	0	0	369,597	369,597	0	0	0	369,597
Revaluation surplus - Infrastructure - playground equipment	141,311	0	0	0	141,311	141,311	0	0	0	141,311
Revaluation surplus - Infrastructure - airports	692,373	0	0	0	692,373	692,373	0	0	0	692,373
Revaluation surplus - Infrastructure - other	1,430,877	0	0	0	1,430,877	1,430,877	0	0	0	1,430,877
	27,013,253	474,317	(124,095)	350,222	27,363,475	27,013,253	0	0	0	27,013,253

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

SHIRE OF MT MARSHALL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2022

18. NOTES TO THE STATEMENT OF CASH FLOWS

(a) 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:

	Note	2022 Actual \$	2022 Budget \$	2021 Actual \$
Cash and cash equivalents	3	3,165,353	1,217,741	2,627,918

Restrictions

The following classes of financial 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	3	722,496	738,504	675,569
		722,496	738,504	675,569

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

Restricted reserve accounts	30	717,820	738,504	644,246
Contract liabilities	13	0	0	12,199
Capital grant/contributions liabilities	13	1,398	0	5,219
Bonds and deposits held	12	3,278	0	13,905
Total restricted financial assets		722,496	738,504	675,569

**(b) Reconciliation of Net Result to Net Cash Provided
By Operating Activities**

Net result		706,870	320,068	344,621
Non-cash items:				
Adjustments to fair value of financial assets at fair value through profit and loss		(3,997)	0	(2,586)
Depreciation/amortisation		3,144,467	2,906,935	3,063,330
(Profit)/loss on sale of asset		(14,930)	105,000	13,490
Changes in assets and liabilities:				
(Increase)/decrease in trade and other receivables		(39,364)	0	(31,969)
(Increase)/decrease in other assets		(116,926)	0	(164,076)
(Increase)/decrease in inventories		(10,835)	0	8,803
Increase/(decrease) in trade and other payables		130,229	0	76,567
Increase/(decrease) in employee related provisions		(4,054)	0	(64,719)
Increase/(decrease) in other liabilities		(16,020)	0	12,289
Non-operating grants, subsidies and contributions		(1,595,930)	(2,935,614)	(1,646,091)
Net cash provided by/(used in) operating activities		2,179,510	396,389	1,609,659

(c) Undrawn Borrowing Facilities

Credit Standby Arrangements

Credit card limit	20,000	20,000
Credit card balance at balance date	(2,348)	(1,929)
Total amount of credit unused	17,652	18,071

Loan facilities

Loan facilities - current	48,264	46,458
Loan facilities - non-current	910,088	958,353
Total facilities in use at balance date	958,352	1,004,811

Unused loan facilities at balance date

0

SHIRE OF MT MARSHALL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2022

19. CONTINGENT LIABILITIES

The Shire does not have any contingent assets or contingent liabilities to report as at 30 June 2022. (30 June 2021 Nil).

20. CAPITAL COMMITMENTS

	2022	2021
	\$	\$
Contracted for:		
- capital expenditure projects	675,630	0
	675,630	0
Payable:		
- not later than one year	675,630	0

The capital expenditure project outstanding at the end of the current reporting period represents the upgrade of the Shire's aquatic facilities.

SHIRE OF MT MARSHALL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2022

21. RELATED PARTY TRANSACTIONS

(a) Elected Member Remuneration

Note	2022 Actual \$	2022 Budget \$	2021 Actual \$
Councillor 1 - Tony Sachse			
President's annual allowance	5,207	5,250	4,773
Meeting attendance fees	10,413	11,454	10,977
Annual allowance for ICT expenses	1,734	1,750	1,750
Travel and accommodation expenses	1,407	2,148	1,174
	18,761	20,602	18,674
Councillor 2 - Nick Gillett			
Deputy President's annual allowance	1,269	1,312	1,312
Meeting attendance fees	3,554	4,009	3,675
Annual allowance for ICT expenses	1,692	1,750	1,750
Travel and accommodation expenses	752	2,142	858
	7,267	9,213	7,595
Councillor 3 - Tanya Gibson			
Meeting attendance fees	3,523	4,009	3,645
Annual allowance for ICT expenses	1,678	1,750	1,735
Travel and accommodation expenses	2,671	2,142	3,048
	7,872	7,901	8,428
Councillor 4 - Leeanne Gobbart			
Meeting attendance fees	3,675	4,009	3,675
Annual allowance for ICT expenses	1,591	1,750	1,750
Travel and accommodation expenses	547	2,142	516
	5,813	7,901	5,941
Councillor 5 - Stuart Putt			
Meeting attendance fees	3,675	4,009	3,675
Annual allowance for ICT expenses	1,750	1,750	1,750
Travel and accommodation expenses	225	2,142	416
	5,650	7,901	5,841
Councillor 6 - Ian Sanders			
Meeting attendance fees	3,675	4,009	3,675
Annual allowance for ICT expenses	1,750	1,750	1,750
Travel and accommodation expenses	0	2,142	0
	5,425	7,901	5,425
Councillor 7 - Vacant/Geraghty			
Meeting attendance fees	0	4,009	668
Annual allowance for ICT expenses	0	1,750	318
Travel and accommodation expenses	0	2,142	0
	0	7,901	986
Councillor 8 - Megan Beagley			
Meeting attendance fees	2,673	0	0
Annual allowance for ICT expenses	1,273	0	0
Travel and accommodation expenses	1,207	0	0
	5,153	0	0
	55,941	69,320	52,890
Fees, expenses and allowances to be paid or reimbursed to elected council members.			
President's annual allowance	5,207	5,250	4,773
Deputy President's annual allowance	1,269	1,312	1,312
Meeting attendance fees	31,188	35,508	29,990
Annual allowance for ICT expenses	11,468	12,250	10,803
Travel and accommodation expenses	6,809	15,000	6,012
21(b)	55,941	69,320	52,890

SHIRE OF MT MARSHALL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2022

21. RELATED PARTY TRANSACTIONS

(b) Key Management Personnel (KMP) Compensation

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

	2022 Actual	2021 Actual
	\$	\$
Short-term employee benefits	448,532	456,309
Post-employment benefits	55,315	57,062
Employee - other long-term benefits	10,907	11,163
Employee - termination benefits	5,595	0
Council member costs	55,941	52,890
21(a)	576,290	577,424

Short-term employee benefits

These amounts include all salary and fringe benefits awarded to KMP except for details in respect to fees and benefits paid to council members which may be separately found in the table above.

Post-employment benefits

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

Other long-term benefits

These amounts represent annual leave and long service leave entitlements accruing during the year.

Termination benefits

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

Council member costs

These amounts represent payments of member fees, expenses, allowances and reimbursements during the year.

SHIRE OF MT MARSHALL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2022

21. RELATED PARTY TRANSACTIONS

(c) 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 guarantees exist in relation to related parties at year end.

In addition to KMP compensation above the following transactions occurred with related parties:

	2022 Actual	2021 Actual
	\$	\$
Sale of goods and services	40,500	0
Purchase of goods and services	950	10,380
Building maintenance contract	341,429	416,706
Lease of the rubbish tip	0	5,055
Amounts payable to related parties:		
Trade and other payables	0	6,094

(d) 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 council 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 MT MARSHALL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2022

22. JOINT ARRANGEMENTS

Share of joint operations

Kununoppin Medical Practice

The Shires of Trayning, Mt Marshall, Mukinbudin and Nungarin have an agreement in place to share the costs associated with attracting and retaining a General Practitioner Service to service the four Shires. The Shire of Trayning administers the costs associated with this agreement, contributing 30% of the costs and recouping the other 70% from the other Shires. The Shire of Mt Marshall contributes 30% of the total expenses of the Medical Practice.

Shire of Mt Marshall's share of expenses in relation to this arrangement amounted to \$51,508 in 2021/22 and \$27,144 in 2020/21.

JV Agreement Dated - Assumed 1997

The Shire has participated in a joint arrangement with the Department of Communities for the provision of housing. See detail below:

- One 3 bedroom transportable family house at Lot 3 38 Hammond Street Bencubbin
- One 3 bedroom transportable family house at Lot 64 40 Brown Street Bencubbin
- One 3 bedroom transportable family house at Lot 679 6 Dunne Street Beacon
- One 3 bedroom transportable family house at Lot 30 5 Rowlands Street Beacon

The housing units have been constructed on Council owned land with the Shire having a 15.64% share in the assets of this joint arrangement. All revenue and expenses of the joint arrangement are recognised in the relevant financial statements of Council. The Shire is required to provide for the long term maintenance needs of the properties.

Statement of Financial Position

Land - Freehold - Level 2
 Buildings - Non-Specialised - Level 2
 Less - Accumulated Depreciation
Total assets

Statement of Comprehensive Income

Revenue
 Expenses
Profit/(loss) for the period
 Other comprehensive income
Total comprehensive income for the period

	2022 Actual	2021 Actual
	\$	\$
Land - Freehold - Level 2	8,446	8,446
Buildings - Non-Specialised - Level 2	49,735	60,155
Less - Accumulated Depreciation	0	(13,622)
Total assets	58,181	54,979
Revenue	36,136	24,880
Expenses	(30,942)	(45,959)
Profit/(loss) for the period	5,194	(21,079)
Other comprehensive income	4,846	0
Total comprehensive income for the period	10,040	(21,079)

SHIRE OF MT MARSHALL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2022

22. JOINT ARRANGEMENTS

Share of joint operations (Continued)

JV Deed - No Expiration Date

The Shire has participated in a joint arrangement with the Department of Communities for the provision of housing. See detail below:

- One 1 bedroom unit at Lot 97 85A Monger Street Bencubbin
- One 1 bedroom unit at Lot 97 85B Monger Street Bencubbin
- One 1 bedroom unit at Lot 166 10 Collins Street Bencubbin
- One 1 bedroom unit at Lot 167 12 Collins Street Bencubbin

The housing units have been constructed on Council owned land with the Shire having a 32.64% share in the assets of this joint arrangement. All revenue and expenses of the joint arrangement are recognised in the relevant financial statements of Council. The Shire is required to provide for the long term maintenance needs of the properties.

Statement of Financial Position

Land - Freehold - Level 2
 Buildings - Non-Specialised - Level 2
 Less - Accumulated Depreciation

Total assets

	2022 Actual	2021 Actual
	\$	\$
	13,709	13,709
	75,072	53,377
	0	(13,289)
	88,781	53,797
	29,109	64,075
	(35,627)	(25,626)
Profit/(loss) for the period	(6,518)	38,449
Other comprehensive income	37,346	0
Total comprehensive income for the period	30,828	38,449

Statement of Comprehensive Income

Revenue
 Expenses
Profit/(loss) for the period
 Other comprehensive income
Total comprehensive income for the period

SHIRE OF MT MARSHALL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2022

22. JOINT ARRANGEMENTS

Share of joint operations (Continued)

JV Deed Dated - 14/05/1993

The Shire has participated in a joint arrangement with the Department of Communities for the provision of housing. See detail below:

- One 3 bedroom community house at Lot 101 11 Broadbent Street Bencubbin
- One 3 bedroom community house at Lot 87 8 Dunne Street Beacon *

The housing units have been constructed on Council land with the Shire having a 31.53% share in the assets of this joint arrangement. All revenue and expenses of the joint arrangement are recognised in the relevant financial statements of Council. The Shire is required to provide for the long term maintenance needs of the properties.

* - The property at Lot 87 8 Dunne Street Beacon was sold in 2022.

Statement of Financial Position

Land - Freehold - Level 2
 Buildings - Non-Specialised - Level 2
 Less - Accumulated Depreciation

Total assets

Statement of Comprehensive Income

Revenue *
 Expenses *

Profit/(loss) for the period

Other comprehensive income

Total comprehensive income for the period

* The impact of the disposal of Lot 87 8 Dunne Street is as follows:

- Proceeds on disposal
- Loss on disposal

	2022 Actual	2021 Actual
	\$	\$
Land - Freehold - Level 2	4,414	8,198
Buildings - Non-Specialised - Level 2	22,071	73,723
Less - Accumulated Depreciation	0	(16,669)
Total assets	26,485	65,252
Revenue *	1,958	875
Expenses *	(15,427)	(11,103)
Profit/(loss) for the period	(13,469)	(10,228)
Other comprehensive income	(14,725)	0
Total comprehensive income for the period	(28,194)	(10,228)
- Proceeds on disposal	7,966	
- Loss on disposal	(15,723)	

SHIRE OF MT MARSHALL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2022

22. JOINT ARRANGEMENTS

Share of joint operations (Continued)

JV Agreement Dated - 06/06/2000

The Shire has participated in a joint arrangement with the Department of Communities for the provision of housing. See detail below:

- Four 1 bedroom aged care units (1-4) at Lot 279 39 Brown Street Bencubbin

The housing units have been constructed on Council managed land with the Shire having a 9.82% share in the assets of this joint arrangement. All revenue and expenses of the joint arrangement are recognised in the relevant financial statements of Council. The Shire is required to provide for the long term maintenance needs of the properties.

Statement of Financial Position

Buildings - Specialised - Level 3
 Less - Accumulated Depreciation
Total assets

Statement of Comprehensive Income

Revenue
 Expenses
Profit/(loss) for the period
 Other comprehensive income
Total comprehensive income for the period

	2022 Actual	2021 Actual
	\$	\$
	98,200	99,270
	0	(4,599)
	98,200	94,671
	30,526	29,795
	(32,190)	(31,031)
	(1,664)	(1,236)
	4,706	0
	3,042	(1,236)

SIGNIFICANT ACCOUNTING POLICIES

Joint operations

A joint operation is a joint arrangement where the Shire has joint control with another party to the joint arrangement. All parties to joint arrangement have rights to the assets, and obligations for the liabilities relating to the arrangement.

Assets, liabilities, revenues and expenses relating to the Shire's interest in the joint operation are accounted for in accordance with the relevant Australian Accounting Standard.

SHIRE OF MT MARSHALL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2022

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

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

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

(a) Interest rate risk

Cash and cash equivalents

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

Excess cash and cash equivalents are invested in fixed interest rate term deposits which do not expose the Shire to cash flow interest rate risk. Cash and cash equivalents required for working capital are held in variable interest rate accounts and non-interest bearing accounts. Carrying amounts of cash and cash equivalents at the 30 June and the weighted average interest rate across all cash and cash equivalents, term deposits, and Treasury bonds 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
	%	\$	\$	\$	\$
2022					
Cash and cash equivalents	0.52%	3,165,353	0	3,007,401	157,952
2021					
Cash and cash equivalents	0.15%	2,627,918	644,246	494,676	1,488,996

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*

* Holding all other variables constant

2022	2021
\$	\$
30,074	4,947

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 29(a).

SHIRE OF MT MARSHALL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
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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. The Shire is able to charge interest on overdue rates and annual charges at higher than market rates, which further encourages payment.

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

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

The expected loss rates are based on the payment profiles of rates and fees and charges over a period of 36 months before 1 July 2021 or 1 July 2022 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 2022 and 30 June 2021 for rates receivable was determined as follows:

	Less than 1 year past due	More than 1 year past due	More than 2 years past due	More than 3 years past due	Total	Note
30 June 2022						
Rates receivable						
Expected credit loss	0.00%	0.00%	0.00%	0.00%		
Gross carrying amount	37,213	18,031	6,707	5,912	67,863	
Loss allowance	0	0	0	0	0	5
30 June 2021						
Rates receivable						
Expected credit loss	0.00%	0.00%	0.00%	0.00%		
Gross carrying amount	68,854	29,120	12,349	12,925	123,248	
Loss allowance	0	0	0	0	0	5

The loss allowance as at 30 June 2022 and 30 June 2021 was determined as follows for trade receivables.

	Less than 1 year past due	More than 30 days past due	More than 60 days past due	More than 90 days past due	Total	
30 June 2022						
Trade and other receivables						
Expected credit loss	0.00%	0.00%	0.00%	10.29%		
Gross carrying amount	138,812	4,781	1,832	5,239	150,664	
Loss allowance	0	0	0	539	539	5
30 June 2021						
Trade and other receivables						
Expected credit loss	0.00%	0.00%	0.00%	87.69%		
Gross carrying amount	9,725	1,012	380	3,225	14,342	
Loss allowance	0	0	0	2,828	2,828	5

SHIRE OF MT MARSHALL
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23. FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit risk

The loss allowances for trade receivables and contract assets as at 30 June reconcile to the opening loss allowances as follows:

	Rates receivable		Trade and other receivables		Contract Assets	
	2022 Actual	2021 Actual	2022 Actual	2021 Actual	2022 Actual	2021 Actual
	\$	\$	\$	\$	\$	\$
Opening loss allowance as at 1 July	0	0	2,828	0	0	0
Increase in loss allowance recognised in profit or loss during the year	0	0	(2,289)	0	0	0
Unused amount reversed	0	0	0	2,828	0	0
Closing loss allowance at 30 June	0	0	539	2,828	0	0

Trade receivables and contract assets are written off where there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Shire, and a failure to make contractual payments for a period of greater than 120 days past due.

Impairment losses on trade receivables and contract assets are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

SHIRE OF MT MARSHALL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
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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 18(c).

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

	Due within 1 year	Due between 1 & 5 years	Due after 5 years	Total contractual cash flows	Carrying values
	\$	\$	\$	\$	\$
2022					
Trade and other payables	641,127	0	0	641,127	641,127
Borrowings	84,701	338,803	847,007	1,270,511	958,352
Lease liabilities	12,957	46,177	23,668	82,802	76,089
	<u>738,785</u>	<u>384,980</u>	<u>870,675</u>	<u>1,994,440</u>	<u>1,675,568</u>
2021					
Trade and other payables	507,508	0	0	507,508	507,508
Borrowings	84,701	338,803	931,708	1,355,212	1,004,811
Lease liabilities	12,749	47,647	35,154	95,550	87,021
	<u>604,958</u>	<u>386,450</u>	<u>966,862</u>	<u>1,958,270</u>	<u>1,599,340</u>

24. EVENTS OCCURRING AFTER THE END OF THE REPORTING PERIOD

The Shire was the victim of a data breach fraud that led to a fraudulent financial transaction using Shire funds. A reliable estimate of the financial effect of this matter cannot be made at the date of this report.

25. 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) Interest earnings

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset measured at amortised cost 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).

i) 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.

j) 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 regularity 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.

k) Initial application of accounting standards

During the current year, no new or revised Australian Accounting Standards and Interpretations were compiled, became mandatory and were applicable to its operations.

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
- AASB 2021-7 Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections

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

26. FUNCTION AND ACTIVITY

(a) Service objectives and descriptions

Shire operations as disclosed in this financial report encompass the following service orientated functions and activities.

Objective	Description
Governance To provide a decision making process for the efficient allocation of scarce resources	Administration and operation of facilities and services to members of the Council. Other costs that relate to the tasks of assisting elected members and ratepayers on matters which are not directly related to specific shire services.
GENERAL PURPOSE FUNDING To collect revenue to allow for the provision of services.	Rates, general purpose government grants and interest revenue.
LAW, ORDER, PUBLIC SAFETY To provide services to help ensure a safer community.	Supervision of various by-laws, fire prevention, emergency services and animal control.
HEALTH To provide an operational framework for good community health.	Food and water quality, pest control, immunisation services, child health services and health education.
EDUCATION AND WELFARE To meet the needs of the community in these areas.	Management and support for families, children, youth and the aged within the community by providing Youth, Aged and Family Centres, Home and Community Aged Care Programs and assistance to schools.
HOUSING To help ensure adequate housing.	Provision of residential housing for council staff. Provision of housing for aged persons, low income families, government and semi government employees.
COMMUNITY AMENITIES Provide services required by the community.	Rubbish collection services and disposal of waste, stormwater drainage, protection of the environment, town planning and regional development and other community amenities (cemeteries and public toilets).
RECREATION AND CULTURE To establish and manage efficiently infrastructure and resources which will help the social wellbeing of the community.	Public halls, recreation and aquatic centres, parks and reserves, libraries, heritage and culture.
TRANSPORT To provide effective and efficient transport services to the community.	Construction and maintenance of roads, footpaths, bridges, street cleaning and lighting, road verges, streetscaping and depot maintenance.
ECONOMIC SERVICES To help promote the Municipality and improve its economic wellbeing.	The regulation and provision of tourism, area promotion, building control, noxious weeds, vermin control and standpipes.
OTHER PROPERTY AND SERVICES To monitor and control the Shire's overhead operating accounts.	Private works, public works overheads, plant and equipment operations, town planning schemes and activities not reported in the above programs.

SHIRE OF MT MARSHALL
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26. FUNCTION AND ACTIVITY (Continued)

(b) Income and expenses

	2022 Actual	2022 Budget	2021 Actual
	\$	\$	\$
Income excluding grants, subsidies and contributions			
Governance	66,733	20,424	50,286
General purpose funding	1,553,384	1,552,548	1,492,713
Law, order, public safety	2,191	2,700	2,993
Health	1,899	9,100	71,984
Education and welfare	91,651	74,000	78,072
Housing	139,874	145,500	145,943
Community amenities	98,707	109,991	108,674
Recreation and culture	48,119	23,394	30,177
Transport	245,250	48,000	39,100
Economic services	283,182	370,381	371,005
Other property and services	47,850	42,500	59,688
	2,578,840	2,398,538	2,450,635
Grants, subsidies and contributions			
Governance	1,000	1,000	1,000
General purpose funding	3,474,743	1,283,000	2,411,244
Law, order, public safety	67,159	1,255,435	56,147
Education and welfare	41,729	41,194	41,194
Community amenities	12,428	51,688	10,184
Recreation and culture	417,579	589,477	518,661
Transport	1,482,625	1,483,737	1,481,503
Economic services	0	0	454
	5,497,263	4,705,531	4,520,387
Total Income	8,076,103	7,104,069	6,971,022
Expenses			
Governance	(407,880)	(461,857)	(360,807)
General purpose funding	(79,438)	(81,414)	(77,243)
Law, order, public safety	(234,307)	(274,021)	(202,160)
Health	(135,790)	(131,431)	(219,457)
Education and welfare	(332,212)	(364,560)	(313,798)
Housing	(267,723)	(260,562)	(282,759)
Community amenities	(339,760)	(373,531)	(264,473)
Recreation and culture	(1,468,381)	(1,191,837)	(1,244,332)
Transport	(3,498,343)	(3,060,557)	(3,105,270)
Economic services	(587,428)	(569,230)	(541,909)
Other property and services	(17,971)	(15,001)	(14,193)
Total expenses	(7,369,233)	(6,784,001)	(6,626,401)
Net result for the period	706,870	320,068	344,621

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26. FUNCTION AND ACTIVITY (Continued)

(c) Fees and Charges

	2022 Actual	2022 Budget	2021 Actual
	\$	\$	\$
Governance	2,492	1,200	1,252
General purpose funding	1,350	1,800	1,836
Law, order, public safety	1,769	2,200	2,371
Health	1,899	9,100	16,430
Education and welfare	84,497	74,000	78,073
Housing	137,775	136,500	137,942
Community amenities	98,629	109,991	108,675
Recreation and culture	17,916	13,750	14,606
Economic services	280,728	367,881	365,337
Other property and services	2,897	1,000	1,423
	629,952	717,422	727,945

(d) Total Assets

	2022	2021
	\$	\$
Governance	1,096,785	912,230
General purpose funding	67,863	123,248
Law, order, public safety	1,084,623	1,170,119
Health	88,000	91,217
Education and welfare	503,200	1,262,661
Housing	1,608,807	2,245,291
Community amenities	823,610	807,665
Recreation and culture	14,152,896	13,934,014
Transport	87,847,035	87,483,689
Economic services	1,345,203	1,426,987
Other property and services	2,597,887	2,502,656
Unallocated	2,827,150	973,426
	114,043,059	112,933,203

SHIRE OF MT MARSHALL
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27. RATING INFORMATION

(a) General Rates

RATE TYPE		Rate in \$	Number of Properties	2021/22 Actual Rateable Value *	2021/22 Actual Rate Revenue	2021/22 Actual Interim Rates	2021/22 Actual Back Rates	2021/22 Actual Total Revenue	2021/22 Budget Rate Revenue	2021/22 Budget Interim Rate	2021/22 Budget Back Rate	2021/22 Budget Total Revenue	2020/21 Actual Total Revenue
Rate Description	Basis of valuation												
Residential	Gross rental valuation	0.136363	107	573,680	78,229	229	0	78,458	78,229	0	0	78,229	80,455
Rural	Unimproved valuation	0.017946	304	78,519,080	1,409,103	347	0	1,409,450	1,409,103	0	0	1,409,103	1,341,102
Mining	Unimproved valuation	0.017946	2	72,875	1,308	2,453	0	3,761	1,308	0	0	1,308	1,801
Sub-Total			413	79,165,635	1,488,640	3,029	0	1,491,669	1,488,640	0	0	1,488,640	1,423,358
Minimum payment													
Residential	Gross rental valuation	428	38	28,131	16,264	0	0	16,264	16,264	0	0	16,264	15,808
Rural	Unimproved valuation	428	24	157,339	10,272	0	0	10,272	10,272	0	0	10,272	9,984
Mining	Unimproved valuation	428	16	78,204	6,848	0	0	6,848	6,848	0	0	6,848	4,576
Sub-Total			78	263,674	33,384	0	0	33,384	33,384	0	0	33,384	30,368
Exempt properties													
Non-Rateable			0	0	0	495	0	495	0	0	0	0	0
Sub-Total			0	0	0	495	0	495	0	0	0	0	0
			491	79,429,309	1,522,024	3,524	0	1,525,548	1,522,024	0	0	1,522,024	1,453,726
Discounts on general rates (Refer note 27(e))								(56,140)				(55,500)	(55,606)
Total amount raised from general rates								1,469,408				1,466,524	1,398,120
* Rateable value is based on the value of properties at the time the rate is raised.													
(b) Rates (excluding general rates)													
Specified Area Rates													
Bencubbin Multipurpose Complex F	Gross rental valuation	0.004983	81	365,622	1,822	0	0	1,822	1,822	0	0	1,822	2,776
	Unimproved valuation	0.000830	189	40,527,740	33,638	28	0	33,666	33,627	0	0	33,627	34,930
Ex-gratia Rates													
Cooperative Bulk Handling		0.04545		380,050	17,534	0	0	17,534	17,275	0	0	17,275	16,772
Sub-Total			270	41,273,412	52,994	28	0	53,022	52,724	0	0	52,724	54,478
Total amount raised from rates (excluding general rates)								53,022				52,724	54,478
(c) Total Rates								1,522,430				1,519,248	1,452,598

The entire balance of rates revenue has been recognised at a point in time in accordance with AASB 1058 *Income for not-for-profit entities*.

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27. RATING INFORMATION (Continued)

(d) Specified Area Rate

Specified Area Rate	Purpose of the rate	Area/properties Rate Imposed	2021/22 Actual Rate Applied to Costs	2021/22 Actual Rate Set Aside to Reserve	2021/22 Actual Reserve Applied to Costs	2021/22 Budget Rate Applied to Costs	2021/22 Budget Rate Set Aside to Reserve	2021/22 Budget Reserve Applied to Costs
Bencubbin Multipurpose Complex Redevelopment	Servicing a loan for the redevelopment of the Bencubbin Multipurpose Complex	The area to which Specified Area Rates apply is identified on a map of the Shire	\$ 35,488	\$ 0	\$ 35,488	\$ 35,449	\$ 0	\$ 35,449
			35,488	0	35,488	35,449	0	35,449

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

Rates Discounts

Rate or Fee Discount Granted	Type	Discount %	Discount \$	2022 Actual	2022 Budget	2021 Actual	Circumstances in which Discount is Granted
General Rates	Rate	5.00%	0	\$ 54,821	\$ 54,000	\$ 54,098	Discount applies if rates, (including arrears, waste and service charges) are paid in full within 21 days of the issue date of the rate notice.
				54,821	54,000	54,098	

Waivers or Concessions

Rate or Fee and Charge to which the Waiver or Concession is Granted	Type	Waiver/ Concession	Discount %	Discount \$	2022 Actual	2022 Budget	2021 Actual
General Rates	Write off				\$ 1,319	\$ 1,500	\$ 1,508
					1,319	1,500	1,508
Total discounts/concessions (Note 27)					56,140	55,500	55,606

SHIRE OF MT MARSHALL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2022

27. RATING INFORMATION (Continued)

(f) Interest Charges & Instalments

Instalment Options	Date Due	Instalment Plan Admin Charge	Instalment Plan Interest Rate	Unpaid Rates Interest Rate
		\$	%	%
Option One				
Single full payment	31/08/2021	0	0.0%	7.0%
Option Two				
First instalment	31/08/2021	0	0.0%	7.0%
Second instalment	30/11/2021	15	5.5%	7.0%
Third instalment	28/01/2022	15	5.5%	7.0%
Fourth instalment	31/05/2022	15	5.5%	7.0%

	2022 Actual	2022 Budget	2021 Actual
	\$	\$	\$
Interest on unpaid rates	9,123	9,000	10,069
Interest on instalment plan	1,541	2,500	2,469
Charges on instalment plan	1,350	1,800	1,836
Interest on unpaid ESL	422	500	360
	12,436	13,800	14,734

SHIRE OF MT MARSHALL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2022

28. RATE SETTING STATEMENT INFORMATION

		2021/22 (30 June 2022 Carried Forward)	2021/22 Budget (30 June 2022 Carried Forward)	2021/22 (1 July 2021 Brought Forward)	2020/21 (30 June 2021 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	10(d)	(89,889)	(44,000)	(52,369)	(52,369)
Less: Movement in liabilities associated with restricted cash		243	779	437	437
Less: Fair value adjustments to financial assets at fair value through profit and loss		(3,997)	0	(2,586)	(2,586)
Add: Loss on disposal of assets	10(d)	74,959	149,000	65,859	65,859
Add: Depreciation	10(a)	3,144,467	2,906,935	3,063,330	3,063,330
Non-cash movements in non-current assets and liabilities:					
Pensioner deferred rates		(1,007)	0	(659)	(659)
Employee benefit provisions		12,870	0	(22,503)	(22,503)
Non-cash amounts excluded from operating activities		3,137,646	3,012,714	3,051,509	3,051,509
(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: Reserve accounts	30	(717,820)	(738,504)	(644,246)	(644,246)
Less: Financial assets at amortised cost - self supporting loans	4(a)	(10,279)	0	(9,894)	(9,894)
Add: Current liabilities not expected to be cleared at end of year					
- Current portion of borrowings	14	48,264	103,541	46,458	46,458
- Current portion of lease liabilities	11(b)	11,348	(11,155)	10,932	10,932
- Employee benefit provisions		100,295	100,827	100,052	100,052
Total adjustments to net current assets		(568,192)	(545,291)	(496,698)	(496,698)
Net current assets used in the Rate Setting Statement					
Total current assets		3,736,380	1,430,347	3,032,442	3,032,442
Less: Total current liabilities		(913,236)	(885,058)	(813,729)	(813,729)
Less: Total adjustments to net current assets		(568,192)	(545,289)	(496,698)	(496,698)
Net current assets used in the Rate Setting Statement		2,254,952	0	1,722,015	1,722,015

SHIRE OF MT MARSHALL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2022

29. BORROWING AND LEASE LIABILITIES

(a) Borrowings

Purpose	Note	Actual								Budget			
		Principal at	New Loans	Principal	Principal at 30	New Loans	Principal	Principal at		Principal at 1	New Loans	Principal	Principal at
		1 July 2020	During 2020-21	Repayments	June 2021	During 2021-22	Repayments	30 June 2022		July 2021	During 2021-22	Repayments	30 June 2022
		\$	\$	\$	\$	\$	\$	\$		\$	\$	\$	\$
Recreation and culture					0			0					0
Bencubbin Rec Complex Shire		386,768	0	(16,480)	370,288	0	(17,121)	353,167		370,288	0	(17,121)	353,167
Bencubbin Rec SAR		439,249	0	(18,716)	420,533	0	(19,444)	401,089		420,533	0	(19,444)	401,089
Beacon Camp Kitchen		0	0	0	0	0	0	0		0	150,000	0	150,000
Total		826,017	0	(35,196)	790,821	0	(36,565)	754,256		790,821	150,000	(36,565)	904,256
Self Supporting Loans													
Recreation and culture					0			0					0
Bencubbin Rec Complex CRC		223,514		(9,524)	213,990	0	(9,894)	204,096		213,990	0	(9,894)	204,096
Total Self Supporting Loans		223,514	0	(9,524)	213,990	0	(9,894)	204,096		213,990	0	(9,894)	204,096
Total Borrowings	14	1,049,531	0	(44,720)	1,004,811	0	(46,459)	958,352		1,004,811	150,000	(46,459)	1,108,352

* WA Treasury Corporation

Self supporting loans are financed by payments from third parties. These are shown in Note 4 as other financial assets at amortised cost.
All other loan repayments were financed by general purpose revenue.

Borrowing Interest Repayments

Purpose	Note	Function and activity	Loan Number	Institution	Interest Rate	Actual for year ending 30 June 2022	Budget for year ending 30 June 2022	Actual for year ending 30 June 2021
						\$	\$	\$
Bencubbin Rec Complex Shire		Recreation and culture	120	WATC*	3.85%	(15,223)	(14,093)	(14,623)
Bencubbin Rec SAR		Recreation and culture	121	WATC*	3.85%	(17,289)	(16,005)	(16,607)
Beacon Camp Kitchen		Recreation and culture	123	WATC*	Unknown	0	0	0
Total						(32,512)	(30,098)	(31,230)
Self Supporting Loans Interest Repayments								
Bencubbin Rec Complex CRC		Recreation and culture	122	WATC*	3.85%	(8,797)	(8,144)	(8,450)
Total Self Supporting Loans Interest Repayments						(8,797)	(8,144)	(8,450)
Total Interest Repayments	2(b)					(41,309)	(38,242)	(39,680)

SHIRE OF MT MARSHALL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2022

29. BORROWING AND LEASE LIABILITIES (Continued)

(b) New Borrowings - 2021/22

Particulars/Purpose	Institution	Loan Type	Term Years	Interest Rate %	Amount Borrowed		Amount (Used)		Total Interest & Charges \$	Actual Balance Unspent \$
					2022 Actual \$	2022 Budget \$	2022 Actual \$	2022 Budget \$		
Beacon Camp Kitchen	WATC*	Debenture	10	Unknown	0	150,000	0	150,000	0	0
					0	150,000	0	150,000	0	0

* WA Treasury Corporation

(c) Lease Liabilities

Purpose	Note	Actual				Budget			
		Principal at 1 July 2020 \$	New Leases During 2020-21 \$	Principal Repayments During 2020-21 \$	Principal at 30 June 2021 \$	New Leases During 2021-22 \$	Principal Repayments During 2021-22 \$	Principal at 30 June 2022 \$	
Governance					0			0	
Fuji Xerox Docucentre VII C5573 with Booklet Finisher		8,330	0	(2,221)	6,109	0	(2,258)	3,851	5,887
Community amenities					0			0	0
Bencubbin Landfill Site		44,612	0	(4,156)	40,456	0	(4,337)	36,119	40,456
Beacon Landfill Site		44,612	0	(4,156)	40,456	0	(4,337)	36,119	40,456
Total Lease Liabilities	11(b)	97,554	0	(10,533)	87,021	0	(10,932)	76,089	86,799

Lease Interest Repayments

Purpose	Note	Function and activity	Lease Number	Institution	Interest Rate	Actual for year ending 30 June 2022 \$	Budget for year ending 30 June 2022 \$	Actual for year ending 30 June 2021 \$	Lease Term
Fuji Xerox Docucentre VII C5573 with Booklet Finisher		Governance	1	BOQ Finance Paul Anthony	1.70%	(95)	(86)	(359)	4 years
Bencubbin Landfill Site		Community amenities	2	Sasche C Faulkner Holdings Pty Ltd	2.30%	(2,187)	(865)	(944)	10 years
Beacon Landfill Site		Community amenities	3			(865)	(865)	(944)	10 years
Total Interest Repayments	2(b)					(3,147)	(1,816)	(2,247)	

SHIRE OF MT MARSHALL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2022

30. RESERVE ACCOUNTS

Restricted by council

	2022 Actual Opening Balance	2022 Actual Transfer to	2022 Actual Transfer (from)	2022 Actual Closing Balance	2022 Budget Opening Balance	2022 Budget Transfer to	2022 Budget Transfer (from)	2022 Budget Closing Balance	2021 Actual Opening Balance	2021 Actual Transfer to	2021 Actual Transfer (from)	2021 Actual Closing Balance
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
(a) Employee entitlements	100,052	243	0	100,295	100,051	776	0	100,827	99,615	437	0	100,052
(b) Plant replacement	247,173	599	0	247,772	247,173	1,918	0	249,091	353,280	1,293	(107,400)	247,173
(c) Aged care units	45,368	110	0	45,478	45,368	352	0	45,720	45,170	198	0	45,368
(d) Housing	8,569	21	0	8,590	8,569	67	0	8,636	8,532	37	0	8,569
(e) Public amenities and buildings	162,648	394	0	163,042	162,648	1,262	0	163,910	161,939	709	0	162,648
(f) Mt Marshall aquatic centre development	4,640	11	0	4,651	4,640	36	0	4,676	674,642	2,594	(672,596)	4,640
(g) Community bus	20,557	50	0	20,607	20,557	160	0	20,717	20,468	89	0	20,557
(h) Bencubbin recreation complex	4,271	2,269	0	6,540	4,271	2,291	0	6,562	4,252	19	0	4,271
(i) Economic development	38,971	95	0	39,066	38,971	302	0	39,273	78,720	251	(40,000)	38,971
(j) Beacon accommodation	3,719	60,759	0	64,478	3,719	78,029	0	81,748	3,703	16	0	3,719
(k) Medical enhancement	7,981	19	0	8,000	7,981	62	0	8,043	7,946	35	0	7,981
(l) Bencubbin community resource centre	297	9,004	0	9,301	298	9,003	0	9,301	296	1	0	297
	644,246	73,574	0	717,820	644,246	94,258	0	738,504	1,458,563	5,679	(819,996)	644,246

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

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

Name of Reserve	Anticipated date of use	Purpose of the reserve
(a) Employee entitlements	Note 1	To be used to fund Long Service Leave required/other accrued leave.
(b) Plant replacement	Note 1	To fund the purchase of road construction plant, so as to avoid undue heavy burden in a single year.
(c) Aged care units	Note 1	To fund capital works on existing Aged Care Units or construction of new Aged Care Units.
(d) Housing	Note 1	To fund the replacement of housing and any major maintenance.
(e) Public amenities and buildings	Note 1	To help fund future building maintenance requirements to the shire's buildings.
(f) Mt Marshall aquatic centre development	Note 1	To finance future capital and maintenance upgrades for the Bencubbin Aquatic centre.
(g) Community bus	Note 1	To finance the replacement of the community bus.
(h) Bencubbin recreation complex	Note 1	To provide funding for future extensions to the Bencubbin Recreation Complex.
(i) Economic development	Note 1	To set aside funds for Economic Development initiatives.
(j) Beacon accommodation	Note 1	To set aside funds for reconstruction or major maintenance on Beacon Accommodation.
(k) Medical enhancement	Note 1	To be used for projects that may arise through the NEWROC Health Strategy
(l) Bencubbin community resource centre	Note 1	To be used for refurbishment of the Bencubbin Community Resource Centre

SHIRE OF MT MARSHALL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2022

31. TRUST FUNDS

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

	1 July 2021	Amounts Received	Amounts Paid	30 June 2022
	\$	\$	\$	\$
Housing Bonds	10,020	2,684	(2,520)	10,184
Staff Social Club	1,204	2,810	(2,298)	1,716
Other	10,950	200	(140)	11,010
	22,174	5,694	(4,958)	22,910

SHIRE OF MT MARSHALL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2022

32. CORRECTION OF PRIOR PERIOD ERROR

The Shire has four joint agreements with the Department of Communities for the provision of aged housing. The joint arrangements are a joint operation. The assets involved are the land and thirteen housing units. Refer to Note 22 for further details.

The following adjustment has been made to comparative amounts in the 30 June 2022 Financial Report to bring to account financial activity that were incorrectly stated in 2020/21. Details of this activity is below:-

In 2016/17 the Shire revalued its Land and Buildings at fair value as at 30 June 2017. The Shire's percentage ownership in joint venture housing with the Department of Communities was not taken into account, instead the full fair value valuation was taken up in its accounts in error. This error has now been identified and the necessary adjustments have been effected as at 1 July 2020 and 30 June 2021.

To correct the error at 1 July 2020, the fair value of Land and Buildings and Accumulated Depreciation relating to these assets have been adjusted. The reduction in valuation of \$1,406,791 has been adjusted against the Revaluation Surplus for Land and Buildings and the reduction in depreciation of \$79,994 has been adjusted against Retained Surplus.

As at 30 June 2021, in addition to the above adjustments, corrections, were also made in 2020-21 to reflect only the Shire's share of depreciation expense in the financial report.

Statement of Financial Position (Extract)	30 June 2021 \$	Increase/ (Decrease) \$	30 June 2021 (Restated) \$	01 July 2020 \$	Increase/ (Decrease) \$	01 July 2020 (Restated) \$
Property, plant and equipment	19,250,639	(1,296,641)	17,953,998	19,480,669	(1,326,797)	18,153,872
Net assets	112,313,526	(1,296,641)	111,016,885	111,999,061	(1,326,797)	110,672,264
Retained surplus	83,249,236	110,150	83,359,386	82,120,454	79,994	82,200,448
Revaluation surplus	28,420,044	(1,406,791)	27,013,253	28,420,044	(1,406,791)	27,013,253
Total equity	112,313,526	(1,296,641)	111,016,885	111,999,061	(1,326,797)	110,672,264

Statement of Comprehensive Income (Extract)	2021 \$	Increase/ (Decrease) \$	2021 (Restated) \$
<i>By Nature or Type</i>			
Depreciation	(3,093,486)	30,156	(3,063,330)
<i>By program</i>			
Expenses			
Housing	(312,915)	30,156	(282,759)
Net result for the period	314,465	30,156	344,621
Total comprehensive income for the period	314,465	30,156	344,621



Auditor General

INDEPENDENT AUDITOR'S REPORT

2022

Shire of Mt Marshall

To the Councillors of the Shire of Mt Marshall

Opinion

I have audited the financial report of the Shire of Mt Marshall (Shire) which comprises:

- the Statement of Financial Position at 30 June 2022, the Statement of Comprehensive Income by Nature or Type, Statement of Changes in Equity, and 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.

In my opinion, the financial report is:

- based on proper accounts and records
- presents fairly, in all material respects, the results of the operations of the Shire for the year ended 30 June 2022 and its financial position at the end of that period
- in accordance with the *Local Government Act 1995* (the Act) and, to the extent that they are not inconsistent with the Act, Australian Accounting Standards.

Basis for opinion

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial report section below.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Emphasis of matter – restatement of comparative figures

I draw attention to Note 32 of the financial report which states that the amounts reported in the previously issued 30 June 2021 financial report have been restated and disclosed as comparatives in this financial report. My opinion is not modified in respect of this matter.

Other information

The Chief Executive Officer (CEO) is responsible for the preparation and the Council for overseeing the other information. The other information is the information in the entity's annual report for the year ended 30 June 2022, but not the financial report and my auditor's report.

My opinion on the financial report does not cover the other information and, accordingly, I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial report, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or my knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I did not receive the other information prior to the date of this auditor's report. When I do receive it, I will read it and if I conclude that there is a material misstatement in this information, I am required to communicate the matter to the CEO and Council and request them to correct the misstated information. If the misstated information is not corrected, I may need to retract this auditor's report and re-issue an amended report.

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

The Chief Executive Officer 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 responsibilities 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. The objectives of my audit are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

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

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 Mt Marshall for the year ended 30 June 2022 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 the annual 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.

Mark Ambrose

Mark Ambrose
Senior Director, Financial Audit
Delegate of the Auditor General for Western Australia
Perth, Western Australia
17 April 2023

SHIRE OF MT MARSHALL

PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2022

FINDINGS IDENTIFIED DURING THE FINAL AUDIT

INDEX OF FINDINGS	RATING		
	Significant	Moderate	Minor
1. Approval of payments inconsistent with delegations	✓		
2. Journal entries not independently approved	✓		
3. Review of supplier and employee batch payments	✓		
4. Supplier master file	✓		
5. Fair value of infrastructure assets - Frequency of valuations	✓		
6. Disaster recovery plan and testing	✓		
7. Inadequate procurement practices		✓	
8. Invoice not signed as evidence that goods/services were received		✓	
9. Termination of employment in the system		✓	
10. Procurement policy – purchase orders		✓	
11. Purchasing limits		✓	
12. Financial management review		✓	

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 could indicate the need for a modified audit opinion in the current year, or in a subsequent reporting period 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 MT MARSHALL

PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2022

FINDINGS IDENTIFIED DURING THE FINAL AUDIT

1. Approval of payments inconsistent with delegations

Finding

As per the Shire's Delegation Register, only the Chief Executive Officer is authorised to approve payments from Municipal bank account. We however noted that 7 batch payments out of 10 sampled were approved by the Finance Manager and Creditors Officer who have not been delegated to do so.

We also note that the executive assistant to the CEO is a signatory in the bank account contradictory to the Shire's Delegation Register.

Rating: Significant

Implication

If payments are not made in accordance with formal delegations, there is inadequate accountability for the payments and increases the risk of the authorisation of payments above a level that meets the acceptable risk of the Shire.

Recommendation

We recommend that the Delegation Register are reviewed on a regular basis and are amended where appropriate to reflect operational requirements. All payments should be made in accordance with the approved delegated authority.

Management comment

The Sub Delegation register was updated in January 2023 to reflect the appropriate level of delegation and rectify this matter.

Responsible person: Ben McKay
Completion date: 31 January 2023

SHIRE OF MT MARSHALL

PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2022

FINDINGS IDENTIFIED DURING THE FINAL AUDIT

2. Journal entries not independently approved**Finding**

We noted seven instances out of a sample of 21 journals tested, that the journal entries processed in the accounting system by the Finance Manager was not independently reviewed by a second officer. We only received the reviewed journals on audit request.

Rating: Significant

Implication

If journals are not independently reviewed and approved, there is a risk that erroneous or fraudulent transactions may pass undetected. Accounting journals can represent significant adjustments to previously approved accounting transactions and should therefore be appropriately reviewed and approved.

Recommendation

We recommend that a person more senior than the preparer authorises all journal entries, and evidence of the authorisation is retained.

Management comment

Where appropriate, journals were supplied on request and/or explanations as to why they were not signed by the CEO eg: system generated. Unfortunately, during the FAM's Long Service Leave records were not well kept. All journals continue to be independently approved moving forward.

The Shire has engaged a consultant to provide a report of the appropriateness and effectiveness of the financial management systems and procedures as required by Financial Management Regulation 5(2)(c).

Responsible person: Ben McKay
Completion date: 30 June 2023

SHIRE OF MT MARSHALL

PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2022

FINDINGS IDENTIFIED DURING THE FINAL AUDIT

3. Review of supplier and employee batch payments**Finding**

We noted that the preparer of supplier and employee batch payments acts as the first signatory in the bank to authorise the payment. We also noted that the second signatory or approver of the supplier batch payments does not verify the batch report to the actual invoices and other supporting documents.

Rating: Significant

Implication

Inadequate review of supplier invoices by signing officers before approving payment could result in invalid transactions or incorrect amounts being remitted to suppliers.

Recommendation

We recommend that all payment approval should be done by two officers who are independent to the batch preparer. The approver should examine supporting documents to payments and document approval.

Management comment

There are insufficient staff to make this practical and the preparer will still be the first approver moving forward. All batches are checked before being approved by the second officer and this was demonstrated at audit time.

As discussed, the appropriateness and effectiveness of the financial management systems and procedures will also be assessed by an external consultant.

Responsible person: Tanika McLennan

Completion date: 30 June 2023

Auditor response:

As set out above, the risk of error remains due to the fact that verification is not independently performed by the second officer in comparing approval documentation to source documentation. Therefore, the second officer review does not provide the level of independent review to mitigate the risk to acceptable levels.

SHIRE OF MT MARSHALL

PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2022

FINDINGS IDENTIFIED DURING THE FINAL AUDIT

4. Supplier master file

Finding

From our sample testing on new suppliers and changes to supplier details, we noted:

- There was no evidence that the changes made to supplier information had been verified with the supplier prior to updating the system.
- There was no evidence of ABN checks being performed.
- The supplier forms are not completed on a regular basis.

Rating: Significant

Implication

There is an increased risk:

- that unauthorised changes may be made resulting in errors
- of fictitious suppliers being established
- funds being inappropriately disbursed.

Recommendation

We recommend that a report from the accounting system of all changes made to supplier's details are reviewed by an officer independent from the officer making the changes before every payment run to ensure that the changes are valid, accurate and complete. This will include checking to completed supplier forms and evidence of ABN checks conducted.

Management comment

Unfortunately, this process was not being performed during the FAM's Long Service Leave. Upon her return, staff resumed the process.

As discussed, the appropriateness and effectiveness of the financial management systems and procedures will also be assessed by an external consultant.

Responsible person: Tanika McLennan
Completion date: 30 August 2023

SHIRE OF MT MARSHALL

PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2022

FINDINGS IDENTIFIED DURING THE FINAL AUDIT

5. Fair value of infrastructure assets - Frequency of valuations

Finding

The Shire has not performed an assessment to determine whether its infrastructure assets represent fair value for the year ended 30 June 2022, instead relying on previous years' external valuations.

Rating: Significant

Implication

Without a robust assessment of fair value of the Shire's 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) (b) of the Local Government (Financial Management) Regulations 1996 (the Regulations).

Recommendation

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

Fair Value of Infrastructure Assets not required to be assessed until 30 June 2023. Quotes are currently being sourced.

Responsible person: Tanika McLennan
Completion date: 30/6/23

Auditor response:

As set out in the *Implication* and *Recommendation* paragraphs above, in accordance with the requirements of AASB 13 and Regulation 17A (4) (b) of the Local Government (Financial Management) Regulations 1996 (the Regulations), the Shire has the obligation to perform the fair value assessment of its infrastructure assets each reporting date, not just once in every 5 years.

SHIRE OF MT MARSHALL

PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2022

FINDINGS IDENTIFIED DURING THE FINAL AUDIT

6. Disaster recovery plan and testing

Finding

The Shire does not have an ICT disaster recovery plan in place.

Rating: Significant

Implication

Without an adequate disaster recovery plan, there is an increased risk that the Shire will not possess the required information to enable effective restoration of key IT systems after a major incident.

Recommendation

The finalisation and endorsement of the disaster recovery plan should be prioritised as part of the business continuity planning process. The process should establish the priorities and recovery objectives for the Shire's IT systems. The Shire should ensure the disaster recovery plan is adequately defined to meet these recovery requirements and tested on a regular basis. These tests should be used to confirm key IT systems and services can be restored or recovered within the required timeframes. The tests should also be used to verify that key staff are familiar with the plan and their specific roles and responsibilities in a disaster situation. The results of these tests should be documented, and relevant actions taken to improve the plan where necessary.

Management comment

The Shire is working with the current service provider to obtain quotes for the work.

Responsible person: Ben McKay
Completion date: 30 June 2023

SHIRE OF MT MARSHALL

PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2022

FINDINGS IDENTIFIED DURING THE FINAL AUDIT

7. Inadequate procurement practices

Finding

From our procurement testing, we identified that 3 purchases out of a sample of 23 tested were not supported by the number of quotations as required by the Shire's Purchasing Policy. The purchases were in the following ranges:

Threshold	Requirement as per Shire's Purchasing Policy	Number of quotes actually obtained	Number of instances
\$5,001 to \$30,00	2 written quotations required	1 quote obtained	2
\$20,001 to \$249,999	3 written quotations required	1 quote obtained	1

Rating: Moderate

Implication

Non-compliance with the internal purchasing policy increases the risk of breaching Part 4 of the Local Government (Functions and General) Regulations 1996 and regulation 11A (3)(b) of the Local Government (Finance and General ledger) Regulations.

If purchases are made without obtaining sufficient quotes, there is a risk of favouritism of suppliers and not obtaining value for money.

Recommendation

1. For purchases below the tender threshold, quotes should be obtained, in accordance with the Shire's purchasing policy.
2. We recommend that all authorised officers comply with the purchasing policy and document reasons why quotes were not obtained.
3. The requirement for full compliance with the Shire's purchasing policy must be communicated to all staff and be closely monitored by management.
4. If instances arise where it is impractical to obtain the requisite number of quotations, the reasons should be recorded and attached to the purchase order at the time of the purchase being made.

Management comment

Electronic procurement process has now been implemented which does not allow staff to proceed if they are in breach of the purchasing policy.

Responsible person: Tanika McLennan
Completion date: 28 March 2023

SHIRE OF MT MARSHALL

PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2022

FINDINGS IDENTIFIED DURING THE FINAL AUDIT

8. Invoice not signed as evidence that goods/services were received**Finding**

We note that for 1 out of a sample of 23 purchases tested, the invoice was not signed as evidence that goods/service had been received/rendered before payment was made. While we have established that the payment was for a valid expense, there was no evidence that the control procedure was performed.

Rating: Moderate

Implication

Confirming that goods/services have been received/rendered before payment is made reduces the risk that payments will be made without the Shire receiving the goods or being provided with the services that might lead to financial loss.

Recommendation

A process should be implemented to ensure that the receipt of goods and services is acknowledged and documented prior to the payment of invoices.

Management comment

Internal procedure was not followed. Appropriate procedures will be identified when the appropriateness and effectiveness of the financial management systems and procedures are assessed by an external consultant.

Responsible person: Tanika McLennan
Completion date: 30 June 2023

SHIRE OF MT MARSHALL

PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2022

FINDINGS IDENTIFIED DURING THE FINAL AUDIT

9. Termination of employment in the system

Finding

During the audit, we noted three instances where the payroll system was not updated with the correct termination date in a timely manner after their resignation and have only removed from the system later at year end.

Rating: Moderate

Implication

Terminated staff being retained on the system for an extended period increases the risk of making erroneous payments to them after they have left the Shire's employment.

Recommendation

We recommend the management to ensure the termination of employees are performed in the system in a timely manner.

Management comment

Casual staff are retained in the system until EOFY as they are sometimes engaged again at a later date. The payroll batch is independently checked each fortnight to ensure there are no errors, including no ghost employees.

Responsible person: Tanika McLennan
Completion date: 30 June 2022

SHIRE OF MT MARSHALL

PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2022

FINDINGS IDENTIFIED DURING THE FINAL AUDIT

10. Procurement policy – Purchase orders

Finding

The Shire's Procurement Policy provides no guidance in relation to purchase orders except having approval limits and number of quotations required.

Rating: Moderate

Implication

A lack of clear policies and guidance on purchase orders creates the potential for:

- Lack of clarity about the roles and responsibilities of staff.
- Inappropriate procurement activities to be undertaken.
- Failure to obtain value for money and desired quality from suppliers.
- Failure to demonstrate that procurement activities have been conducted with probity and accountability.

Recommendation

Management should ensure that the procurement policy includes comprehensive guidance to staff on purchase orders, so that better practices are consistently applied across the Shire.

Management comment

The purchasing policy is to be reviewed following the financial management systems and procedures being assessed by an external consultant.

Responsible person: Ben McKay
Completion date: 30 June 2023

SHIRE OF MT MARSHALL

PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2022

FINDINGS IDENTIFIED DURING THE FINAL AUDIT

11. Purchasing limits

Finding

During the audit, we noted that the Shire have a purchasing authority limit delegated to each officer. However, these limits are not presented and approved by the Council.

Rating: Moderate

Implication

Without having an approved policy for purchasing limits in place, there is an increased chance of not keeping the officers held responsible for their authorisation limits and increases the risk of fraud and uncontrolled spending.

Recommendation

We recommend for the Council to review and approve the purchasing authority limits.

Management comment

This is not a function of Council ie the CEO makes the delegation, Council is not required to approve it. This is however something that can be discussed with the consultant when the review of the financial management systems and procedures is undertaken.

Responsible person: Ben McKay
Completion date: 30 June 2022

SHIRE OF MT MARSHALL

PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2022

FINDINGS IDENTIFIED DURING THE FINAL AUDIT

12. Financial management review**Finding**

The Local Government (Financial Management) Regulations 1996 paragraph 5(2)(c) requires the CEO to undertake a review of the appropriateness and effectiveness of the financial management systems and procedures no less than every three financial years. We note that the last Financial Management Review took place in February 2019.

We acknowledge that the Shire is currently in the process of obtaining quotes to undertake the Financial Management review.

Rating: Moderate

Implication

The Shire has not complied with regulation 5(2)(c) of the Local Government (Financial Management) Regulations 1996.

Recommendation

We recommend that the Financial Management Review is performed as soon as possible.

Management Comment

Moore Australia have been appointed as consultants to undertake the review. This is anticipated to commence in April 2023.

Responsible person: Ben McKay
Completion date: 30 June 2023

REVIEW REPORT

**A REVIEW UNDER REGULATION 17
FOR THE
SHIRE OF MT MARSHALL**



**Report
by
Andrew Hammond and John M. Woodhouse
Hammond Woodhouse Advisory
18 April 2023**

1. EXECUTIVE SUMMARY

This review report sets out not only a number of prioritised recommendations but also provides detailed explanations which should assist and guide the CEO and the Administration in the implementation of those recommendations.

Major points of the Review are as follows:

- Controls in a number of areas were assessed as ***Effective*** or ***Adequate***.
- However, controls in a number of key areas were found to be ***Inadequate*** and recommendations have been made for remedial action to be taken by the CEO.
- The Recommendations in this Report will provide the Shire and its CEO with a “road map” for improvement.

We commend the Review Report to the Shire.

2. METHODOLOGY AND SCOPE

2.1 The Requested Review

The Shire engaged HWA to undertake a review under Regulation 17 of the Local Government (Audit) Regulations 1996 which requires the CEO:

“to review the appropriateness and effectiveness of a local government’s systems and procedures in relation to —

- (a) risk management; and***
- (b) internal control; and***
- (c) legislative compliance.”***

2.2 Scope

The Scope proposed by HWA, and accepted by the Shire, is a review of the following:

(1) Risk Management

- (a) Risk Management Framework***
 - *Council and administrative policies*
 - *Agendas and report writing*
 - *Business Continuity*
 - *Identification of material risk*
 - *Managing material risk*
 - *Reporting and response*
 - *Organisational training and awareness*
- (b) Fraud and misconduct prevention***
- (c) Procurement***
- (d) Project management***
- (e) Contract management***
- (f) Financial Management***
 - *Transparency*
 - *Business planning*
 - *Budget compliance*
 - *Strategic alignment*
- (g) Audit Committee functions and performance***

(2) Internal Controls

- (a) Procurement***

- *Credit card authorisation and oversight*
- *Purchase order authorisation and oversight*
- *Payment authorisation protocols*
- *Creditors statement reconciliations*
- *Payment of accounts*
- (b) *Taxation liabilities*
 - *Goods and services tax*
 - *Fringe benefits tax*
- (c) *Segregation of roles and responsibilities across all decision-making areas*
- (d) *ICT:*
 - *Access and authorisation hierarchy*
 - *Data retention, storage and retrieval*
 - *Data / enterprise defence systems / managing external threats*
- (e) *Organisational training, awareness and systems capability*
- (f) *Regular process and systems for reconciliation of:*
 - *General ledger and subsidiary ledger accounts*
 - *Bank accounts, term deposits and other cash holdings*
 - *Fuel, stock and other inventories*
 - *Rate book*
 - *Debtors and creditors ledger aging and integrity*

(3) Legislative Compliance

- (a) *Annual Compliance Return process and timing*
- (b) *Local law review process and timing*
- (c) *Town Planning Scheme review process and timing*
- (d) *Delegation Manual review process and timing*
- (e) *Records management systems, policies and organisational response*
- (f) *Tenders, disposition of property and major land transactions*
- (g) *Integrated Strategic Planning Framework review process and timing*
- (h) *Utilisation and application in key decision making*
- (i) *Efficacy and currency of components*
- (j) *Human Resource Management*
 - *HRM policies and procedures – existence, effectiveness, awareness*
 - ☐ *Equal opportunity*
 - ☐ *Disability access and inclusion*
 - ☐ *Discrimination and harassment*
 - *Annual Performance Reviews*
 - *Work Health and Safety Act – awareness, compliance*
 - ☐ *Codes of practice*
 - ☐ *Violence and aggression in the workplace*
 - ☐ *Workplace Behaviour*
 - ☐ *Psychosocial Hazards*
 - ☐ *Notification and reporting of incidents*
- (k) *Appointment and management of external audit functions*

- (l) Transparency and efficacy in responding to external audit findings*
- (m) Agenda items and key decision making generally (Council and CEO):*
 - *Awareness and understanding of relevant legislation*
 - *Compliance with relevant legislation*
- (n) General awareness of legislative change*
 - *Training*
 - *Organisational response and stakeholder communication.*

2.3 Methodology

(1) The Methodology proposed by HWA, and also accepted by the Shire, is as follows:

- (1) Desktop review of requested key corporate documents prior to site visit.*
- (2) Site visit:*
 - *Meeting with the CEO and other key personnel;*
 - *Examination of documents, systems, processes and procedures; and*
 - *Internal control testing of key risk areas assessing efficacy, compliance and organisational awareness.*
- (3) Preparation of review report with findings and recommendations.*
- (4) Meeting with the CEO to discuss and explain review report findings and recommendations (Zoom or MS Teams).*
- (5) CEO facilitates response to review report back to the consultants.*
- (6) Final report prepared and submitted to the CEO containing findings, recommendations, and management response.*

(2) In the course of our review, we were shown the Shire’s “enterprise risk policy” which is entitled “**ADMIN.1.5 RISK MANAGEMENT**” (“the Risk Management Policy”).

(3) For the purpose of this Report we have used the control rating system set out in the Risk Management Policy which is as follows:

EXISTING CONTROL RATINGS

Rating	Foreseeable	Description
Effective	There is little scope for improvement.	Processes (Controls) operating as intended and / or aligned to Policies & Procedures; are subject to ongoing maintenance and monitoring and are being continuously reviewed and tested.
Adequate	There is some scope for improvement.	Whilst some inadequacies have been identified; Processes (Controls) are in place, are being addressed / complied with and are subject to periodic review and testing.
Inadequate	A need for corrective and / or improvement actions exist.	Processes (Controls) not operating as intended, do not exist, or are not being addressed / complied with, or have not been reviewed or tested for some time.

3. REVIEW OF RISK MANAGEMENT

3.1 Risk Management Framework

(1) Findings

The Risk Management Policy accords with ISO 31000:2009 but may benefit from a review to incorporate relevant amendments arising from ISO 31000:2018.

Council agenda items make provision for risk assessment. However, assessment is not undertaken in accordance with the matrix contained within the Risk Management Policy.

The Business Continuity Plan is appropriate. However, contact details require updating.

The risk register contains generic information with no evidence of reporting of emergent operational or strategic risk.

(2) Risk assessment

Control Rating – ***Adequate***.

(3) Recommendations

- Review the Risk Management Policy to accord with ISO 31000:2018.
- Implement risk reporting in Council agenda items in accordance with the matrix in the Risk Management Policy.
- Update contact details in Business Continuity Plan.

3.2 Fraud and misconduct prevention

(1) Findings

The Shire does not have any written policy or procedure to act on suspected fraud or corruption (as recommended by the WA Auditor General Report No. 5 - 2019/2020)¹.

(2) Risk assessment

Control rating - ***Inadequate***.

(3) Recommendations

- Instigate measures to implement the recommendations of the WA Auditor General's Report.

¹ Western Australia Auditor General's Report - Fraud Prevention in Local Government – Report No. 5 2019/2020.

3.3 Procurement

(1) Findings

We reviewed the files relating to several recent tenders.

In brief, the process which was followed was that:

- Before tenders were invited a report and recommendation were put to the Council for the purpose of the Council:
 - adopting the proposed criteria, for deciding which tender should be accepted; and
 - delegating the determination of tenders to the CEO.
- The submitted tenders were, generally the subject of an evaluation report, which were considered by the CEO and the CEO determined which tender would be accepted.

In one case, where only one tender was submitted, no evaluation was done because it was thought to be unnecessary.

This process was not a documented process and, more importantly, is not consistent with the requirements of the LGA² and the Regulations³.

In particular:

- Regulation 18(4) of the Regulations provides that all tenders (that have not been rejected) must be evaluated; and
- Section 5.43 of the LGA provides that:
“A local government cannot delegate to a CEO any of the following powers or duties —

(a) ...

(b) accepting a tender which exceeds an amount determined by the local government for the purpose of this paragraph;”.

The CEO advised that, in the future, he wished to see the administrative process for tenders being “centralised”, in the sense that it would be the responsibility of one employee namely the “Regulatory Officer”.

² LGA refers to the Local Government Act 1995.

³ Regulations refers to the Local Government (Functions and General) Regulations 1996.

The Regulatory Officer was enthusiastic at assuming this role but it was clear that she would require specialised training to properly carry out that responsibility.

(2) Risk assessment

Control rating - *Inadequate*.

(3) Recommendations

- Take steps to put in place suitable and proper delegations and procedures for inviting, receiving, evaluating, considering and determining tenders which delegations and procedures meet the requirements of the LGA and the Regulations.
- Take steps to ensure that the Regulatory Officer, and indeed any employee who is given responsibility for the tender process or any aspect of it, is afforded the specialised training necessary to properly carry out the functions involved and to understand the relevant legislation.

3.4 Project and contract management

(1) Findings

We did not sight any written procedure or system for the management of projects or of contracts or, importantly, for reporting progress, etc. to the CEO.

(2) Risk assessment

Control rating - *Inadequate*.

(3) Recommendations

- Take steps:
 - ☐ to formalise in writing the responsibility for the management of projects and contracts; and
 - ☐ to put in place a procedure for project management and contract management.

3.5 Audit committee functions and performance

(1) Findings

A review of the Audit Committee agendas and minutes demonstrates little or no involvement or engagement with the Shire's risk management effort.

The Audit Committee is considered to be the most appropriate means of engaging and reporting to the Council on the

assessment and management of operational and strategic risks facing the Shire.

(2) Risk assessment

Control Rating – *Adequate*.

(3) Recommendations

- Include a provision for reporting and discussion on risk management in the Council Audit Committee agendas.

4. REVIEW OF INTERNAL CONTROLS

4.1 Procurement

(1) Findings

The Shire has a Purchasing Policy adopted by the Council as required by the Regulations. It forms part of the Shire's Policy Manual which is available on the Shire's website.

Credit card usage policies and procedures are appropriate, effectively overseen and complied with by cardholders. Cardholders are currently not required to sign and acknowledge the conditions of card usage.

The Purchasing Policy is compliant and effectively overseen. It is proposed to review thresholds to accommodate rising costs.

Purchase order authorisation and control is managed through IT Vision software application ALTUS. The ordering and authorisation process is effectively managed and overseen through the use of this software.

Some uncertainty exists as to the permissions required to access the software settings to adjust purchasing thresholds for individual users. A control is necessary to limit permissions to an appropriate user or users.

Authorisation of payments and segregation is difficult given the very few staff that are authorised to issue both purchase orders and authorise payments. Clearly, perfect segregation between the ordering and authorising officers in an organisation of this size is problematic.

It is suggested that a control be developed introducing a threshold above which authorisation of purchases must have clear separation between ordering and authorising officers notwithstanding that every effort should be made to achieve segregation in most cases.

(2) Risk assessment

Control rating – ***Adequate.***

(3) Recommendations

- Develop a form which cardholders must sign acknowledging the provisions of the Council Policy – Use of Shire of Mt Marshall Credit Cards and Council Policy – Purchasing Policy.
- Develop a control that limits permission to an appropriate user or users to access ALTUS software settings to amend purchase order thresholds.
- Develop a control that establishes a threshold above which ordering and authorising payments must be segregated.

4.2 ICT

(1) Findings

ICT system and services are currently managed by an external service provider. The service contract has expired and is currently being managed on a month-by-month basis.

The external service is considered by staff to be adequate and effective. However, there was little in-house understanding of access and permission hierarchies, the efficacy of data retention and storage or external threat defence systems.

The Shire was recently exposed to an email interception fraud which, in some part, would have occurred because of failure of the external threat defence systems of the service provider.

The current contractual circumstances and service provider relationship for the ICT system represents a high risk to the Shire. If the system is to be externally managed, then the service contract between parties should have a reasonable term to provide comfort for both parties given its strategic and operational importance and the significant investment that is involved.

The contract should also clearly articulate the rights and responsibilities of both parties including agreed service levels

relating to data retention and storage and external threat defence systems.

The IT Vision enterprise software system was current, capably overseen and utilised by staff who had a sound understanding of its operational systems supported by a suite of manuals and online training resources.

(2) Risk assessment

Control rating – *Inadequate*.

(3) Recommendations

- Undertake a tender/procurement process for the provision of external ICT services for a term that is commensurate with the importance of the service and the levels of investment that are required from both parties. The specifications should clearly set out (amongst other things) service levels for data storage and retention and the provision of external threat defence systems.

4.3 Regular process and systems for reconciliation

(1) Findings

Evidence of regular and satisfactory reconciliation of subsidiary ledgers with the general ledger was sighted.

Evidence of regular and satisfactory reconciliation of cash at hand, bank accounts and term deposits was sighted.

Evidence of regular and satisfactory reconciliation of the rate book and valuation register was sighted.

Evidence of regular and satisfactory reconciliation of the debtors and creditors ledger accounts was sighted. Satisfactory processes are in place to follow up delinquent debtors.

Reconciliation of fuel and other inventories was overseen at the Shire depot. Reconciliation of fuel stocks is undertaken annually. Allocation of fuel costs to plant and equipment is undertaken fortnightly utilising the payroll system process.

An annual reconciliation of fuel is an ineffective control system and exposes the Shire to risk of serious misconduct by way of theft of fuel.

The reconciliation of fuel stocks should be undertaken monthly, and systems put in place to report discrepancies to the CEO.

(2) Risk assessment

Control rating – *Inadequate*.

(3) Recommendations

- Develop a control system that reconciles fuel stocks monthly with a requirement to report discrepancies to the CEO.

5. REVIEW OF LEGISLATIVE COMPLIANCE

5.1 Annual Compliance Return process and timing

(1) Findings and control rating

Staff indicated an understanding of the Return's importance. The latest Return had been lodged as required.

(2) Risk assessment

Control rating is **Effective**.

(3) Recommendations

- No action required.

5.2 Local law review process and timing

(1) Findings and control rating

5 local laws were published on the Shire's website.

2 dealt with Health but a more recent one had been repealed the earlier one.

None of the local laws published were the those as gazetted in the Government Gazette and could not therefore be verified.

3 of the local laws (Dogs, Fencing and Standing Orders) are over 20 years old.

There was no evidence of any review as required by s.3.12 of the LGA.

(2) Risk assessment

Control rating – **Inadequate**.

(3) Recommendations

- Take steps to address the findings above and more specifically:
 - ☐ Identify all current local laws;
 - ☐ Publish on the website Government Gazette versions of all current local laws; and
 - ☐ Commence a review of the local laws as required by s.3.12 of the LGA.

5.3 Local Planning Scheme review process and timing

(1) Findings and control rating

We were advised, and sighted evidence, that the Shire's local planning scheme, LPS3, was undergoing a review as required.

(2) Risk assessment

Control rating – ***Effective***.

(3) Recommendations

- No action required.

5.4 Delegation Manual review process and timing

(1) Findings

We sighted the current Register of Delegations. It was available on the Shire's website and had been adopted by the Council in May 2022 (i.e. the previous financial year).

We were advised that the delegations were under review and would be put to the Council before the end of the current financial year.

(2) Risk assessment

Control rating – ***Effective***.

(3) Recommendations

- No action required.

5.5 Records management systems, policies and organisational response

(1) Findings

The Records Management Plan is currently under review with staff liaising with the State Records Office.

The records management software application forms part of the IT Vision enterprise software system.

Inward records directed to the centralised collection email address are competently recorded in the system in a timely manner.

There was clear evidence of inward and outward emails sent or delivered outside of the centralised collection address either not being recorded in the system in a timely manner or in some cases not being recorded at all.

Inward and outward emails must be recorded in the records management system as a requirement of the Record Keeping Plan. Failure to record inward and outward emails is a potential breach of the State Records Act 2000.

Irrespective of this potential breach, an inability to retrieve inward and outward email correspondence from the central records system exposes the Shire to significant operational risk.

Training and the implementation of an effective control system is considered necessary to improve the current situation.

(2) Control rating

Control rating – *Inadequate*.

(3) Recommendations

- Develop an internal control system that oversees the timely recording of inward and outward emails in the central records system.
- Consider the use of exception reporting from the software application and regular training.

5.6 Tenders, disposition of property and major land transactions

(1) Findings

We were not shown any document that met the legislative requirements for a tenders register. These requirements are in Regulation 17 of the Regulations.

There was no evidence of any major land transaction.

We sighted files relating to several recent land dispositions. In each case, the disposition was effected by public tender consistent with the requirements of the LGA.

(2) Risk assessment

In relation to tenders - Control rating - ***Inadequate.***

In relation to disposition - Control rating - ***Adequate.***

(3) Recommendations

- In relation to tenders - Take steps to ensure that the Shire develops, and keeps current, a tenders register that meet the legislative requirements and is published on the Shire's website.
- In relation to disposition - No action required.

5.7 Integrated Strategic Planning Framework review process and timing

(1) Findings

The Community Strategic Plan and the Corporate Business Plan in their current form provide little assistance to the Council in allocating resources or making major strategic decisions generally.

An effective Strategic Community Plan which establishes priorities and aspirations for both Bencubbin and Beacon, and which is underpinned by a corporate business plan containing cogent financial forecasting, would be of great assistance to the Council and add significant value to project planning and the annual budget process.

(2) Control rating

Control rating – ***Adequate.***

(3) Recommendations

- Undertake a major review of the Strategic Community Plan and develop a Corporate Business Plan that effectively enables it.

5.8 Human Resource Management

(1) Findings

HRM policies and procedures were comprehensive and overseen by competent staff. "Onboarding" and "Offboarding" were guided by appropriate checklists.

In the case of HRM and indeed as a general observation, the "Policy and Procedure Manual" should be reviewed to separate

council policies (those that are adopted by the Council) from all other policies and procedures falling within the aegis of the CEO.

Annual performance reviews were conducted on all employees.

(2) Control rating

Control rating – ***Effective.***

(3) Recommendations

- Review the Policy and Procedure Manual to separate Council Policies from those procedures and policies falling within the aegis of the CEO.

5.9 Appointment and management of external audit functions

(1) Findings and control rating

External auditors had been appointed and their report was expected at the time of writing this Report.

We were advised that the auditor's report would be put to the Council at the next Council meeting.

(2) Control rating

Control rating - ***Effective.***

(3) Recommendations

- No action required.

5.10 Transparency and efficacy in responding to external audit findings

(1) Findings

We were advised that all queries from the auditor had been responded to in a timely manner and to the auditor's satisfaction.

(2) Control rating

Control rating – ***Effective.***

(3) Recommendations

- No action required.

5.11 General awareness of legislative change

(1) Findings and control rating

The CEO and the staff to whom we spoke, acknowledged the importance of observing legislative requirements and of keeping abreast of relevant legislative change.

However, we saw no written evidence that the responsibility for:

- ☐ for monitoring legislative change and for disseminating it to relevant staff; or
 - ☐ for considering or implementing changes,
- was a particular responsibility of any staff member.

(2) Control rating

Control rating – ***Inadequate.***

(3) Recommendations

- Take steps to formalise in writing the responsibility:
 - ☐ for monitoring legislative changes and for disseminating it to relevant staff; and
 - ☐ for considering or implementing changes.

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18 April 2023

TABLE OF CONSOLIDATED RECOMMENDATIONS

REVIEW TOPIC	Report paragraph	RECOMMENDATION	Priority Rating 1 or 2 ⁴
REVIEW OF RISK MANAGEMENT			
Risk Management	<ul style="list-style-type: none"> • 3.1(3) 	<ul style="list-style-type: none"> • Review the Risk Management Policy to accord with ISO 31000:2018. • Implement risk reporting in Council agenda items in accordance with the matrix in the Risk Management Policy. • Update contact details in Business Continuity Plan. 	2
Fraud	<ul style="list-style-type: none"> • 3.2(3) 	<ul style="list-style-type: none"> • The CEO should instigate measures to implement the recommendations of the WA Auditor General's Report. 	2
Tenders	<ul style="list-style-type: none"> • 3.3(3) 	<ul style="list-style-type: none"> • Take steps to put in place suitable and proper delegations and procedures for inviting, receiving, evaluating, considering and determining tenders which delegations and procedures meet the requirements of the LGA and the Regulations. • Take steps to ensure that the Regulatory Officer, and indeed any employee who is given responsibility for the tender process or any aspect of it, is afforded the specialised training necessary to properly carry out the functions involved and to understand the relevant legislation. 	1
Project and contract management	<ul style="list-style-type: none"> • 3.4(3) 	<ul style="list-style-type: none"> • Take steps: <ul style="list-style-type: none"> □ to formalise in writing the responsibility for the management of projects and contracts; and 	1

⁴ Priority ratings are 1 or 2. Priority 1 refers to matters which expose the Shire to significant risk if not addressed appropriately and without delay. Priority 2 matters should be dealt with once Priority 1 matters are dealt with or sooner if practicable.

		<input type="checkbox"/> to put in place a procedure for project management and contract management.	
Audit committee	<ul style="list-style-type: none"> • 3.5(3) 	<ul style="list-style-type: none"> • Include a provision for reporting and discussion on risk management in the Council Audit Committee agendas. 	1
REVIEW OF INTERNAL CONTROLS			
Procurement	<ul style="list-style-type: none"> • 4.1(3) 	<ul style="list-style-type: none"> • Develop a form which cardholders must sign acknowledging the provisions of the Council Policy – Use of Shire of Mt Marshall Credit Cards and Council Policy – Purchasing Policy. • Develop a control that limits permission to an appropriate user or users to access ALTUS software settings to amend purchase order thresholds. • Develop a control that establishes a threshold above which ordering and authorising payments must be segregated. 	1
ICT	<ul style="list-style-type: none"> • 4.2(3) 	<ul style="list-style-type: none"> • Undertake a tender/procurement process for the provision of external ICT services for a term that is commensurate with the importance of the service and the levels of investment that are required from both parties. The specifications should clearly set out (amongst other things) service levels for data storage and retention and the provision of external threat defence systems. 	1
Reconciliation	<ul style="list-style-type: none"> • 4.3(3) 	<ul style="list-style-type: none"> • Develop a control system that reconciles fuel stocks monthly with a requirement to report discrepancies to the CEO. 	1
REVIEW OF LEGISLATIVE COMPLIANCE			
Annual return	<ul style="list-style-type: none"> • 5.1(3) 	<ul style="list-style-type: none"> • No action required. 	
Local laws	<ul style="list-style-type: none"> • 5.2(3) 	<ul style="list-style-type: none"> • Take steps to address the findings above and more specifically: 	2

		<ul style="list-style-type: none"> <input type="checkbox"/> Identify all current local laws; <input type="checkbox"/> Publish on the website Government Gazette versions of all current local laws; and <input type="checkbox"/> Commence a review of the local laws as required by s.3.12 of the LGA. 	
LPS	• 5.3(3)	• No action required.	
Delegation	• 5.4(3)	• No action required.	
Records	• 5.5(3)	<ul style="list-style-type: none"> • Develop an internal control system that oversees the timely recording of inward and outward emails in the central records system. • Consider the use of exception reporting from the software application and regular training. 	2
Tenders etc	• 5.6(3)	<ul style="list-style-type: none"> • In relation to tenders - take steps to ensure that the Shire develops, and keeps current, a tenders register that meet the legislative requirements and is published on the Shire's website. • In relation to the other matters, no action required. 	1
Strategic Planning	• 5.7(3)	• Undertake a major review of the Strategic Community Plan and develop a Corporate Business Plan that effectively enables it.	2
HRM	• 5.8(3)	• Review the Policy and Procedure Manual to separate Council Policies from those procedures and policies falling within the aegis of the CEO.	2
External audit	• 5.9(3)	• No action required.	
Audit response	• 5.10(3)	• No action required.	
Legislative change	• 5.11(3)	<ul style="list-style-type: none"> • Take steps to formalise in writing the responsibility: <ul style="list-style-type: none"> <input type="checkbox"/> for monitoring legislative changes and for disseminating it to relevant staff; and <input type="checkbox"/> for considering or implementing changes. 	2