



AGENDA

5th February 2021

AUDIT MEETING

TO BE HELD AT GASCOYNE JUNCTION SHIRE OFFICES ON FRIDAY THE 5th of FEBRUARY 2021 8:20AM

DISCLAIMER

Disclaimer

The advice and information contained herein is given by and to the Council without liability or responsibility for its accuracy. Before placing any reliance on this advice or information, a written inquiry should be made to the Council giving entire reasons for seeking the advice or information and how it is proposed to be used.

Please note this agenda contains recommendations which have not yet been adopted by Council.

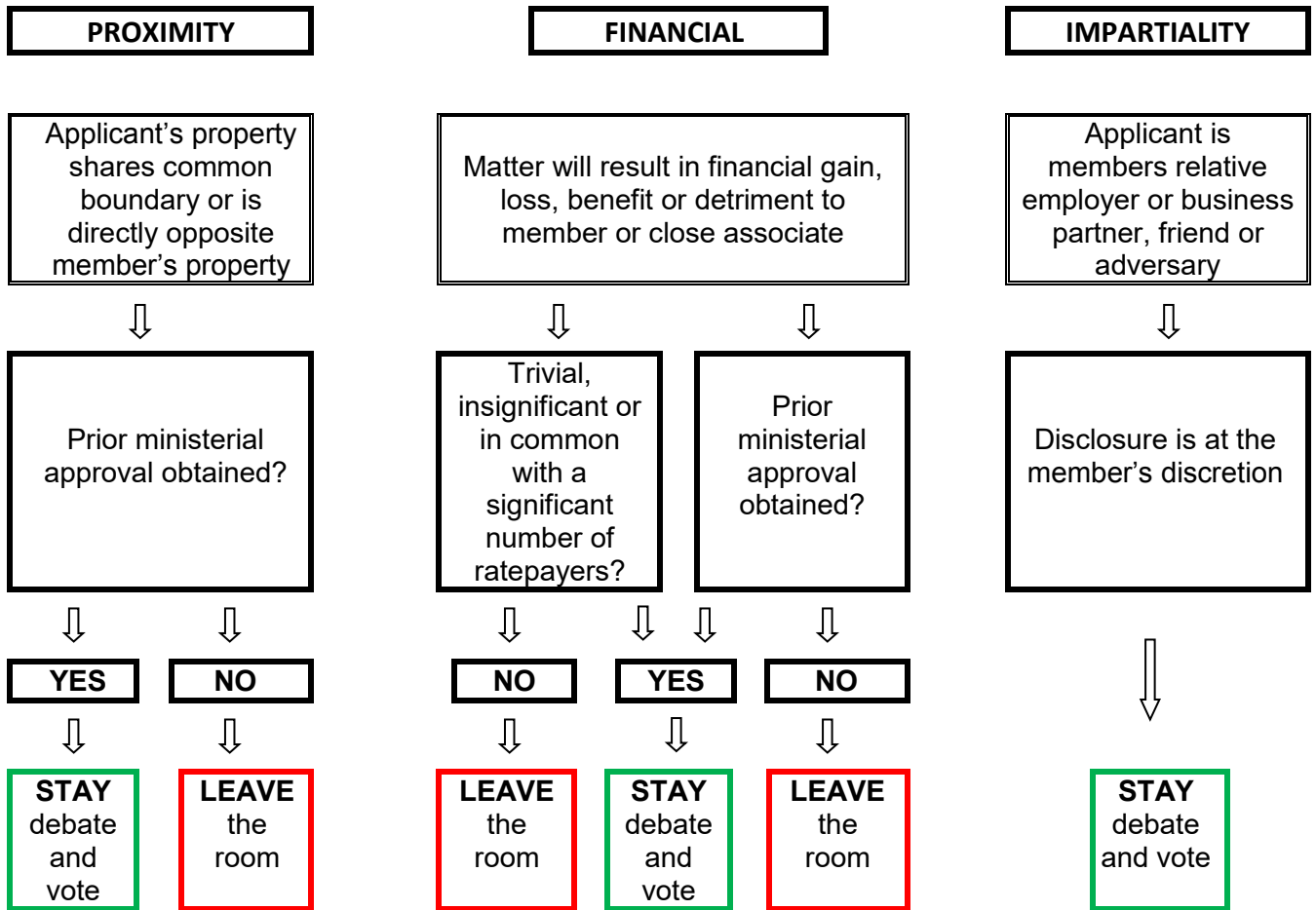
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John McCleary, JP
CHIEF EXECUTIVE OFFICER

* Declaring an Interest



Local Government Act 1995 - Extract

5.65 - Members' interests in matters to be discussed at meetings to be disclosed.

(1) A member who has an interest in any matter to be discussed at a council or committee meeting that will be attended by the member must disclose the nature of the interest:

(a) in a written notice given to the CEO before the meeting; or (b) at the meeting immediately before the matter is discussed. (Penalties apply).

(2) It is a defense to a prosecution under this section if the member proves that he or she did not know:

(a) that he or she had an interest in the matter; or (b) that the matter in which he or she had an interest would be discussed at the meeting.

(3) This section does not apply to a person who is a member of a committee referred to in section 5.9(2)(f).

5.70 - Employees to disclose interests relating to advice or reports.

(1) In this section: 'employee' includes a person who, under a contract for services with the local government, provides advice or a report on a matter.

(2) An employee who has an interest in any matter in respect of which the employee is providing advice or a report directly to the council or a committee must disclose the nature of the interest when giving the advice or report.

(3) An employee who discloses an interest under this section must, if required to do so by the council or committee, as the case may be, disclose the extent of the interest. (Penalties apply).

5.71 - Employees to disclose interests relating to delegated functions.

If, under Division 4, an employee has been delegated a power or duty relating to a matter and the employee has an interest in the matter, the employee must not exercise the power or discharge the duty and:

(a) in the case of the CEO, must disclose to the mayor or president the nature of the interest as soon as practicable after becoming aware that he or she has the interest in the matter; and (b) in the case of any other employee, must disclose to the CEO the nature of the interest as soon as practicable after becoming aware that he or she has the interest in the matter. (Penalties apply).

'Local Government (Administration) Regulations 1996 - Extract

In this clause and in accordance with Regulation 34C of the Local Government (Administration) Regulations 1996:

"Interest" means an interest that could, or could reasonably be perceived to, adversely affect the impartiality of the person having the interest and includes an interest arising from kinship, friendship or membership of an association



SHIRE OF UPPER GASCOYNE
AGENDA FOR THE AUDIT MEETING OF COUNCIL TO BE HELD AT GASCOYNE JUNCTION
SHIRE OFFICES ON FRIDAY THE 5th of FEBRUARY 2021 8:20AM

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SHIRE OF UPPER GASCOYNE
AGENDA FOR THE AUDIT MEETING OF COUNCIL TO BE HELD AT GASCOYNE JUNCTION SHIRE
OFFICES ON FRIDAY THE 5th of FEBRUARY 2021 8:20AM

1. DECLARATION OF OPENING / ANNOUNCEMENTS OF VISITORS

The President welcomed those present and declared the meeting open at __am

2. APOLOGIES AND APPROVED LEAVE OF ABSENCE

2.1 Councillors

Cr D. Hammarquist OAM JP	Shire President
Cr A. McKeough	Councillor
Cr B. Walker	Councillor

Staff

John McCleary JP	Chief Executive Officer
Sa Toomalatai	Manager of Finance and Corporate Services

Visitors

Nil

2.2 Absentees

Nil

2.3 Leave of Absence previously approved

Nil

3. APPLICATION FOR LEAVE OF ABSENCE

Nil

4. PUBLIC QUESTION TIME

4.1 Questions on Notice

Nil

4.2 Questions without Notice

Nil

5. DISCLOSURE OF INTEREST

Nil

6. PETITIONS/DEPUTATIONS/PRESENTATIONS

Nil

7. ANNOUNCEMENTS BY THE PERSON PRESCIDING WITHOUT DISCUSSION

Nil

8. MATTERS FOR WHICH THE MEETING MAY GO BEHIND CLOSED DOORS

Nil

9. CONFIRMATION OF MINUTES FROM PREVIOUS MEETINGS

Committee Resolution No: AC 01022021

MOVED:

SECONDED:

That the minutes from previous Audit Meeting held on 14th December 2020 are a true and correct record.

F/A /

10. REPORTS OF OFFICERS

10.1 2019/2020 ANNUAL FINANCIAL REPORT

Applicant:	Shire of Upper Gascoyne
Disclosure of Interest:	None
Author:	Sa Toomalatai – Manager of Finance & Corporate Services
Date:	4 th January 2021
Matters for Consideration:	To accept the Annual Financial Report for the year ended 30 June 2020 containing the Independent Auditors Report from the Office of the Auditor General (OAG), as contained in Appendix 1 .
Background:	<p>At the previous Audit Meeting held on the 14th December 2020 the Audit Committee received a draft copy of the 2019/20 Annual Financial Report including the Independent Auditors Report from the Office of the Auditor General (OAG).</p> <p>It was on this day that an Exit Meeting was conducted between the committee, the OAG and the Auditors from Moore Australia to discuss both reports and the overall outcome of the End of Year audit for 2019/20.</p> <p>Regulation 51 (2) of Section 6.4 of the Local Government Financial Management Regulations 1996, states that after the Annual Financial Report has been audited in accordance with the Act and is signed by the CEO, a copy of the report is to be provided to the Department of Local Government within 30 days of the Local Government receiving the Auditors Report.</p> <p>An independent Audit as required under section 7.9 of the Local Government Act 1995 was carried out by Moore Australia on behalf of the Office of the Auditor General and the final copy of the 2019/20 Annual Financial Report including the Independent Auditors Report has been received and signed by the CEO.</p> <p>A copy of the report has been attached to this agenda as contained in Appendix 1.</p>

	<p>As was noted in the committee’s discussions with the OAG and Auditors from Moore Australia during the exit meeting, the Shire was given a “clean audit” review. The only issue raised was the Shire’s declining trend in both the Operating Surplus and Own Source Revenue ratios.</p> <p>In summary, these ratios measure the Shire’s ability to cover operational expenditure and fund capital programs through their own revenue raising efforts (rates, service charges, fees etc.).</p> <p>Over the last 3 years both of these ratios have been trending below the Department’s acceptable standard and as a result, has been flagged as a “significant adverse trend”.</p> <p>Although this has been highlighted as an area of concern due to the pattern of decline, the CEO and the Shire’s external Accountant from RSM made a vital point that the result of the two ratios are distorted due to the inclusion of flood damage expenses and the exclusion of flood damage income.</p> <p>After explaining how this has greatly impacted these ratios in the negative and is not an accurate depiction of the Shire’s actual position, both the OAG and Moore Australia agreed that the flood damage expenditure has contributed to the declining ratio outcome. This is worth noting for future ratio calculations.</p>
<p>Comments:</p>	<p>It was originally anticipated that the Shire would receive the final audited report in time for presentation with the Annual Report at the Ordinary Meeting of Council held in December 2020. Unfortunately, by the time the meeting was in session and nearing its closure, the Shire had not received the final audited report.</p> <p>There was concern that this may place the Council in breach of legislation as section 5.54 (1) of the Local Government Act states that the Annual Report must be accepted by the 31st December of that calendar year.</p> <p>However, reprieve is given under section 5.54 (2) of the LGA where it states that if the auditor’s report is not available in time, the Annual Report is to be accepted by Council no later than two months after the auditor’s report becomes available. A decision was made to park the item and defer it to the next Ordinary Meeting of Council in February 2021.</p> <p>Furthermore, the final audited report was issued by the OAG on the 17th December 2020 and a copy was forwarded to the Department of Local Government the very next day as is required under Regulation 51 (2) of the Local Government FM Regs, where a copy of the report is required to be Department within 30 days of it being received.</p> <p>Refer to Appendix 2 and Appendix 3 for confirmation of report being sent to the DLG.</p>
<p>Statutory Environment:</p>	<p>Local Government Act 1995, Section 5.54 Local Government (Financial Management) Regulations 1996 – Part 4, section 6.4.</p>
<p>Policy Implications:</p>	<p>Nil</p>

Financial Implications:		Nil			
Strategic Implications:		Civic Leadership – To responsibly manage Council's financial resources to ensure optimum value for money and sustainable asset management.			
Risk:					
Risk	Risk Likelihood (based on history and with existing controls)	Risk Impact / Consequence	Risk Rating (Prior to Treatment or Control)	Principal Risk	Risk Action Plan (Controls or Treatment proposed)
Not meeting Statutory Compliance	Rare (1)	Moderate (3)	Low (1-4)	Failure to meet Statutory, Regulatory or Compliance Requirements	Accept Officer Recommendation
Consultation:		Nil			
Voting requirement:		Simple Majority			
Officer's Recommendation:		<p><i>That the Audit Committee –</i></p> <ol style="list-style-type: none"> 1. <i>Pursuant to Regulation 51 (2) of the Local Government (Financial Management) Regulations 1996, receive the finalised and signed Annual Financial Report for the year ended 30 June 2020 as contained in Appendix 1.</i> 2. <i>Acknowledges that in compliance with Regulation 51 (2) of the Local Government (Financial Management) Regulations 1996, a copy of the signed and finalised 2019/2020 Annual Financial Report has been sent to the Department of Local Government, Sport and Cultural Industries within 30 Days of receiving the report as confirmed in Appendix 2 and Appendix 3.</i> 3. <i>Pursuant to section 5.54 of the Local Government Act 1995, recommends that the signed and finalised copy of the 2019/2020 Annual Financial Report be presented at the next Ordinary Meeting of Council to be held on the 5th February 2021.</i> 4. <i>That Council set the Annual Electors Meeting for the 24th of March 2021 at 8.30am.</i> 			
Committee Resolution No: AC02022021					
MOVED:		SECONED:			
CARRIED: 0/0					

10.2 2020 COMPLIANCE AUDIT RETURN

Applicant:	Shire of Upper Gascoyne
Disclosure of Interest:	None
Author:	John McCleary – Chief Executive Officer
Date:	19 January 2021
Matters for Consideration:	To receive the report of the Audit Committee in regard to the review of the Compliance Audit return for 2020 and for Council to adopt the return as detailed in Appendix 4 .
Background:	<p>Prior to the ordinary meeting of Council, the compliance audit return prepared by the CEO will be reviewed by the Audit Committee in accordance with regulation 14 of the Local Government (Audit) Regulations. The regulations provide that after the audit committee has reviewed the return, it is to report to Council the results of that review. Once the audit committee has reported to Council, the compliance return is to be presented to Council for adoption of the return.</p> <p>Once the return is adopted by Council, a certified copy of the return together with a copy of the relevant minutes referred to in the regulations and any additional information will be submitted to the Executive Director of the Department of Local Government by March 31st.</p>
Comments:	No compliance issues have been noted during the 2020 calendar year. We have had some issues transferring data from the old web-site into the new web site; however, this is being addressed with our service providers. In addition the Reg 17 and Financial Management Review have been undertaken in the 2020 calendar year but the reports will not be available until the March 2021 OMC. Our accountants AMD have stated that as long as the review was undertaken in the correct time period the delivery of the reports could happen outside of this time frame. Unfortunately this time frame has been exasperated as the lead accountant that signs off on the auditors work was involved in a fatal car accident and she was quite seriously injured.

Statutory Environment:		<p>Local Government (Audit) Regulations 1996</p> <p>Reg14. Compliance Audits by local governments</p> <p>(1) A local government is to carry out a compliance audit for the period 1 January to 31 December in each year.</p> <p>(2) After carrying out a compliance audit the local government is to prepare a compliance audit return in a form approved by the Minister.</p> <p>(3A) The local government's audit committee is to review the compliance audit return and is to report to the council the results of that review.</p> <p>(3) After the audit committee has reported to the council under sub regulation {3A}, the compliance audit return is to be -</p> <p>(a) presented to the council at a meeting of the council; and</p> <p>(b) adopted by the council; and</p> <p>(c) recorded in the minutes of the meeting at which it is adopted</p>			
Policy Implications:		Nil			
Financial Implications:		Nil			
Strategic Implications:		<p>Civic Leadership –</p> <p>To provide Good Governance to the Upper Gascoyne Shire area through:</p> <ul style="list-style-type: none"> • Detailed and professional administration; • High levels of accountability; • Compliance with statutory requirements; • High-quality forward planning, particularly for assets and finances; • Openness and transparency and enhanced consultations and public participation; <p>Provision of quality customer services, good financial management and pursuit of excellence in professional administration and communication</p>			
Risk:					
Risk	Risk Likelihood (based on history and with existing controls)	Risk Impact / Consequence	Risk Rating (Prior to Treatment or Control)	Principal Risk	Risk Action Plan (Controls or Treatment proposed)
Not meeting Statutory Compliance	Rare (1)	Moderate (3)	Low (1-4)	Failure to meet Statutory, Regulatory or Compliance Requirements	Accept Officer Recommendation

Consultation:	Nil		
Voting requirement:	Simple Majority		
Officer's Recommendation:	<p><i>That the Audit Committee –</i></p> <p><i>Pursuant to Regulation 14 of the Local Government (Audit) Regulations 1996</i></p> <ol style="list-style-type: none"> <i>1. Receives the Compliance Audit Return for 2020 as contained in Appendix 4.</i> <i>2. Report to Council the results of the Compliance Audit review and recommends that Council adopt the 2020 Compliance Audit Return.</i> <i>3. Requests that the CEO submits the certified return and a copy of the minutes relative to this report, to the Department of Local Government, Sport and Cultural Industries prior to the 31st March 2021.</i> 		
Committee Resolution No: AC 03022021			
MOVED:		SECONED:	
CARRIED: 0/0			

10.3 REVIEW OF REGULATION 17-LOCAL GOVERNMENT (AUDIT) REGULATIONS

Applicant:	Shire of Upper Gascoyne
Disclosure of Interest:	Nil
Author:	John McCleary – Chief Executive Officer
Date:	26 January 2021
Matters for Consideration:	To review the Regulation 17 report undertaken and presented by AMD Chartered Accountant. Please refer to Appendix 5 .
Background:	<p>To undertake a review of the appropriateness and effectiveness of risk management, internal controls and legislative compliance of the Shire in accordance with the <i>Local Government (Audit) Regulations 1996</i>, Regulation 17 for the period ended 31 October 2021 (the “Review”). The CEO is to review certain systems and procedures at least once every three (3) years. The Last review was undertaken on the 28th of March 2018.</p> <p>The findings included within the attached report are based on the site work completed by AMD from the 16 to 20 November 2020. Findings are based on information provided and made available to AMD during and subsequent to this site visit to 20 January 2021.</p>
Comments:	<p>The procedures performed and the findings on each of the focus areas are detailed in the following sections of the report:</p> <ul style="list-style-type: none"> • Section 2 – Risk management; • Section 3 – Internal controls; and • Section 4 – Legislative compliance. <p>Following the completion of our review and subject to the recommendations outlined within sections 2 to 4, AMD are pleased to report that in context of the Shire’s overall internal control environment, policies, procedures and processes in place are appropriate, and have been operating effectively at the time of the review.</p> <p>Findings reported are on an exceptions basis, and do not take into account the many focus areas tested during our review where policies, procedures and processes were deemed to be appropriate and in accordance with best practice.</p>

Statutory Environment:		<p>17.CEO to review certain systems and procedures</p> <p>(1) The CEO is to review the appropriateness and effectiveness of a local government's systems and procedures in relation to—</p> <p>(a) risk management; and</p> <p>(b) internal control; and</p> <p>(c) legislative compliance.</p> <p>(2) The review may relate to any or all of the matters referred to in subregulation(1)(a), (b) and (c), but each of those matters is to be the subject of a review not less than once in every 3 financial years.</p> <p>(3) The CEO is to report to the audit committee the results of that review.</p>			
Policy Implications:		Nil			
Financial Implications:		2019/20 Budget – An allocation has been made to engage a consultant to undertake the review.			
Strategic Implications:		<p>Objective 4:</p> <p><i>To provide Good Governance to the Upper Gascoyne Shire area through:</i></p> <ul style="list-style-type: none"> • <i>Detailed and professional administration;</i> • <i>High levels of accountability;</i> • <i>Compliance with statutory requirements;</i> 			
Risk:					
Risk	Risk Likelihood (based on history and with existing controls)	Risk Impact / Consequence	Risk Rating (Prior to Treatment or Control)	Principal Risk	Risk Action Plan (Controls or Treatment proposed)
Not meeting Statutory Compliance	Rare (1)	Moderate (3)	Low (1-4)	Failure to meet Statutory, Regulatory or Compliance Requirements	Accept Officer Recommendation

Consultation:	AMD Chartered Accountants` Manager of Finance & Administration.		
Voting requirement:	Simple Majority		
Officer's Recommendation:	<i>That the Audit Committee:</i> 1. <i>Receives the Reg 17 Audit Report;</i> 2. <i>Endorses the comments provided by management;</i> 3. <i>Refer the review to Council; and</i> 4. <i>Recommends that Council adopt the review.</i>		
Committee Resolution No: AC 04022021			
MOVED:		SECONDED:	
F/A: 0/0			

11. MEETING CLOSURE

The Shire President closed the meeting at ____pm.

APPENDIX 1

(2019/2020 Annual Financial Report)

SHIRE OF UPPER GASCOYNE
FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2020

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COMMUNITY VISION

The Shire of Upper Gascoyne will be a sustainable service base supporting the pastoral, tourism sector, mining industries and the local community.

Principal place of business:
4 Scott Street
Gascoyne Junction, WA 6705


SHIRE OF UPPER GASCOYNE
FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2020

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

STATEMENT BY CHIEF EXECUTIVE OFFICER

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

Signed on the 14th day of December 2020



Chief Executive Officer

John McCleary

Name of Chief Executive Officer



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

	Note	2020 Actual \$	2020 Budget \$	2019 Actual \$
Revenue				
Rates	27(a)	388,578	346,852	359,330
Operating grants, subsidies and contributions	2(a)	17,500,347	23,276,153	21,086,899
Fees and charges	2(a)	36,148	31,547	46,949
Interest earnings	2(a)	36,004	30,304	44,027
Other revenue	2(a)	388,543	180,850	1,959,001
		<u>18,349,620</u>	<u>23,865,706</u>	<u>23,496,206</u>
Expenses				
Employee costs		(1,269,297)	(1,221,296)	(1,188,876)
Materials and contracts		(15,102,073)	(23,276,015)	(19,604,768)
Utility charges		(154,816)	(142,543)	(134,701)
Depreciation on non-current assets	11(d)	(3,097,868)	(2,335,130)	(2,328,011)
Interest expenses	2(b)	(54,422)	(121,359)	(139,664)
Insurance expenses		(213,682)	(232,563)	(227,591)
Other expenditure		(72,911)	(73,273)	(78,041)
		<u>(19,965,069)</u>	<u>(27,402,179)</u>	<u>(23,701,652)</u>
		<u>(1,615,449)</u>	<u>(3,536,473)</u>	<u>(205,446)</u>
Non-operating grants, subsidies and contributions	2(a)	1,909,163	1,642,025	1,296,496
Profit on asset disposals	11(a)	0	46,940	0
(Loss) on asset disposals	11(a)	(18,469)	(5,000)	(57,085)
Impairment of intangible assets	7	0	0	(96,473)
		<u>1,890,694</u>	<u>1,683,965</u>	<u>1,142,938</u>
Net result for the period		<u>275,245</u>	<u>(1,852,508)</u>	<u>937,492</u>
Other comprehensive income				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Changes in asset revaluation surplus	12	11,934,332	0	243,031
Total other comprehensive income for the period		<u>11,934,332</u>	<u>0</u>	<u>243,031</u>
Total comprehensive income for the period		<u><u>12,209,577</u></u>	<u><u>(1,852,508)</u></u>	<u><u>1,180,523</u></u>

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



SHIRE OF UPPER GASCOYNE
STATEMENT OF COMPREHENSIVE INCOME
BY PROGRAM
FOR THE YEAR ENDED 30TH JUNE 2020

	Note	2020 Actual \$	2020 Budget \$	2019 Actual \$
Revenue				
Governance		127,289	1,000	60,077
General purpose funding		3,235,922	1,779,993	3,293,340
Law, order, public safety		153,487	149,538	198,761
Health		0	1,000	672
Education and welfare		140,195	119,800	122,751
Community amenities		4,200	4,400	3,960
Recreation and culture		13,264	15,500	20,443
Transport		14,514,301	21,702,775	19,625,808
Economic services		87,533	26,700	103,977
Other property and services		73,429	65,000	66,417
		<u>18,349,620</u>	<u>23,865,706</u>	<u>23,496,206</u>
Expenses				
Governance		(534,779)	(539,251)	(474,830)
General purpose funding		(78,919)	(160,108)	(121,967)
Law, order, public safety		(372,405)	(396,596)	(430,889)
Health		(22,643)	(26,753)	(20,681)
Education and welfare		(257,801)	(255,822)	(247,818)
Housing		(397,904)	(387,789)	(382,648)
Community amenities		(119,066)	(134,602)	(115,508)
Recreation and culture		(262,983)	(253,443)	(252,788)
Transport		(16,984,311)	(24,757,858)	(20,952,234)
Economic services		(389,913)	(321,755)	(316,954)
Other property and services		(489,924)	(46,843)	(245,671)
		<u>(19,910,647)</u>	<u>(27,280,820)</u>	<u>(23,561,988)</u>
Finance Costs				
General purpose funding		(20,827)	(71,100)	(102,853)
Housing		(8,626)	(8,976)	(9,579)
Economic services		(24,969)	(41,283)	(27,232)
	2(b)	<u>(54,422)</u>	<u>(121,359)</u>	<u>(139,664)</u>
		<u>(1,615,449)</u>	<u>(3,536,473)</u>	<u>(205,446)</u>
Non-operating grants, subsidies and contributions	2(a)	1,909,163	1,642,025	1,296,496
Profit on disposal of assets	11(a)	0	46,940	0
(Loss) on disposal of assets	11(a)	(18,469)	(5,000)	(57,085)
Impairment of intangible assets	7	0	0	(96,473)
		<u>1,890,694</u>	<u>1,683,965</u>	<u>1,142,938</u>
Net result for the period		<u>275,245</u>	<u>(1,852,508)</u>	<u>937,492</u>
Other comprehensive income				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
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Total comprehensive income for the period		<u><u>12,209,577</u></u>	<u><u>(1,852,508)</u></u>	<u><u>1,180,523</u></u>

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



SHIRE OF UPPER GASCOYNE
STATEMENT OF FINANCIAL POSITION
AS AT 30TH JUNE 2020

	Note	2020	2019
		\$	\$
CURRENT ASSETS			
Cash and cash equivalents	3	8,091,380	3,260,351
Trade receivables	5	801,849	2,182,862
Inventories	6	137,223	144,245
Contract assets	2(a)	2,706,429	0
TOTAL CURRENT ASSETS		11,736,881	5,587,458
NON-CURRENT ASSETS			
Financial assets	8	35,610	35,034
Property, plant and equipment	9(a)	10,947,159	10,942,333
Infrastructure	10(a)	78,110,434	65,943,586
TOTAL NON-CURRENT ASSETS		89,093,203	76,920,953
TOTAL ASSETS		100,830,084	82,508,411
CURRENT LIABILITIES			
Trade and other payables	13	1,454,009	820,546
Contract liabilities	16	5,585,814	0
Borrowings	14(a)	76,723	73,642
Employee related provisions	15	187,842	187,367
TOTAL CURRENT LIABILITIES		7,304,388	1,081,555
NON-CURRENT LIABILITIES			
Borrowings	14(a)	679,638	756,361
Employee related provisions	15	45,187	26,823
TOTAL NON-CURRENT LIABILITIES		724,825	783,184
TOTAL LIABILITIES		8,029,213	1,864,739
NET ASSETS		92,800,871	80,643,672
EQUITY			
Retained surplus		39,400,577	38,370,482
Reserves - cash backed	4	1,369,538	1,674,894
Revaluation surplus	12	52,030,756	40,598,296
TOTAL EQUITY		92,800,871	80,643,672

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



SHIRE OF UPPER GASCOYNE
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30TH JUNE 2020

		RESERVES			
	Note	RETAINED SURPLUS	CASH BACKED	REVALUATION SURPLUS	
		\$	\$	\$	
				TOTAL EQUITY	
		\$		\$	
Balance as at 1 July 2018		37,590,080	1,517,804	40,355,265	79,463,149
Comprehensive income					
Net result for the period		937,492	0	0	937,492
Other comprehensive income	12	0	0	243,031	243,031
Total comprehensive income		937,492	0	243,031	1,180,523
Transfers from/(to) reserves		(157,090)	157,090	0	0
Balance as at 30 June 2019		38,370,482	1,674,894	40,598,296	80,643,672
Change in accounting policy	32	449,494	0	(501,872)	(52,378)
Restated total equity at 1 July 2019		38,819,976	1,674,894	40,096,424	80,591,294
Comprehensive income					
Net result for the period		275,245	0	0	275,245
Other comprehensive income	12	0	0	11,934,332	11,934,332
Total comprehensive income		275,245	0	11,934,332	12,209,577
Transfers from/(to) reserves		305,356	(305,356)	0	0
Balance as at 30 June 2020		39,400,577	1,369,538	52,030,756	92,800,871

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

SHIRE OF UPPER GASCOYNE
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30TH JUNE 2020

	Note	2020 Actual \$	2020 Budget \$	2019 Actual \$
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts				
Rates		374,207	346,852	353,054
Operating grants, subsidies and contributions		16,169,588	25,294,359	21,083,931
Fees and charges		36,148	31,547	46,949
Interest received		36,004	30,304	44,027
Other revenue		411,150	180,850	1,923,967
		<u>17,027,097</u>	<u>25,883,912</u>	<u>23,451,928</u>
Payments				
Employee costs		(1,237,153)	(1,221,296)	(1,198,664)
Materials and contracts		(8,892,812)	(23,276,015)	(19,530,285)
Utility charges		(154,816)	(142,543)	(134,701)
Interest expenses		(55,586)	(121,359)	(139,664)
Insurance paid		(213,682)	(232,563)	(227,591)
Goods and services tax paid		(50,951)	0	(29,759)
Other expenditure		(72,911)	(73,273)	(64,317)
		<u>(10,677,911)</u>	<u>(25,067,049)</u>	<u>(21,324,981)</u>
Net cash provided by (used in) operating activities	17	<u>6,349,186</u>	<u>816,863</u>	<u>2,126,947</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Payments for property, plant & equipment	9(a)	(1,043,578)	(916,000)	(338,752)
Payments for construction of infrastructure	10(a)	(2,482,555)	(2,820,375)	(2,079,277)
Non-operating grants, subsidies and contributions	2(a)	1,909,163	1,642,025	1,296,496
Proceeds from sale of property, plant & equipment	11(a)	172,455	175,000	22,727
Net cash provided by (used in) investment activities		<u>(1,444,515)</u>	<u>(1,919,350)</u>	<u>(1,098,806)</u>
CASH FLOWS FROM FINANCING ACTIVITIES				
Repayment of borrowings	14(b)	(73,642)	(73,642)	(70,691)
Net cash provided by (used in) financing activities		<u>(73,642)</u>	<u>(73,642)</u>	<u>(70,691)</u>
Net increase (decrease) in cash held		4,831,029	(1,176,129)	957,450
Cash at beginning of year		3,260,351	3,258,146	2,302,901
Cash and cash equivalents at the end of the year	17	<u>8,091,380</u>	<u>2,082,017</u>	<u>3,260,351</u>

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

SHIRE OF UPPER GASCOYNE
RATE SETTING STATEMENT
FOR THE YEAR ENDED 30TH JUNE 2020

	Note	2020 Actual	2020 Budget	2019 Actual
		\$	\$	\$
OPERATING ACTIVITIES				
Net current assets at start of financial year - surplus	28 (b)	2,931,301	3,001,557	2,244,178
		<u>2,931,301</u>	<u>3,001,557</u>	<u>2,244,178</u>
Revenue from operating activities (excluding rates)				
Governance		127,289	1,000	60,077
General purpose funding		2,847,343	1,433,141	2,934,009
Law, order, public safety		153,487	149,538	198,761
Health		0	1,000	672
Education and welfare		140,195	119,800	122,751
Community amenities		4,200	4,400	3,960
Recreation and culture		13,264	15,500	20,443
Transport		14,514,301	21,749,715	19,625,808
Economic services		87,533	26,700	103,977
Other property and services		73,429	65,000	66,417
		<u>17,961,041</u>	<u>23,565,794</u>	<u>23,136,875</u>
Expenditure from operating activities				
Governance		(534,779)	(539,251)	(474,830)
General purpose funding		(99,746)	(231,208)	(252,053)
Law, order, public safety		(372,405)	(396,596)	(430,889)
Health		(22,643)	(26,753)	(20,681)
Education and welfare		(257,801)	(255,822)	(247,818)
Housing		(406,529)	(396,765)	(392,226)
Community amenities		(119,066)	(134,602)	(115,508)
Recreation and culture		(262,983)	(253,443)	(252,788)
Transport		(17,002,780)	(24,762,858)	(21,009,319)
Economic services		(414,882)	(363,038)	(413,427)
Other property and services		(489,924)	(46,843)	(245,671)
		<u>(19,983,538)</u>	<u>(27,407,179)</u>	<u>(23,855,210)</u>
Non-cash amounts excluded from operating activities	28(a)	3,137,665	2,294,082	2,425,093
Amount attributable to operating activities		<u>4,046,469</u>	<u>1,454,254</u>	<u>3,950,936</u>
INVESTING ACTIVITIES				
Non-operating grants, subsidies and contributions		1,909,163	1,642,025	1,296,496
Proceeds from disposal of assets	11(a)	172,455	175,000	22,727
Purchase of property, plant and equipment	9(a)	(1,043,578)	(916,000)	(338,752)
Purchase and construction of infrastructure	10(a)	(2,482,555)	(2,820,375)	(2,079,277)
Amount attributable to investing activities		<u>(1,444,515)</u>	<u>(1,919,350)</u>	<u>(1,098,806)</u>
FINANCING ACTIVITIES				
Repayment of borrowings	14(b)	(73,642)	(73,642)	(70,691)
Transfers to reserves (restricted assets)	4	(519,644)	(588,114)	(329,910)
Transfers from reserves (restricted assets)	4	825,000	780,000	172,820
Amount attributable to financing activities		<u>231,714</u>	<u>118,244</u>	<u>(227,781)</u>
Surplus/(deficit) before imposition of general rates		<u>2,833,668</u>	<u>(346,852)</u>	<u>2,624,349</u>
Total amount raised from general rates	27(a)	<u>388,578</u>	<u>346,852</u>	<u>359,330</u>
Surplus/(deficit) after imposition of general rates	28(b)	<u>3,222,246</u>	<u>0</u>	<u>2,983,679</u>

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

SHIRE OF UPPER GASCOYNE
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FOR THE YEAR ENDED 30TH JUNE 2020

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

1. BASIS OF PREPARATION

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

AMENDMENTS TO LOCAL GOVERNMENT (FINANCIAL MANAGEMENT) REGULATIONS 1996

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

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

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

NEW ACCOUNTING STANDARDS FOR APPLICATION IN FUTURE YEARS

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

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

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

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

CRITICAL ACCOUNTING ESTIMATES

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

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

THE LOCAL GOVERNMENT REPORTING ENTITY

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

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

All monies held in the Trust Fund are excluded from the financial statements. A separate statement of those monies appears at Note 30 to these financial statements.

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

2. REVENUE AND EXPENSES

REVENUE RECOGNITION POLICY

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

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

SHIRE OF UPPER GASCOYNE
 NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
 FOR THE YEAR ENDED 30 JUNE 2020
 2. REVENUE AND EXPENSES (Continued)

REVENUE RECOGNITION POLICY

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

Revenue Category	Nature of goods and services	When obligations typically satisfied	Payment terms	Returns / Refunds / Warranties	Determination of transaction price	Allocating transaction price	Measuring obligations for returns	Timing of revenue recognition
Other inspections.	Regulatory Food, Health and Safety.	Single point in time.	Full payment prior to inspection.	None.	Set by State legislation or limited by legislation to the cost of provision.	Applied fully on timing of inspection .	Not applicable.	Revenue recognised after inspection event occurs.
Waste management collections.	Kerbside collection service.	Over time.	Payment on an annual basis in advance.	None.	Adopted by council annually.	Apportioned equally across the collection period.	Not applicable.	Output method based on regular weekly and fortnightly period as proportionate to collection service
Waste management entry fees.	Waste treatment, recycling and disposal service at disposal sites.	Single point in time.	Payment in advance at gate or on normal trading terms if credit provided .	None.	Adopted by council annually.	Based on timing of entry to facility.	Not applicable.	On entry to facility .
Property hire and entry.	Use of halls and facilities.	Single point in time.	In full in advance.	Refund if event cancelled within 7 days.	Adopted by council annually.	Based on timing of entry to facility.	Returns limited to repayment of transaction price.	On entry or at conclusion of hire.
Fees and charges for other goods and services.	Cemetery services, library fees, reinstatements and private works	Single point in time.	Payment in full in advance.	None.	Adopted by council annually.	Applied fully based on timing of provision .	Not applicable.	Output method based on provision of service or completion of works.

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

2. REVENUE AND EXPENSES (CONTINUED)

(a) Revenue

Grant Revenue

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

	2020 Actual	2020 Budget	2019 Actual
Operating grants, subsidies and contributions	\$	\$	\$
General purpose funding	2,804,612	1,397,837	2,851,337
Law, order, public safety	143,689	137,541	187,041
Education and welfare	97,000	96,000	96,000
Transport	14,382,447	21,579,775	17,887,822
Other property and services	72,599	65,000	64,699
	<u>17,500,347</u>	<u>23,276,153</u>	<u>21,086,899</u>
Non-operating grants, subsidies and contributions			
Recreation and culture	52,805	0	62,273
Transport	1,841,963	1,642,025	1,234,223
Economic services	14,395	0	0
	<u>1,909,163</u>	<u>1,642,025</u>	<u>1,296,496</u>
Total grants, subsidies and contributions	<u>19,409,510</u>	<u>24,918,178</u>	<u>22,383,395</u>
Fees and charges			
Governance	6,200	0	100
General purpose funding	1,365	0	490
Law, order, public safety	7,828	8,047	8,101
Health	0	1,000	672
Community amenities	4,200	4,400	3,960
Recreation and culture	13,264	15,500	20,443
Economic services	3,066	2,600	11,465
Other property and services	225	0	1,718
	<u>36,148</u>	<u>31,547</u>	<u>46,949</u>

There were no changes during the year to the amount of the fees or charges detailed in the original budget.

SIGNIFICANT ACCOUNTING POLICIES

Grants, subsidies and contributions

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

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

Fees and Charges

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

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

2. REVENUE AND EXPENSES (Continued)

(a) Revenue (Continued)

	2020 Actual	2020 Budget	2019 Actual
	\$	\$	\$
Contracts with customers and transfers for recognisable non-financial assets			
Revenue from contracts with customers and transfers to enable the acquisition or construction of recognisable non-financial assets to be controlled by the Shire was recognised during the year for the following nature or types of goods or services:			
Operating grants, subsidies and contributions	13,207,382	20,920,063	16,712,757
Non-operating grants, subsidies and contributions	1,909,163	1,642,025	1,296,496
	15,116,545	22,562,088	18,009,253

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

Contracts with customers included as a contract liability at the start of the period	52,378	0	0
Other revenue from contracts with customers recognised during the year	15,116,545	20,920,063	16,712,757
Other revenue from performance obligations satisfied during the year	(52,378)	1,642,025	1,296,496
	15,116,545	22,562,088	18,009,253

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

Trade and other receivables from contracts with customers	833,550	0	0
Contract assets	2,706,429	0	0
Contract liabilities from contracts with customers	(5,585,814)	0	0

Contract assets primarily relate to the Shire's right to consideration for work completed but not billed at 30 June 2020. Impairment of assets associated with contracts with customers are detailed at note 2 (b) under 'Other expenditure'. Contract liabilities for contracts with customers primarily relate to grants with performance obligations received in advance, for which revenue is recognised over time as the performance obligations are met. Information is not provided about remaining performance obligations for contracts with customers that had an original expected duration of one year or less. Consideration from contracts with customers is included in the transaction price. Performance obligations in relation to contract liabilities from transfers for recognisable non financial assets are satisfied as project milestones are met or completion of construction or acquisition of the asset. All associated performance obligations are expected to be met over the next 12 months.

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

2. REVENUE AND EXPENSES (Continued)

(a) Revenue (Continued)

	2020 Actual	2020 Budget	2019 Actual
	\$	\$	\$
Revenue from statutory requirements			
Revenue from statutory requirements was recognised during the year for the following nature or types of goods or services:			
General rates	385,869	365,962	363,020
	<u>385,869</u>	<u>365,962</u>	<u>363,020</u>
Other revenue			
Reimbursements and recoveries	208,845	122,000	1,773,802
Works income	18,702	0	10,146
Other	160,996	58,850	175,053
	<u>388,543</u>	<u>180,850</u>	<u>1,959,001</u>
Interest earnings			
Reserve accounts interest	17,644	15,754	29,167
Rates instalment and penalty interest (refer Note 28(e))	9,027	4,550	4,161
Other interest earnings	9,333	10,000	10,699
	<u>36,004</u>	<u>30,304</u>	<u>44,027</u>

SIGNIFICANT ACCOUNTING POLICIES

Interest earnings

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

Interest earnings (continued)

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

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

2. REVENUE AND EXPENSES (Continued)

(b) Expenses

	2020 Actual	2020 Budget	2019 Actual
	\$	\$	\$
Auditors remuneration			
Audit of the annual financial report	37,675	37,000	37,000
	37,675	37,000	37,000
Interest expenses (finance costs)			
Borrowings (refer Note 14(b))	33,595	50,259	36,811
WA Treasury loan guarantee fee	5,429	6,100	8,961
Interest on overdraft	15,398	65,000	93,892
	54,422	121,359	139,664
Other expenditure			
Impairment loss on trade and other receivables	23,183	0	13,724
Sundry expenses	49,728	73,273	64,317
	72,911	73,273	78,041

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

3. CASH AND CASH EQUIVALENTS

	Note	2020	2019
		\$	\$
Cash at bank and on hand		6,721,842	1,585,457
Term deposits		1,369,538	1,674,894
		<u>8,091,380</u>	<u>3,260,351</u>
Comprises:			
Unrestricted cash and cash equivalents		1,085,386	1,473,362
Restricted cash and cash equivalents		7,005,994	1,786,989
		<u>8,091,380</u>	<u>3,260,351</u>

The following restrictions have been imposed by regulations or other externally imposed requirements:

Cash backed reserves	4	1,369,538	1,674,894
Bonds and deposits held	13	50,642	59,717
Unspent grants, subsidies and contributions	16	5,585,814	52,378
Total restricted cash and cash equivalents		<u>7,005,994</u>	<u>1,786,989</u>

SIGNIFICANT ACCOUNTING POLICIES

Cash and cash equivalents

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

Restricted assets

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

4. RESERVES - CASH BACKED

	Opening balance	Transfer to	Transfer (from)	Closing balance
	\$	\$	\$	\$
(a) 30 June 2020 - Actual				
(a) Leave reserve	89,028	1,040	0	90,068
(b) Plant replacement reserve	744,656	133,420	(525,000)	353,076
(c) Airport reserve	40,539	474	0	41,013
(d) Tourism precinct reserve	375,474	304,388	(300,000)	379,862
(e) Building reserve	53,705	161	0	53,866
(f) Works reserve	13,599	624	0	14,223
(g) Economic development reserve	260,936	3,049	0	263,985
(h) Roads flood damage reserve	76,545	76,250	0	152,795
(i) Bridge maintenance reserve	20,412	238	0	20,650
	<u>1,674,894</u>	<u>519,644</u>	<u>(825,000)</u>	<u>1,369,538</u>
(b) 30 June 2020 - Budget				
(a) Leave reserve	89,028	892	0	89,920
(b) Plant replacement reserve	744,656	203,411	(480,000)	468,067
(c) Airport reserve	40,539	408	0	40,947
(d) Tourism precinct reserve	375,475	303,765	(300,000)	379,240
(e) Building reserve	53,705	540	0	54,245
(f) Works reserve	13,598	136	0	13,734
(g) Economic development reserve	260,936	2,617	0	263,553
(h) Roads flood damage reserve	76,545	76,141	0	152,686
(i) Bridge maintenance reserve	20,412	204	0	20,616
	<u>1,674,894</u>	<u>588,114</u>	<u>(780,000)</u>	<u>1,483,008</u>
(c) 30 June 2019 - Actual				
(a) Leave reserve	87,231	1,797	0	89,028
(b) Plant replacement reserve	434,806	309,850	0	744,656
(c) Airport reserve	62,371	988	(22,820)	40,539
(d) Tourism precinct reserve	367,897	7,577	0	375,474
(e) Building reserve	53,042	663	0	53,705
(f) Works reserve	72,457	1,142	(60,000)	13,599
(g) Economic development reserve	345,000	5,936	(90,000)	260,936
(h) Roads flood damage reserve	75,000	1,545	0	76,545
(i) Bridge maintenance reserve	20,000	412	0	20,412
	<u>1,517,804</u>	<u>329,910</u>	<u>(172,820)</u>	<u>1,674,894</u>

4. RESERVES - CASH BACKED (Continued)

All of the reserve accounts are supported by money held in financial institutions and match the amount shown as restricted cash in Note 3 to this financial report.

In accordance with Council resolutions 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) Leave reserve	Note 1	to be used to fund annual and long service leave requirements.
(b) Plant replacement reserve	Note 1	to be used for the purchase of major plant and also to fund major mechanical breakdowns.
(c) Airport reserve	30 Jun 2025	to fund the resealing of the Gascoyne Junction Airport.
(d) Tourism precinct reserve	Note 1	to be used for future significant repairs or upgrades on an as required basis.
(e) Building reserve	Note 1	to be used for new buildings, future repairs or upgrades on an as required basis (excluding the Tourism Precinct).
(f) Works reserve	Note 1	to be used to support funding of major infrastructure projects.
(g) Economic development reserve	Note 1	to set aside funds for economic development initiatives.
(h) Roads flood damage reserve	Note 1	to be used towards the required Shire contribution for WANDRRA funding.
(i) Bridge maintenance reserve	Note 1	to be used for repairs and maintenance of Killilli Bridge as required.

Note 1: Reserve not expected to be used within a set period as further transfers to the reserve accounts are expected as funds are utilised.

SHIRE OF UPPER GASCOYNE
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5. TRADE AND OTHER RECEIVABLES

	2020	2019
	\$	\$
Current		
Rates receivable	64,488	45,219
Sundry receivables	645,933	55,776
ATO receivables	187,617	136,669
Accrued income	0	2,018,204
Allowance for impairment of receivables	(96,189)	(73,006)
	801,849	2,182,862

Information with respect to the impairment or otherwise of the totals of rates outstanding, sundry debtors, and accrued income are as follows:

	2020	2019
	\$	\$
Rates outstanding		
Past due and not impaired	58,118	3,159
Impaired	6,370	42,060
	64,488	45,219
Allowance for impairment of receivables	42,060	29,445
Movement in allowance for the impairment of receivables	(35,690)	12,615
Carrying amount at 30 June	6,370	42,060

Sundry debtors		
Past due and not impaired	556,114	24,830
Impaired	89,819	30,946
	645,933	55,776

Allowance for impairment of receivables	30,946	29,837
Movement in allowance for the impairment of receivables	58,873	1,109
Carrying amount at 30 June	89,819	30,946

Allowance for impairment of receivables		
Rates receivable	6,370	42,060
Sundry receivables	89,819	30,946
	96,189	73,006

Accrued income

The following illustrates the accrued income aging analysis:

Up to one month	0	2,018,204
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5. TRADE AND OTHER RECEIVABLES (Continued)

SIGNIFICANT ACCOUNTING POLICIES

Trade and other receivables

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

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

Impairment and risk exposure

Information about the impairment of trade receivables and their exposure to credit risk and interest rate risk can be found in Note 29.

Classification and subsequent measurement

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

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

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

6. INVENTORIES

	2020	2019
	\$	\$
Current		
Fuel and materials	129,723	134,245
Land held for resale	7,500	10,000
	<u>137,223</u>	<u>144,245</u>

The following inventory movements occurred during the year:

Carrying amount at 1 July	144,245	99,799
Write down of land held for sale to net realisable value	0	(10,785)
Movement in stock on hand	(7,022)	55,231
Carrying amount at 30 June	<u>137,223</u>	<u>144,245</u>

6. INVENTORIES (Continued)

SIGNIFICANT ACCOUNTING POLICIES

General

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

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

Land held for resale

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

7. INTANGIBLE ASSETS

	2020	2019
	\$	\$
Other non-current assets		
Liquor licence	0	96,473
Impairment of asset	0	(96,473)
	0	0

SIGNIFICANT ACCOUNTING POLICIES

Other current assets

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

Non-current assets held for sale

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

General

Intangible assets acquired as part of a business combination, other than goodwill, are initially measure at their fair value at

General (Continued)

the date of acquisition. Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment.

The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured at the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

8. OTHER FINANCIAL ASSETS

	2020	2019
	\$	\$
Financial assets at fair value through profit and loss		
Units in LG housing trust (unlisted equity investment)	35,610	35,034
	<u>35,610</u>	<u>35,034</u>

Local government house trust

The Shire holds 2 of 620 units in the local government house trust which purchased the Local Government House.

SIGNIFICANT ACCOUNTING POLICIES

Other financial assets at amortised cost

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

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

Financial assets at fair value through profit and loss

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

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

Impairment and risk

Information regarding impairment and exposure to risk can be found at Note 29.

SHIRE OF UPPER GASCOYNE
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9. PROPERTY, PLANT AND EQUIPMENT

(a) Movements in carrying amounts

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

	Total land \$	Buildings - non- specialised \$	Buildings - specialised \$	Total buildings \$	Total land and buildings \$	Furniture and equipment \$	Plant and equipment \$	Works in progress \$	Total property, plant and equipment \$
Balance at 1 July 2018	834,000	882,762	6,877,521	7,760,283	8,594,283	101,265	2,265,478	144,681	11,105,707
Additions	0	28,359	69,025	97,384	97,384	0	241,368	0	338,752
(Disposals)	0	0	0	0	0	(9,228)	(66,584)	0	(75,812)
Revaluation adjustments									
Increments / (decrements) to surplus	0	0	0	0	0	7,080	235,951	0	243,031
Depreciation (expense)	0	(12,631)	(108,756)	(121,387)	(121,387)	(27,667)	(405,610)	0	(554,664)
Transfers	0	658,466	(628,466)	30,000	30,000	0	0	(144,681)	(114,681)
Carrying amount at 30 June 2019	834,000	1,556,956	6,209,324	7,766,280	8,600,280	71,450	2,270,603	0	10,942,333
Comprises:									
Gross carrying amount at 30 June 2019	834,000	1,603,158	6,403,124	8,006,282	8,840,282	71,450	2,270,603	0	11,182,335
Accumulated depreciation at 30 June 2019	0	(46,202)	(193,800)	(240,002)	(240,002)	0	0	0	(240,002)
Carrying amount at 30 June 2019	834,000	1,556,956	6,209,324	7,766,280	8,600,280	71,450	2,270,603	0	10,942,333
Additions	0	13,567	199,052	212,619	212,619	34,433	796,526	0	1,043,578
(Disposals)	0	0	0	0	0	0	(190,923)	0	(190,923)
Depreciation (expense)	0	(25,197)	(103,088)	(128,285)	(128,285)	(36,511)	(683,033)	0	(847,829)
Carrying amount at 30 June 2020	834,000	1,545,326	6,305,288	7,850,614	8,684,614	69,372	2,193,173	0	10,947,159
Comprises:									
Gross carrying amount at 30 June 2020	834,000	1,616,726	6,602,176	8,218,902	9,052,902	105,883	2,872,129	0	12,030,914
Accumulated depreciation at 30 June 2020	0	(71,400)	(296,888)	(368,288)	(368,288)	(36,511)	(678,956)	0	(1,083,755)
Carrying amount at 30 June 2020	834,000	1,545,326	6,305,288	7,850,614	8,684,614	69,372	2,193,173	0	10,947,159

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

9. PROPERTY, PLANT AND EQUIPMENT (Continued)

(b) Fair value measurements

Asset class	Fair value hierarchy	Valuation technique	Basis of valuation	Date of last valuation	Inputs used
Land and buildings					
Land - freehold land	Level 2	Market approach using recent observable market data for similar properties	Independent registered valuer	2017	Price per hectare or sales comparison
Buildings - non-specialised	Level 3	Improvements to land valued using cost approach using depreciated replacement cost (gross valuation method)	Independent registered valuer	2017	Construction costs and current condition, residual values and remaining useful life assessments inputs
Buildings - specialised	Level 3	Improvements to land valued using cost approach using depreciated replacement cost (gross valuation method)	Independent registered valuer	2017	Construction costs and current condition, residual values and remaining useful life assessments inputs
Furniture and equipment					
Furniture and equipment	Level 2	Market approach using recent observable market data for similar assets (gross valuation method)	Independent registered valuer	2019	Market data, recent sales data, second-hand dealer's websites
Plant and equipment					
Plant and equipment	Level 2	Market approach using recent observable market data for similar assets (gross valuation method)	Independent registered valuer	2019	Market data, recent sales data, vehicle guides, cost books, data supplied by the Shire

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

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

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

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

10. INFRASTRUCTURE

(a) Movements in carrying amounts

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

	Infrastructure - roads	Infrastructure - other	Works in progress	Total infrastructure
	\$	\$		\$
Balance at 1 July 2018	60,715,827	4,811,148	0	65,526,975
Additions	2,038,590	32,437	8,250	2,079,277
(Disposals)	0	(4,000)	0	(4,000)
Depreciation (expense)	(1,642,881)	(130,466)	0	(1,773,347)
Transfers	0	0	114,681	114,681
Carrying amount at 30 June 2019	61,111,536	4,709,119	122,931	65,943,586
Comprises:				
Gross carrying amount at 30 June 2019	89,927,559	4,839,585	122,931	94,890,075
Accumulated depreciation at 30 June 2019	(28,816,023)	(130,466)	0	(28,946,489)
Carrying amount at 30 June 2019	61,111,536	4,709,119	122,931	65,943,586
Additions	2,327,469	155,086	0	2,482,555
(Disposals)	0	0	0	0
Revaluation adjustments				
Increments / (decrements) to surplus	11,934,332	0	0	11,934,332
Depreciation (expense)	(2,116,333)	(133,706)	0	(2,250,039)
Transfers	0	122,931	(122,931)	0
Carrying amount at 30 June 2020	73,257,004	4,853,430	0	78,110,434
Comprises:				
Gross carrying amount at 30 June 2020	119,185,636	5,117,602	0	124,303,238
Accumulated depreciation at 30 June 2020	(45,928,632)	(264,172)	0	(46,192,804)
Carrying amount at 30 June 2020	73,257,004	4,853,430	0	78,110,434

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

10. INFRASTRUCTURE (Continued)

(b) Fair value measurements

Asset class	Fair value hierarchy	Valuation technique	Basis of valuation	Date of last valuation	Inputs used
Infrastructure - roads	Level 3	Cost approach using depreciated replacement cost (gross valuation method)	Management Valuation	2020	Construction costs and current condition, residual values and remaining useful life assessments inputs
Infrastructure - other	Level 3	Cost approach using depreciated replacement cost (gross valuation method)	Independent registered valuer	2018	Construction costs and current condition, residual values and remaining useful life assessments 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 UPPER GASCOYNE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2020

11. PROPERTY, PLANT AND EQUIPMENT (INCLUDING INFRASTRUCTURE)

SIGNIFICANT ACCOUNTING POLICIES

Fixed assets

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

Initial recognition and measurement between mandatory revaluation dates

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

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

In relation to this initial measurement, cost is determined as the fair value of the assets given as consideration plus costs incidental to the acquisition. For assets acquired at no cost or for nominal consideration, 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 acquired between initial recognition and the next revaluation of the asset class in accordance with the mandatory measurement framework, are recognised at cost and disclosed as being at fair value as management believes cost approximates fair value. They are subject to subsequent revaluation at the next anniversary date in accordance with the mandatory measurement framework.

Revaluation

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

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

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

AUSTRALIAN ACCOUNTING STANDARDS - INCONSISTENCY

Land under control prior to 1 July 2019

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

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

Land under roads prior to 1 July 2019

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

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

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

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

Land under roads from 1 July 2019

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

Vested improvements from 1 July 2019

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

SHIRE OF UPPER GASCOYNE
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FOR THE YEAR ENDED 30TH JUNE 2020

11. PROPERTY, PLANT AND EQUIPMENT (INCLUDING INFRASTRUCTURE) (Continued)

(a) Disposals of assets

(i) 30 June 2020 - Actual				
Plant and equipment				
Transport				
Caterpillar 140M grader	144,986	127,000	0	(17,986)
Toyota landcruiser dual-cab	45,937	45,455	0	(483)
	<u>190,923</u>	<u>172,455</u>	<u>0</u>	<u>(18,469)</u>
(ii) 30 June 2020 - Budget				
Plant and equipment				
Transport				
Caterpillar 140M grader	96,618	120,000	23,382	0
Toyota landcruiser dual-cab	31,442	55,000	23,558	0
Toyota hilux	5,000	0	0	(5,000)
	<u>133,060</u>	<u>175,000</u>	<u>46,940</u>	<u>(5,000)</u>
(iii) 30 June 2019 - Actual				
Furniture and equipment				
Governance				
Regulation 17A assets	4,489	0	0	(4,489)
Housing				
Regulation 17A assets	85	0	0	(85)
Transport				
Regulation 17A assets	4,654	0	0	(4,654)
Plant and equipment				
Transport				
Utility (Mazda) BT50 4WD (GU31)	29,442	22,727	0	(6,715)
Steig Tractor	17,601	0	0	(17,601)
HT Camp Trailer (GU983)	10,020	0	0	(10,020)
Regulation 17A assets	9,521	0	0	(9,521)
Infrastructure - other				
Transport				
Regulation 17A assets	4,000	0	0	(4,000)
	<u>79,812</u>	<u>22,727</u>	<u>0</u>	<u>(57,085)</u>

(b) 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.

	2020	2019
	\$	\$
Buildings - non specialised	393	393
Furniture and equipment	21,850	0
Plant and equipment	148,803	0
	<u>171,046</u>	<u>393</u>

(c) Temporarily Idle Assets

The Shire did not hold any temporarily idle or retired from active use assets not classified as held for sale at balance date.

SHIRE OF UPPER GASCOYNE
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11. PROPERTY, PLANT AND EQUIPMENT (INCLUDING INFRASTRUCTURE) (Continued)

(d) Depreciation

	2020 Actual	2020 Budget	2019 Actual
	\$	\$	\$
Buildings - non-specialised	25,197	18,947	12,631
Buildings - specialised	103,088	163,143	108,756
Furniture and equipment	36,511	33,980	27,667
Plant and equipment	683,033	395,450	405,610
Infrastructure - roads	2,116,333	1,642,880	1,642,881
Infrastructure - other	133,706	80,730	130,466
	<u>3,097,868</u>	<u>2,335,130</u>	<u>2,328,011</u>

SIGNIFICANT ACCOUNTING POLICIES

Depreciation

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

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

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

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

Depreciation rates

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

Asset class	Useful life	Asset class	Useful life
Buildings	20 to 50 years	Formed subgrade	not depreciated
Furniture and equipment	1 to 20 years	Unformed subgrade	not depreciated
Plant and equipment	1 to 25 years	Gravel roads	
Other infrastructure	5 to 50 years	formation	not depreciated
Sealed roads and streets		pavement	28 years
formation	not depreciated	Footpaths - slab	40 years
pavement	39 years	Drainage	30 -108 years
seal	20 years	Bridges	100 years

Depreciation (Continued)

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

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

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12. REVALUATION SURPLUS

	2020					Closing balance
	Opening balance	Change in Accounting Policy	Revaluation increment	Revaluation (decrement)	Total movement	
(a) 30 June 2020 - Actual	\$		\$	\$	\$	\$
Land	293,272	0	0	0	0	293,272
Buildings	122,287	0	0	0	0	122,287
Furniture and equipment	7,080	(7,080)	0	0	0	0
Plant and equipment	494,792	(494,792)	0	0	0	0
Infrastructure - roads	39,198,356	0	11,934,332	0	11,934,332	51,132,688
Infrastructure - other	482,509	0	0	0	0	482,509
	40,598,296	(501,872)	11,934,332	0	11,934,332	52,030,756
(b) 30 June 2019 - Actual						
Land	293,272	0	0	0	0	293,272
Buildings	122,287	0	0	0	0	122,287
Furniture and equipment	0	0	7,080	0	7,080	7,080
Plant and equipment	258,841	0	235,951	0	235,951	494,792
Infrastructure - roads	39,198,356	0	0	0	0	39,198,356
Infrastructure - other	482,509	0	0	0	0	482,509
	40,355,265	0	243,031	0	243,031	40,598,296

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.

13. TRADE AND OTHER PAYABLES

	2020	2019
	\$	\$
Current		
Sundry creditors	1,080,468	126,948
Rates paid in advance	4,897	0
Retentions held for the Gascoyne River Bridge Project	6,171	6,171
Accrued interest on debentures	10,664	11,829
Accrued salaries and wages	26,674	13,368
Accrued expenses	274,493	602,473
Deposits and bonds	50,642	59,757
	<u>1,454,009</u>	<u>820,546</u>

SIGNIFICANT ACCOUNTING POLICIES

Trade and other payables

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

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

Prepaid rates

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

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14. INFORMATION ON BORROWINGS

(a) Borrowings

	2020	2019
	\$	\$
Current	76,723	73,642
Non-current	679,638	756,361
	<u>756,361</u>	<u>830,003</u>

(b) Repayments - Borrowings

(i) 30 June 2020 - Actual

	Loan number	Institution	Interest rate	Principal 1 July 2019	Principal repayments	Interest repayments	Principal outstanding
				\$	\$	\$	\$
Housing							
Staff housing	29	WATC*	2.99%	308,228	32,359	8,626	275,869
Economic services							
Tourism precinct	28	WATC*	5.04%	521,775	41,283	24,969	480,492
				<u>830,003</u>	<u>73,642</u>	<u>33,595</u>	<u>756,361</u>

(ii) 30 June 2020 - Budget

	Loan number	Institution	Interest rate	Principal 1 July 2019	Principal repayments	Interest repayments	Principal outstanding
				\$	\$	\$	\$
Housing							
Staff housing	29	WATC*	2.99%	308,228	32,358	8,976	275,870
Economic services							
Tourism precinct	28	WATC*	5.04%	521,774	41,284	41,283	480,490
				<u>830,002</u>	<u>73,642</u>	<u>50,259</u>	<u>756,360</u>

(iii) 30 June 2019 - Actual

	Loan number	Institution	Interest rate	Principal 1 July 2018	Principal repayments	Interest repayments	Principal outstanding
				\$	\$	\$	\$
Housing							
Staff housing	29	WATC*	2.99%	339,640	31,412	9,579	308,228
Economic services							
Tourism precinct	28	WATC*	5.04%	561,054	39,279	27,232	521,775
				<u>900,694</u>	<u>70,691</u>	<u>36,811</u>	<u>830,003</u>

* - Western Australian Treasury Corporation.

All borrowing repayments were financed by general purpose revenue.

SHIRE OF UPPER GASCOYNE
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14. INFORMATION ON BORROWINGS (Continued)

(c) New borrowings - 2019/20

The Shire did not have any new borrowings as at 30 June 2020.

(d) Unspent borrowings - 2019/20

The Shire did not have any unspent borrowings as at 30 June 2020.

(e) Undrawn borrowing facilities

	2020	2019
	\$	\$
Credit standby arrangements		
Bank overdraft limit	4,200,000	4,200,000
WANDRRA overdraft at balance date	0	0
Credit card limit	10,000	10,000
Credit card balance at balance date	(5,045)	(1,205)
Total amount of credit unused	4,204,955	4,208,795
Loan facilities		
Loan facilities - current	76,723	73,642
Loan facilities - non-current	679,638	756,361
Total facilities in use at balance date	756,361	830,003
Undrawn loan at balance date	0	0

SIGNIFICANT ACCOUNTING POLICIES

Financial liabilities

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

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

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

Borrowing costs 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.

Borrowing costs

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

Risk

Information regarding exposure to risk can be found at Note 29.

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15. EMPLOYEE RELATED PROVISIONS

Employee related provisions	Provision for annual leave	Provision for long service leave	Total
	\$	\$	\$
Opening balance at 1 July 2019	-	-	-
Current provisions	82,876	104,491	187,367
Non-current provisions	0	26,823	26,823
	<u>82,876</u>	<u>131,314</u>	<u>214,190</u>
Additional provision	18,772	18,364	37,136
Amounts used	(4,197)	(14,100)	(18,297)
Balance at 30 June 2020	<u>97,451</u>	<u>135,578</u>	<u>233,029</u>
Comprises			
Current	97,451	90,391	187,842
Non-current	0	45,187	45,187
	<u>97,451</u>	<u>135,578</u>	<u>233,029</u>

Amounts are expected to be settled on the following basis:

	2020	2019
	\$	\$
Less than 12 months after the reporting date	187,842	187,367
More than 12 months from reporting date	76,720	48,356
Expected reimbursements from other WA local governments	(31,533)	(21,533)
	<u>233,029</u>	<u>214,190</u>

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

15. EMPLOYEE RELATED PROVISIONS (Continued)

SIGNIFICANT ACCOUNTING POLICIES

Employee benefits

Short-term employee benefits

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

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

Other long-term employee benefits

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

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

Other long-term employee benefits (Continued)

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

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

Provisions

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

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

16. CONTRACT LIABILITIES

	2020	2019
	\$	\$
Current		
Contract liabilities from contracts with customers	5,585,814	0
	<u>5,585,814</u>	<u>0</u>
Performance obligations from contracts with customers are expected to be recognised as revenue in accordance with the following time bands:		
Less than 1 year	<u>5,585,814</u>	
	5,585,814	

SIGNIFICANT ACCOUNTING POLICIES

Contract Liabilities

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

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

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

17. NOTES TO THE STATEMENT OF CASH FLOWS

Reconciliation of cash

For the purposes of the statement of cash flows, cash includes cash and cash equivalents, net of outstanding bank overdrafts. Cash at the end of the reporting period is reconciled to the related items in the statement of financial position as follows:

	2020 Actual	2020 Budget	2019 Actual
	\$	\$	\$
Cash and cash equivalents	8,091,380	2,083,767	3,260,351
Bank overdraft	0	(1,750)	0
	<u>8,091,380</u>	<u>2,082,017</u>	<u>3,260,351</u>

Reconciliation of net cash provided by

Net result	275,245	(1,852,508)	937,492
Non-cash flows in net result:			
Depreciation	3,097,868	2,335,130	2,328,011
(Profit)/loss on sale of asset	18,469	(41,940)	57,085
Impairment of intangible assets	0	0	96,473
Changes in assets and liabilities:			
(Increase)/decrease in receivables	1,381,013	2,018,206	(25,279)
(Increase)/decrease in inventories	7,022	0	(44,446)
(Increase)/decrease in contract assets	(2,706,429)	0	0
(Increase)/decrease in financial assets	(576)	0	(35,034)
Increase/(decrease) in payables	581,084	0	118,874
Increase/(decrease) in contract liabilities	5,585,814	0	0
Increase/(decrease) in provisions	18,839	0	(9,733)
Non-operating grants, subsidies and contributions	(1,909,163)	(1,642,025)	(1,296,496)
Net cash from operating activities	<u>6,349,186</u>	<u>816,863</u>	<u>2,126,947</u>

18. TOTAL ASSETS CLASSIFIED BY FUNCTION AND ACTIVITY

	2020	2019
	\$	\$
Governance	1,003,708	1,124,184
General purpose funding	6,757,452	1,620,491
Health	0	2,253
Education and welfare	630,689	706,850
Housing	1,753,192	1,610,661
Community amenities	109,015	161,257
Recreation and culture	1,202,447	1,089,393
Transport	80,211,259	65,686,027
Economic services	6,659,202	7,358,880
Other property and services	2,503,120	3,148,415
	<u>100,830,084</u>	<u>82,508,411</u>

19. CONTINGENT LIABILITIES

The Shire does not have any contingent liabilities.

20. CAPITAL AND LEASING COMMITMENTS

	2020	2019
	\$	\$
(a) Capital Expenditure Commitments		
Contracted for:		
Tourist Park Solar System	220,447	0
	<u>220,447</u>	<u>0</u>
Payable:		
not later than one year	220,447	0

(b) Operating Lease Commitments

The Shire did not have any operating lease commitments at reporting date.

21. JOINT VENTURE ARRANGEMENTS AND INVESTMENT IN ASSOCIATES

The Shire is not involved in any joint venture arrangements and did not have any investments in associates at the reporting date.

22. SUBSEQUENT EVENTS

The Shire evaluated events from 30 June 2020 through to the date the financial statements were issued. No subsequent events were noted that required disclosure.

23. MAJOR LAND TRANSACTIONS

The Shire did not have any major land transactions during the financial year.

24. TRADING UNDERTAKINGS AND MAJOR TRADING UNDERTAKINGS

The Shire was not involved in any trading undertakings or major trading undertakings during the financial year.

25. INVESTMENT PROPERTIES

The Shire did not hold any investment properties at reporting date.

26. RELATED PARTY TRANSACTIONS

Elected members remuneration

The following fees, expenses and allowances were paid to Council members and/or the President.	2020	2020	2019
	Actual	Budget	Actual
	\$	\$	\$
Meeting fees	73,130	74,662	74,675
President's allowance	19,570	19,570	19,570
Deputy President's allowance	4,893	4,893	4,893
Travelling expenses	23,218	29,000	29,575
Telecommunications allowance	23,917	24,500	24,500
	<u>144,728</u>	<u>152,625</u>	<u>153,213</u>

Key management personnel (KMP) compensation disclosure

The total remuneration paid to KMP of the Shire during the year are as follows:	2020	2019
	Actual	Actual
	\$	\$
Short-term employee benefits	471,317	454,406
Post-employment benefits	53,353	82,092
Other long-term benefits	23,419	21,879
	<u>548,089</u>	<u>558,377</u>

Short-term employee benefits

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

Post-employment benefits

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

Other long-term benefits

These amounts represent long service benefits accruing during the year.

26. RELATED PARTY TRANSACTIONS (Continued)

Transactions with related parties

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

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

The following transactions occurred with related parties:

	2020 Actual	2019 Actual
	\$	\$
Sale of goods and services	583	2,288
Purchase of goods and services	216,129	239,354
Amounts payable to related parties:		
Trade and other payables	5,948	1,277

Related parties

The Shire's main related parties are as follows:

i. Key management personnel

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

ii. Other Related Parties

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

iii. Entities subject to significant influence by the Shire

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

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27. RATING INFORMATION

(a) Rates

	Rate in	Number of	Rateable	2019/20	Interim	Back	Total	2019/20	2018/19
	\$	properties	value	Actual	rates	rates	revenue	Budget	Actual
	\$	#	\$	Rate	\$	\$	\$	revenue	revenue
Differential general rate	0.0872	20	147,258	12,847	0	0	12,847	13,205	12,821
Gross rental valuations									
GRV - Gascoyne Junction									
Unimproved valuations									
UV - Pastoral	0.0469	26	1,451,045	68,054	0	0	68,054	68,055	66,072
UV - Mining	0.1393	91	1,887,164	262,882	8,442	0	271,324	251,708	252,282
		137	3,485,467	343,783	8,442	0	352,225	332,968	331,175
Minimum payment									
Gross rental valuations									
GRV - Gascoyne Junction	200	4	1,045	800	0	0	800	600	585
Unimproved valuations									
UV - Pastoral	412	12	23,895	4,944	0	0	4,944	4,944	4,800
UV - Mining	450	62	77,724	27,900	0	0	27,900	27,450	26,460
Sub-total		78	102,664	33,644	0	0	33,644	32,994	31,845
Discounts/concessions (refer Note 27(d))		215	3,588,131	377,427	8,442	0	385,869	365,962	363,020
Total amount raised from general rate							0	0	0
Ex-gratia rates							385,869	365,962	363,020
Rates written-off							2,883	1,400	2,800
Administration charges							(174)	(20,000)	(6,490)
Totals							0	(510)	0
							388,578	346,852	359,330

SIGNIFICANT ACCOUNTING POLICIES

Rates

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

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

27. RATING INFORMATION (Continued)

(b) Specified area rate

The Shire did not impose any specified area rates during the 2019/2020 financial year.

(c) Service charges

The Shire did not impose any service charges during the 2019/2020 financial year.

(d) Discounts, incentives, concessions, and write-offs

The Shire did not grant any discounts, waivers, or concessions during the 2019/2020 financial year.

(e) Interest charges and instalments

Instalment options	Date due	Instalment plan	Instalment plan	Unpaid rates
		admin charge	interest rate	interest rate
		\$	%	%
Option One				
Single full payment	17 Oct 2019			11.0%
Option Two				
First instalment	17 Oct 2019	5	5.5%	11.0%
Second instalment	17 Dec 2019	5	5.5%	11.0%
Third instalment	17 Feb 2020	5	5.5%	11.0%
Fourth instalment	17 Apr 2020	5	5.5%	11.0%
		2020 Actual	2020 Budget	2019 Actual
		\$	\$	\$
Interest charges				
- Interest on unpaid rates		5,893	4,000	3,611
- Interest on instalment plan		3,134	550	550
		9,027	4,550	4,161
Other charges				
- Charges on instalment plan		1,365	490	490
		1,365	490	490
Total charges		10,392	5,040	4,651

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28. RATE SETTING STATEMENT INFORMATION

Note	2019/20	2019/20	2019/20	2019/20
	(30 June 2020 carried forward)	Budget (30 June 2020 carried forward)	(1 July 2019 brought forward)	(1 July 2019 carried forward)
	\$	\$	\$	\$

(a) Non-cash amounts excluded from operating activities

The following non-cash revenue or expenditure has been excluded from amounts attributable to operating activities within the rate setting statement in accordance with *Financial Management Regulation 32*.

Adjustments to operating activities

Less: Profit on asset disposals	11(a)	0	(46,940)	0	0
Less: Movement in financial assets	8	(576)	0	(35,034)	(35,034)
Movement in land held for resale	6	2,500	0	2,000	2,000
Movement in employee benefit provisions (non-current)	15.	18,364	892	(25,239)	(25,239)
Movement in current leave reserve	4	1,040	0	1,797	1,797
Add: Loss on disposal of assets	11(a)	18,469	5,000	57,085	57,085
Add: Impairment of intangible asset	7	0	0	96,473	96,473
Add: Depreciation on assets	11(d)	3,097,868	2,335,130	2,328,011	2,328,011
Non cash amounts excluded from operating activities		3,137,665	2,294,082	2,425,093	2,425,093

(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 *Financial Management Regulation 32* to agree to the surplus/(deficit) after imposition of general rates.

Adjustments to net current assets

Less: Reserves - restricted cash	3	(1,369,538)	(1,483,008)	(1,674,894)	(1,674,894)
Less: Land held for resale	6	(7,500)	(20,785)	(10,000)	(10,000)
Add: Current portion of borrowings	14(a)	76,723	73,642	73,642	73,642
Add: Employee leave reserve	4	90,068	89,920	89,028	89,028
Total adjustments to net current assets		(1,210,247)	(1,340,231)	(1,522,224)	(1,522,224)

Net current assets used in the rate setting statement

Total current assets		11,736,881	2,417,260	5,587,458	5,587,458
Less: Total current liabilities		(7,304,388)	(1,077,029)	(1,133,933)	(1,081,555)
Less: Total adjustments to net current assets		(1,210,247)	(1,340,231)	(1,522,224)	(1,522,224)
Net current assets used in the rate setting statement		3,222,246	0	2,931,301	2,983,679

(c) Adjustments to current assets and liabilities at 1 July 2019 on application of new accounting standards

Total current liabilities at 30 June 2019				(1,081,555)
- Contract liabilities from contracts with customers	31(a)			(52,378)
Total current liabilities at 1 July 2019				(1,133,933)

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29. 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 type	Exposure arising from	Measurement	Management
Market risk - interest rate	Long term borrowings at variable rates	Sensitivity analysis	Utilise fixed interest rate borrowings
Credit risk	Cash and cash equivalents, trade receivables, financial assets and 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 and term deposits held disclosed as financial assets at amortised cost are reflected in the table below.

	Weighted average interest rate	Carrying amount	Fixed interest rate	Variable interest rate	Non-interest bearing
	%	\$	\$	\$	\$
2020					
Cash and cash equivalents	0.3%	8,091,380	0	8,090,480	900
2019					
Cash and cash equivalents	1.2%	3,260,351	0	3,259,451	900

Sensitivity

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

	2020	2019
	\$	\$
Impact of a 1% movement in interest rates on profit and loss*	80,914	32,604

* - Holding all other variables constant

Borrowings

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

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29. FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit risk

Trade 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 also able to charge interest on overdue rates and annual charges at higher than market rates, which further encourages payment.

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

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

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

The loss allowance as at 30 June 2020 and 1 July 2019 was determined as follows for rates receivable.

Rates receivable	Current	One to two years	Two to three years	Three or more years	Total
30 June 2020	\$ or %	\$ or %	\$ or %	\$ or %	\$
Expected default rate	9.88%	9.88%	9.88%	9.88%	
Gross carrying amount	4,756	26,870	15,958	16,904	64,488
Expected credit loss	470	2,655	1,577	1,668	6,370
30 June 2019					
Expected default rate	94.8%	97.4%	83.5%	94.4%	
Gross carrying amount	792	18,177	10,833	15,417	45,219
Expected credit loss	751	17,710	9,041	14,558	42,060

The loss allowance as at 30 June 2020 and 1 July 2019 was determined as follows for sundry receivables.

Sundry receivables	Current	One to two months	Two to three months	Three or more months	Total
30 June 2020	\$ or %	\$ or %	\$ or %	\$ or %	\$
Expected default rate	0.0%	0.0%	0.0%	99.66%	
Gross carrying amount	431,156	0	124,650	90,127	645,933
Expected credit loss	0	0	0	89,819	89,819
30 June 2019					
Expected default rate	0.0%	96.6%	100.0%	80.2%	
Gross carrying amount	20,651	8,208	7,267	19,650	55,776
Expected credit loss	0	7,929	7,267	15,750	30,946

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

29. FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit risk (Continued)

Contract assets

The Shire's contract assets represent work completed, which have not been invoiced at year end. This is due to the Shire not having met all the performance obligations in the contract which give an unconditional right to receive consideration. The Shire applies the simplified approach to measure expected credit losses which uses a lifetime expected credit loss allowance for all contract assets. To measure the expected credit losses, contract assets have been grouped based on shared credit risk characteristics and the days past due. Contract assets have substantially the same risk characteristics as the trade receivables for the same type of contracts. The Shire has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

(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 14(e).

The contractual undiscounted cash flows of the Shire's payables, borrowings and obligations 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.

Payable type	Due within 1 year	Due between 1 and 5 years	Due after 5 years	Total contractual cash flows	Carrying values
	\$	\$	\$	\$	\$
Payables	1,454,009	0	0	1,454,009	1,454,009
Borrowings	108,401	433,605	371,604	913,610	756,361
Contract liabilities	5,585,814	0	0	5,585,814	5,585,814
	7,148,224	433,605	371,604	7,953,433	7,796,184
2019					
Payables	820,546	0	0	820,546	820,546
Borrowings	108,401	433,605	480,004	1,022,010	830,003
	928,947	433,605	480,004	1,842,556	1,650,549

30. TRUST FUNDS

The Shire did not have any funds held at balance date over which it has no control.

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

31. INITIAL APPLICATION OF AUSTRALIAN ACCOUNTING STANDARDS

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

(a) AASB 15: Revenue from Contracts with Customers

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

Note	AASB 118 carrying amount		AASB 15
	30 June 2019	Reclassification	carrying amount 01 July 2019
	\$	\$	\$
Contract liabilities - current			
Contract liabilities from contracts with customers	0	52,378	52,378
Adjustment to retained surplus from adoption of AASB 15	0	52,378	52,378

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

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

There were no uncompleted contracts or funds previously recognised as revenue, applicable under AASB 1058, at the date of initial application (1 July 2019).

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

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

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

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

31. INITIAL APPLICATION OF AUSTRALIAN ACCOUNTING STANDARDS (Continued)

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

		2020 \$		2020 \$
	Note	As reported under AASB 15 and AASB 1058	Adjustment due to application of AASB 15 and AASB 1058	Compared to AASB 118 and AASB 1004
Statement of Comprehensive Income				
Revenue				
Non-operating grants, subsidies and contributions	2(a)	1,909,163	5,585,814	7,494,977
Rates	27(a)	388,578	4,897	393,475
Net result		275,245	5,590,711	5,865,956
Statement of Financial Position				
Contract assets	2(a)	2,706,429	(2,706,429)	0
Trade and other payables	13	1,454,009	(4,897)	1,449,112
Contract liabilities	16	5,585,814	(5,585,814)	0
Net assets		92,800,871	(8,297,140)	101,098,011
Statement of Changes in Equity				
Net result		275,245	5,590,711	5,865,956
Retained surplus		39,400,577	5,590,711	44,991,288

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

(c) AASB 16: Leases

The Shire adopted AASB 16 *Leases* retrospectively from 1 July 2019 which resulted in a change in accounting policies. In accordance with the transition provisions in AASB 16, the Shire applied this Standard to its leases retrospectively, with the cumulative effect of initially applying AASB16 recognised at 1 July 2019. Comparative information for prior reporting periods were not restated in accordance with the AASB 16 transition requirements.

There was no impact from the application of AASB 16 on the reported balances as the date of initial application (1 July 2019), as the Shire had no leases.

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

32. CHANGE IN ACCOUNTING POLICIES

(a) Change in Accounting Policies due to regulation changes

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

In accordance with the changes, the Shire was required to remove the values attributable to certain crown land assets previously required to be recognised, as well as the associated revaluation surplus at 1 July 2019. These assets are required to be measured as concessionary lease right-of-use assets at zero cost in accordance with AASB 16. No such assets are held by the Shire.

In addition, the amended regulation 17A requires plant and equipment assets to be measured under the cost model, rather than at fair value. In applying the retrospective changes as at 1 July 2019, the Shire reversed plant and equipment revaluation reserve credit balance to retained earnings.

	Note	Adjustments	2019
			\$
Revaluation surplus - 30 June 2019			40,598,296
Adjustment to revaluation surplus from amendment to FM Reg 16	12	(501,872)	(501,872)
Adjustment to revaluation surplus from amendment to FM Reg 17		0	0
Revaluation surplus - 1 July 2019			40,096,424

Regulation 17A of the *Local Government (Financial Management) Regulations 1996* was amended to require plant and equipment type assets to be measured under the cost model, rather than at fair value. Implementation of the cost model is effective from the beginning of the 2019/20 year.

In applying the retrospective changes as at 1 July 2019, the Shire reversed plant and equipment revaluation credit balances to retained surplus.

	Note	
Revaluation Surplus - Furniture and Equipment	12	7,080
Revaluation Surplus - Plant and Equipment	12	494,792
		501,872

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

	Note	Carrying amount 30 June 2019	Reclassification	Carrying amount 01 July 2019
		\$	\$	\$
Revaluation surplus	12.	40,598,296	(501,872)	40,096,424
Retained earnings		38,370,482	449,494	38,819,976

(b) Impact of New Accounting Standards and changes in Accounting Policy on Retained Surplus

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

	Note	Adjustments	2019
			\$
Retained surplus - 30 June 2019			38,370,482
Adjustment to retained surplus from amendment to FM Reg 16		501,872	
Adjustment to retained surplus from adoption of AASB 15		(52,378)	
Adjustment to retained surplus from adoption of AASB 1058		0	449,494
Retained surplus - 1 July 2019			38,819,976

SHIRE OF UPPER GASCOYNE

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

FOR THE YEAR ENDED 30TH JUNE 2020

33. 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

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

c) Rounding off figures

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

d) Comparative figures

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

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

e) Budget comparative figures

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

f) Superannuation

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

g) Fair value of assets and liabilities

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

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

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

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

h) Fair value hierarchy

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

Level 1

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

Level 2

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

Level 3

Measurements based on unobservable inputs for the asset or liability.

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

Valuation techniques

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

Market approach

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

Income approach

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

Cost approach

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

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

i) Impairment of assets

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

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

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

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

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

34. ACTIVITIES / PROGRAMS

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

PROGRAM NAME / OBJECTIVE	ACTIVITIES
<p>GOVERNANCE To provide a decision making process for the efficient allocation of scarce resources.</p>	<p>Includes the activities of members of council and the administrative support available to the council for the provision of governance of the district. Other costs relate to the task of assisting elected members and rate payers on matters which do not concern specific council services.</p>
<p>GENERAL PURPOSE FUNDING To collect revenue to allow for the provision of services.</p>	<p>Rates, general purpose government grants and interest revenue.</p>
<p>LAW, ORDER, PUBLIC SAFETY To provide services to help ensure a safer and environmentally conscious community.</p>	<p>Supervision and enforcement of various local laws relating to fire prevention, animal control and other aspects of public safety including emergency services.</p>
<p>EDUCATION AND WELFARE To provide services to disadvantaged persons, the elderly, children and youth.</p>	<p>Provide a range of appropriate services via the Community Resource Centre.</p>
<p>HEALTH Monitoring and control of health standards within the community.</p>	<p>Control the quality of food and water. Environmental Health Officer twice per year.</p>
<p>HOUSING Maintain staff housing to facilitate attraction and retention of staff in this remote area.</p>	<p>Provide housing for staff.</p>
<p>COMMUNITY AMENITIES To provide services required by the community.</p>	<p>Rubbish collection services, operation of rubbish disposal sites, litter control, protection of the environment and administration of town planning schemes, cemetery and public conveniences.</p>
<p>RECREATION AND CULTURE To establish and effectively manage infrastructure and resources which will help the social well-being of the community.</p>	<p>Maintenance of public use buildings and areas including various sporting facilities. Provision and maintenance of parks, gardens and playgrounds. Operation of library, museum and other cultural facilities.</p>
<p>TRANSPORT Facilitate safe, effective and efficient transport options for the community.</p>	<p>Construction and maintenance of roads, streets, footpaths, depots, cycle ways, parking facilities and traffic control. Cleaning of streets and maintenance of street trees, street lighting, etc.</p>
<p>ECONOMIC SERVICES To help promote the shire and its economic well-being.</p>	<p>Tourism and area promotion. Building Control.</p>
<p>OTHER PROPERTY AND SERVICES To monitor and control council's overheads operating accounts.</p>	<p>Private works operation, plant repair and operation costs and engineering operation costs.</p>

35. FINANCIAL RATIOS

	2020	2019	2018
	Actual	Actual	Actual
Current ratio	0.66	4.07	1.88
Asset consumption ratio	0.65	0.73	0.76
Asset renewal funding ratio	0.70	0.71	0.75
Asset sustainability ratio	1.01	0.99	0.70
Debt service cover ratio	12.38	10.47	11.65
Operating surplus ratio	(2.37)	(0.16)	(1.33)
Own source revenue coverage ratio	0.03	0.09	0.05

The above ratios are calculated as follows:

Current ratio	$\frac{\text{current assets minus restricted assets}}{\text{current liabilities minus liabilities associated with restricted assets}}$
Asset consumption ratio	$\frac{\text{depreciated replacement costs of depreciable assets}}{\text{current replacement cost of depreciable assets}}$
Asset renewal funding ratio	$\frac{\text{NPV of planned capital renewal over 10 years}}{\text{NPV of required capital expenditure over 10 years}}$
Asset sustainability ratio	$\frac{\text{capital renewal and replacement expenditure}}{\text{depreciation}}$
Debt service cover ratio	$\frac{\text{annual operating surplus before interest and depreciation}}{\text{principal and interest}}$
Operating surplus ratio	$\frac{\text{operating revenue minus operating expenses}}{\text{own source operating revenue}}$
Own source revenue coverage ratio	$\frac{\text{own source operating revenue}}{\text{operating expense}}$



Auditor General

INDEPENDENT AUDITOR'S REPORT

To the Councillors of the Shire of Upper Gascoyne

Report on the Audit of the Financial Report

Opinion

I have audited the annual financial report of the Shire of Upper Gascoyne which comprises the Statement of Financial Position as at 30 June 2020, and the Statement of Comprehensive Income by Nature or Type, Statement of Comprehensive Income by Program, Statement of Changes in Equity, Statement of Cash Flows and Rate Setting Statement for the year then ended, as well as notes comprising a summary of significant accounting policies and other explanatory information, and the Statement by the Chief Executive Officer.

In my opinion the annual financial report of the Shire of Upper Gascoyne:

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

Basis for Opinion

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

Emphasis of Matter – Basis of Accounting

I draw attention to Notes 1 and 11 to the annual financial report, which describe the basis of accounting. The annual financial report has been prepared for the purpose of fulfilling the Shire's financial reporting responsibilities under the Act, including the Local Government (Financial Management) Regulations 1996 (Regulations). My opinion is not modified in respect of these matters:

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

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

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

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

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

Auditor's Responsibility for the Audit of the Financial Report

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

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

Report on Other Legal and Regulatory Requirements

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

- (i) In my opinion, the following material matters indicate significant adverse trends in the financial position of the Shire:
 - a. The Operating Surplus Ratio as reported in Note 35 of the annual financial report is below the Department of Local Government, Sport and Cultural Industries standard for the last three years; and
 - b. The Own Source Coverage Ratio as reported in Note 35 of the annual financial report is below the Department of Local Government, Sport and Cultural Industries standard for the last three years.
- (ii) There was no matter indicating non-compliance with Part 6 of the *Local Government Act 1995*, the Local Government (Financial Management) Regulations 1996 or applicable financial controls of any other written law identified during the course of my audit.
- (iii) All required information and explanations were obtained by me.
- (iv) All audit procedures were satisfactorily completed.
- (v) In my opinion, the Asset Consumption Ratio and the Asset Renewal Funding Ratio included in the annual financial report were supported by verifiable information and reasonable assumptions.

Other Matter

The financial ratios for 2018 in Note 35 of the annual financial report were audited by another auditor when performing their audit of the Shire for the year ending 30 June 2018. The auditor expressed an unmodified opinion on the annual financial report for that year.

Matters Relating to the Electronic Publication of the Audited Financial Report

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



ALOHA MORRISSEY
ASSISTANT AUDITOR GENERAL FINANCIAL AUDIT
Delegate of the Auditor General for Western Australia
Perth, Western Australia
17 December 2020

APPENDIX 2

(Email Submission of Annual Financial Report)

Mativa Toomalatai

From: Mativa Toomalatai
Sent: Friday, 18 December 2020 9:10 AM
To: 'annual.report@dlgc.wa.gov.au'
Subject: 2019/2020 ANNUAL FINANCIAL REPORT - SHIRE OF UPPER GASCOYNE
Attachments: Annual Financial Report - Shire of Upper Gascoyne - 30 June 2020 (Final).pdf

Good Morning

Please find attached a signed copy of our 2019/20 Annual Financial Report (including OAG's Independent Auditors Report).

I tried to upload the report to the smart hub, but was unsuccessful in logging onto the site. As soon as I can gain access to the site, I will upload a copy to the hub.

Regards

Sa Toomalatai

MANAGER, FINANCE & CORPORATE SERVICES



Please be advised that our office will be closed from 12noon on Friday 18th December 2020 and we will re-open on Monday 4th January 2021. We wish you all a safe and Merry Christmas! 🎄

Address Lot 4 Scott Street| Gascoyne Junction | WA | 6705

E financemanager@uppergascoyne.wa.gov.au

W www.uppergascoyne.wa.gov.au

phone (08) 9943 0988 | fax (08) 9943 0507

Please consider the environment before printing this email.

Disclaimer by the Shire of Upper Gascoyne: This email is private and confidential. If you are not the intended recipient, please advise us by return email immediately, and delete the email and any attachments without using or disclosing the contents in any way. The views expressed in this email are those of the author, and do not represent those of the Shire of Upper Gascoyne unless this is clearly indicated. The Shire of Upper Gascoyne accepts no liability for any direct or indirect loss resulting from the use of any attachments in this email.

The Shire of Upper Gascoyne acknowledges the Traditional Custodians of this land in which we work and live on, and we pay our respects to their Elders past, present and future.

APPENDIX 3

(Email Acknowledgement from DLGSCI for receipt of AFR)

Mativa Toomalatai

From: Annual Report Submission <annual.report@dlgc.wa.gov.au>
Sent: Friday, 18 December 2020 9:17 AM
To: Mativa Toomalatai
Subject: Annual Financial Report

Thank you for providing your Annual Financial Report for this financial year.

The Report has been forwarded to the Department's Financial Compliance Section for recording of relevant information.

The Department will use that information to undertake an assessment of the Report.

Departmental officers will liaise with you should there be any queries relating to the information contained in the Report.

APPENDIX 4

(2020 Compliance Audit Return)



Upper Gascoyne - Compliance Audit Return 2020

Certified Copy of Return

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

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



Delegation of Power/Duty					
No	Reference	Question	Response	Comments	Respondent
1	s5.16	Were all delegations to committees resolved by absolute majority?	N/A	None of our Committees have any Delegated Authority.	John McCleary
2	s5.16	Were all delegations to committees in writing?	N/A		John McCleary
3	s5.17	Were all delegations to committees within the limits specified in section 5.17?	N/A		John McCleary
4	s5.18	Were all delegations to committees recorded in a register of delegations?	N/A		John McCleary
5	s5.18	Has council reviewed delegations to its committees in the 2019/2020 financial year?	N/A		John McCleary
6	s5.42(1) & s5.43 Admin Reg 18G	Did the powers and duties delegated to the CEO exclude those listed in section 5.43 of the Act?	Yes		John McCleary
7	s5.42(1)	Were all delegations to the CEO resolved by an absolute majority?	Yes		John McCleary
8	s5.42(2)	Were all delegations to the CEO in writing?	Yes		John McCleary
9	s5.44(2)	Were all delegations by the CEO to any employee in writing?	Yes		John McCleary
10	s5.16(3)(b) & s5.45(1)(b)	Were all decisions by the council to amend or revoke a delegation made by absolute majority?	Yes		John McCleary
11	s5.46(1)	Has the CEO kept a register of all delegations made under Division 4 of the Act to the CEO and to employees?	Yes		John McCleary
12	s5.46(2)	Were all delegations made under Division 4 of the Act reviewed by the delegator at least once during the 2019/2020 financial year?	Yes	19th of December 2019 25th of November 2020	John McCleary
13	s5.46(3) Admin Reg 19	Did all persons exercising a delegated power or duty under the Act keep, on all occasions, a written record in accordance with Admin Reg 19?	Yes		John McCleary

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



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



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

Disposal of Property

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



Elections					
No	Reference	Question	Response	Comments	Respondent
1	Elect Regs 30G(1) & (2)	Did the CEO establish and maintain an electoral gift register and ensure that all disclosure of gifts forms completed by candidates and donors and received by the CEO were placed on the electoral gift register at the time of receipt by the CEO and in a manner that clearly identifies and distinguishes the forms relating to each candidate?	N/A	No elections held in 2020	John McCleary
2	Elect Regs 30G(3) & (4)	Did the CEO remove any disclosure of gifts forms relating to an unsuccessful candidate, or a successful candidate that completed their term of office, from the electoral gift register, and retain those forms separately for a period of at least two years?	N/A		John McCleary
3	Elect Regs 30G(5) & (6)	Did the CEO publish an up-to-date version of the electoral gift register on the local government's official website in accordance with Elect Reg 30G(6)?	N/A		John McCleary

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



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

Integrated Planning and Reporting

No	Reference	Question	Response	Comments	Respondent
1	Admin Reg 19C	Has the local government adopted by absolute majority a strategic community plan? If Yes, please provide the adoption date or the date of the most recent review in the Comments section?	Yes	The most recent review was undertaken on the 29th of July 2020.	John McCleary
2	Admin Reg 19DA (1) & (4)	Has the local government adopted by absolute majority a corporate business plan? If Yes, please provide the adoption date or the date of the most recent review in the Comments section?	Yes	The most recent review was undertaken on the 29th of July 2020.	John McCleary
3	Admin Reg 19DA (2) & (3)	Does the corporate business plan comply with the requirements of Admin Reg 19DA(2) & (3)?	Yes		John McCleary



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

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

Optional Questions					



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



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



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No	Reference	Question	Response	Comments	Respondent
10	F&G Reg 18(4)	Were all tenders that were not rejected assessed by the local government via a written evaluation of the extent to which each tender satisfies the criteria for deciding which tender to accept?	Yes		John McCleary
11	F&G Reg 19	Did the CEO give each tenderer written notice containing particulars of the successful tender or advising that no tender was accepted?	Yes		John McCleary
12	F&G Regs 21 & 22	Did the local government's advertising and expression of interest processes comply with the requirements of F&G Regs 21 and 22?	N/A	We did not request any 'expressions of interest' in 2020	John McCleary
13	F&G Reg 23(1) & (2)	Did the local government reject any expressions of interest that were not submitted at the place, and within the time, specified in the notice or that failed to comply with any other requirement specified in the notice?	N/A		John McCleary
14	F&G Reg 23(3)	Were all expressions of interest that were not rejected assessed by the local government?	N/A		John McCleary
15	F&G Reg 23(4)	After the local government considered expressions of interest, did the CEO list each person considered capable of satisfactorily supplying goods or services as an acceptable tenderer?	N/A		John McCleary
16	F&G Reg 24	Did the CEO give each person who submitted an expression of interest a notice in writing of the outcome in accordance with F&G Reg 24?	N/A		John McCleary
17	F&G Regs 24AD(2) & (4) and 24AE	Did the local government invite applicants for a panel of pre-qualified suppliers via Statewide public notice in accordance with F&G Reg 24AD(4) and 24AE?	N/A	We did not seek any pre-qualified suppliers in 2020.	John McCleary
18	F&G Reg 24AD(6)	If the local government sought to vary the information supplied to the panel, was every reasonable step taken to give each person who sought detailed information about the proposed panel or each person who submitted an application notice of the variation?	N/A		John McCleary
19	F&G Reg 24AF	Did the local government's procedure for receiving and opening applications to join a panel of pre-qualified suppliers comply with the requirements of F&G Reg 16, as if the reference in that regulation to a tender were a reference to a pre-qualified supplier panel application?	N/A		John McCleary
20	F&G Reg 24AG	Did the information recorded in the local government's tender register about panels of pre-qualified suppliers comply with the requirements of F&G Reg 24AG?	N/A		John McCleary



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

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

Signed Mayor/President, Upper Gascoyne

Signed CEO, Upper Gascoyne

APPENDIX 5

(2020 Regulation 17 Review Report)

2021 Regulation 17 Review

Shire of Upper Gascoyne

November 2020

27 January 2021

Mr John McCleary
Chief Executive Officer
Shire of Upper Gascoyne
4 Scott Street
GASCOYNE JUNCTION WA 6705

Dear John

2021 REGULATION 17 REVIEW

We are pleased to present the findings and recommendations resulting from our Shire of Upper Gascoyne (the "Shire") *Local Government (Audit) Regulations 1996, 2019 Regulation 17 Review*.

This report relates only to procedures and items specified within the 2021 Regulation 17 Review for Quotation and does not extend to any financial report of the Shire.

We recommend this report be read in conjunction with the 2021 Financial Management Systems Review Report prepared by AMD in January 2021.

We would like to thank John, Sa, Jarrod and the finance department for their co-operation and assistance whilst conducting our review.

Should there be matters outlined in our report requiring clarification or any other matters relating to our review, please do not hesitate to contact me.

Yours sincerely
AMD Chartered Accountants



TIM PARTRIDGE FCA
Director

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Inherent limitations

Due to the inherent limitations of any internal control structure, it is possible that fraud, error or non-compliance with laws and regulations may occur and not be detected. Further, the internal control structure, within which the control procedures that have been subject to review, has not been reviewed in its entirety and, therefore, no opinion or view is expressed as to its effectiveness of the greater internal control structure. This review is not designed to detect all weaknesses in control procedures as it is not performed continuously throughout the period and the tests performed on the control procedures are on a sample basis. Any projection of the evaluation of control procedures to future periods is subject to the risk that the procedures may become inadequate because of changes in conditions, or that the degree of compliance with them may deteriorate.

We believe that the statements made in this report are accurate, but no warranty of completeness, accuracy or reliability is given in relation to the statements and representations made by, and the information and documentation provided by, the Shire of Upper Gascoyne management and personnel. We have indicated within this report the sources of the information provided. We have not sought to independently verify those sources unless otherwise noted with the report. We are under no obligation in any circumstance to update this report, in either oral or written form, for events occurring after the report has been issued in final form unless specifically agreed with the Shire of Upper Gascoyne. The review findings expressed in this report have been formed on the above basis.

Third party reliance

This report was prepared solely for the purpose set out in this report and for the internal use of the management of the Shire of Upper Gascoyne. This report is solely for the purpose set out in the 'Scope and Approach' of this report and for Shire of Upper Gascoyne's information, and is not to be used for any other purpose or distributed to any other party without AMD's prior written consent. This review report has been prepared at the request of the Shire of Upper Gascoyne's Chief Executive Officer or its delegate in connection with our engagement to perform the review as detailed in the 2021 Regulation 17 Review Services Request for Quotation. Other than our responsibility to the Council and management of the Shire of Upper Gascoyne, neither AMD nor any member or employee of AMD undertakes responsibility arising in any way from reliance placed by a third party, including but not limited to the Shire of Upper Gascoyne external auditor, on this review report. Any reliance placed is that party's sole responsibility.

1. Executive Summary

1.1. Background and Objectives

To undertake a review of the appropriateness and effectiveness of risk management, internal controls and legislative compliance of the Shire in accordance with the *Local Government (Audit) Regulations 1996*, Regulation 17 for the period ended 31 October 2021 (the “Review”).

Our findings included within this report are based on the site work completed by us from the 16 to 20 November 2020. Findings are based on information provided and available to us during and subsequent to this site visit to 20 January 2021.

1.2. Summary of Findings

The procedures performed and our findings on each of the focus areas are detailed in the following sections of the report:

- Section 2 – Risk management;
- Section 3 – Internal controls; and
- Section 4 – Legislative compliance.

Following the completion of our review and subject to the recommendations outlined within sections 2 to 4, we are pleased to report that in context of the Shire’s overall internal control environment, policies, procedures and processes in place are appropriate, and have been operating effectively at the time of the review.

Findings reported by us are on an exceptions basis, and do not take into account the many focus areas tested during our review where policies, procedures and processes were deemed to be appropriate and in accordance with best practice.

The following tables provide a summary of the findings raised in this report:

	Extreme Risk	High Risk	Medium Risk	Low Risk
Number of new issues reported	0	0	8	8

For details on the review rating criteria, please refer to Section 5.

Issue	Risk Rating
Risk management	
2.2.1 Lease Management Enhancements of existing lease register recommended to better monitor lessee compliance with terms of Council leased properties.	Medium
2.2.2 Occupational Health and Safety Safety audit not conducted and minutes are not kept for safety meetings.	Medium
2.2.3 Risk Management Policies and Procedures We identified further enhancements required to the existing Risk Management Policy, furthermore there are no documented policies and procedures in place to deal with a number of risks applicable to the Shire. Some policies are potentially out of date.	Medium
2.2.4 Risk Register Recommend the Shire develops and adopts a risk register to assist in the identification and mitigation of risks.	Low
2.2.5 Code of Conduct The current Code of Conduct for Council members, Committee members and staff does not detail the reporting mechanism in the event of a breach.	Low
2.2.6 Audit Committee Meetings Not meeting on a regular basis.	Low
2.2.7 Emergency Risk Management Emergency Risk Management documents may require updating.	Low
Internal controls	
3.2.1 Procurement and Contract Management Currently no formal contract management framework in place.	Medium
3.2.2 Grant Funding Plan No grant funding summary plan in place.	Medium
3.2.3 Physical Security Possible inadequate physical security over Shire's buildings.	Medium
3.2.4 IT Strategic Plan No IT Strategic Plan in place.	Medium
Legislative compliance	
4.2.1 Annual Returns for Staff Staff annual returns not lodged.	Medium
4.2.2 Audit Committee Review of Compliance Effectiveness of compliance not assessed at all Audit Committee meeting minutes.	Low
4.2.3 Internal Audit There is currently no formal internal audit function in place.	Low
4.2.4 Complaints Handling No documented complaints handling procedure in place.	Low
4.2.5 Conflicts of Interest Register No conflicts of interest register in place that records those interests disclosed as part of the procurement process.	Low

2. Risk management

2.1. Scope and approach

In accordance with our quotation dated 9 September 2020, our review examined the following areas:

- Whether the Local Government has an effective risk management system and that material operating risks to the Local Government are appropriately considered;
- Whether the Local Government has a current and effective Business Continuity Plan (including disaster recovery) which is tested from time to time;
- The internal processes for determining and managing material operating risks in accordance with the Local Government's identified tolerance for risk, particularly in the following areas:
 - Potential non-compliance with legislation, regulations and standards and local government's policies;
 - Important accounting judgements or estimates that prove to be wrong;
 - Litigation and claims;
 - Misconduct, fraud and theft; and
 - Significant business risks, recognising responsibility for general or specific risk areas, for example, environmental risk, occupational health and safety, and how they are managed by the local government;
- Regular risk reports presented to the Audit Committee/Council, which identify key risks, the status and the effectiveness of the risk management systems, to ensure that identified risks are monitored and new risks are identified, mitigated and reported;
- Adequacy of the Local Government processes to manage insurable risks and ensured the adequacy of insurance cover, and if applicable, the level of self-insurance;
- Effectiveness of the Local Government's internal control system with management and the internal and external auditors;
- Whether management has controls in place for unusual types of transactions and/or any potential transactions that might carry more than an acceptable degree of risk;
- The Local Government's procurement framework with a focus on the probity and transparency of policies and procedures/processes and whether these are being applied;
- Audit Committee meeting practices ensuring periodically meeting with key management, internal and external auditors, and compliance staff, to understand and discuss any changes in the local government's control environment; and
- Ascertained whether fraud and misconduct risks have been identified, analysed, evaluated, have an appropriate treatment plan which has been implemented communicated, monitored and there is regular reporting and ongoing management of fraud and misconduct risks.

2.2. Detailed findings and recommendations

2.2.1. Lease Management

Finding Rating: Medium

Perusal of the lease register maintained by the Shire identified that the register included some lease agreement information, however was basic in nature. For example, verification as to whether a copy of current insurance policy held by the current lessee has been obtained was not evident from the information in the register.

In addition, we noted the original lessee of the Gascoyne Junction Caravan Park has a rent arrears that is the subject of legal action.

Implications/Risks

The Shire is potentially exposed to risks due to lessee non-compliance with lease agreement terms and conditions.

Recommendation

We recommend a formal procedure be implemented to monitor lessee compliance with the terms and conditions of Council leased properties which may include updating the lease register to include key lease terms and conditions (such as term, right to extend, rent), insurance details and any other lessee reporting requirements. Subsequently a review of the updated lease register periodically would prompt requests to lessees with respect to their reporting requirements.

Management Comment

The Shire only have one commercial lease. The insurance is paid by the Shire and the Lessee reimburses the Shire in arrears, as such the issue of insurance is covered. It is agreed that the Shire have engaged solicitors to look at the issue of non-payment of rent and the maintenance requirements, however, we are in a time where COVID-19 has severely curtailed the Lessors ability to take any action to remedy the situation.

Although we feel it is not necessary to create a lease register to maintain the details of only one lease, we note AMD's recommendation as part of a "Best Practice" approach and will develop a procedure to monitor our leases going forward.

Responsible Officer: CEO

Completion Date: by 30th June 2021

2.2.2. Occupational Health and Safety

Finding Rating: Medium

Our inquiries identified that a safety audit had not been conducted, and although safety meetings are held, minutes are not recorded.

Implications/Risks

The Shire may be exposing staff to safety risks, and staff may be unaware of their obligations.

Recommendation

We recommend a safety audit be conducted and that minutes be kept of safety meetings, including those in attendance at the meeting. Minutes can then be made available to staff who were absent from the meeting.

Management Comment

The Shire are currently advocating for LGIS to visit our premises and undertake an onsite inspection of our office, depot, and machinery.

We are negotiating with the Shire of Carnarvon to share their OH&S officer to enable us to better meet our OH&S requirements. IA rough quote indicates the cost will be \$1,174 for 16 hour per week inclusive of travel and accommodation.

2.2.3. Risk Management Policies and Procedures

Finding Rating: Medium

While completing a review of the Shire's internal risk management policies and procedures, we noted the following:

(A) Further Enhancement Required

The following policies and/or procedures required further enhancements:

- Risk Management Policy – although this policy was last reviewed by the Shire in January 2020, the policy still references the old AS/NZS 31000:2009 as opposed to the new standard, AS/ISO 31000:2018.
- We also noted there is an additional Risk Management Policy contained within the standalone Policy Manual.
- This Risk Management Governance Framework states an annual review of the framework is required, and six monthly reviews for all risk profiles is required. Our inquiries indicate that the reviews have not been undertaken.

(B) No Policy or Procedure

The following Shire practices are not documented/addressed in policies or procedures:

- Litigation /Claims policy;
- Environmental Management policy;
- Bushfire Management Plan;
- Waste Management policy;
- Fraud Control policy;
- Community Engagement policy;

- Events Management policy and procedure;
- Performance appraisal policy and procedure;
- Engaging of Contractors procedure and induction;
- Purchase and Hire of New Equipment;
- Safety procedures and Inductions for Contractors and outside workers;
- Record Keeping Policy and Procedure;
- Staff Training Policy and Procedure;
- Tender Process Procedure;
- Preparation of Business Activity Statement Procedure;
- Server Back-up Procedure;
- Communications policy, including correspondence in and out, and media releases and spokesperson/s.
- Public Interest Disclosure Procedure.

(C) Potential Out of Date Documents

The following policies, procedures and/or plans are potentially out of date and may require review:

Document	Last Revision Date
Accident Form	Not provided
Occupational Safety & Health Policy	16/03/2019
Smoking in the Workplace	Not provided
Policy Manual	29 March 2017
Delegations Register (due to change in name of positions held)	October 2020
Local Emergency Recovery Plan	Not provided

Implications/Risks

Lack of policies and/or procedures evidencing specific risks to the Shire. In addition, out-dated policies and procedures may not reflect the actual practices followed by Shire representatives.

Recommendation

We recommend the following:

- The policy highlighted at (A) above be updated in accordance with our findings. In addition, we recommend the reviews outlined in the Risk Management Governance Framework document be undertaken.
- Policies and procedures be developed and implemented for those identified areas of risk highlighted at (B) above.
- Those potentially out of date policies and procedures identified at (C) above, be reviewed and updated accordingly. In addition, we recommend ensuring the documents that were not provided exist, and are updated.

Management Comment

Management accepts these recommendations and will work towards undertaking a complete review and introducing new policies where recommended.

Responsible Officer: CEO / MFCS

Completion Date: 3 May 2021

2.2.4. Risk Register

Finding Rating: Low

The Shire does not maintain a Risk Register.

Implications/Risks

Lack of documentation in place to evidence risks have been appropriately identified and mitigated accordingly.

Recommendation

We recommend the Shire introduce a risk register ensuring it identifies and records all of the Shire's risks. This should include conducting a comprehensive risk identification process to identify potential Shire risks within each business unit incorporating the following categories:

- Operational;
- Strategic;
- Finance;
- Technological; and
- Compliance risks.

The risk register should identify the risk, analyse the risk by determining the likelihood, consequence and current controls in respect to each identified risk; evaluate the risk by deciding whether the risk is to be treated/controlled, reassessed or accepted and determine the action to be taken to treat or control each risk.

The risk register should also be monitored and reviewed on a regular basis to ensure the register is up to date and integrates with existing Shire's Risk Management Framework policies and procedures.

Management Comment

The Shire already has a Risk Management Policy in place that was last reviewed in March 2019 and to further support the policy, in mid to late 2019 the Shire procured the consultancy services of LGIS to perform a risk analysis and develop a Risk Management Framework. The framework document has been completed by LGIS but does not appear to have been presented to Council for adoption.

Management will review the framework document completed by LGIS and submit to Council for adoption as soon as possible. With regard to an itemised Risk Register, Management take note of AMD's recommendation and will research template documents to assist staff in the creation of a risk register and develop a process in which the register can be used effectively and maintained regularly.

Responsible Officer: Manager, Finance & Corporate Services **Completion Date:** by 30th June 2021

2.2.5. Code of Conduct

Finding Rating: Low

Perusal of the Shire's Code of Conduct dated February 2016 identified the document does not outline the reporting mechanisms in place which would enable stakeholders to report a potential breach of the Code of Conduct. In addition, the Code of Conduct did not address what would occur if an employee or Councillor was to breach the Code of Conduct.

Implications/Risks

- Potential inability to report a breach of the Code of Conduct.

Recommendation

We recommend:

- The Code of Conduct be updated to reflect reporting mechanisms; and
- The Code of Conduct be updated to reflect the consequences if an employee or Councillor was to breach the Code of Conduct.

Management Comment

The Shire has a Code of Conduct albeit the Code requires some updates; however, the Department of Local Government as part of the broader Local Government Review are introducing a mandatory code of conduct for council members, committee members and candidates as well as a mandatory code of conduct for employees. Consultation for these ended on the 6th of December 2020.

It is recommended that we wait for these legislative changes to become law, which should be within the next 6 months.

Responsible Officer: CEO

Completion Date: Nil

2.2.6. Audit Committee Meetings

Finding Rating: Low

As at 3 December 2020, the Audit Committee had not met since 24 June 2020.

Implications/Risks

- Delay in recognising and actioning issues arising in the financial reports, internal controls or risk management systems.

Recommendation

We recommend the Audit Committee meets regularly on a quarterly basis as per the Department of Local Government and Communities, Local Government Operational Guidelines Number 09.

Management Comment

In 2020 the Audit Committee met four times. It is true that the meetings were not quarterly, however, we meet as a committee when the Audit Committee is required to review and make recommendations to the Shire Council. There is no sense in meeting quarterly if there is nothing to consider, just to satisfy a guideline; as such it is recommended that we continue as we are.

Responsible Officer: CEO

Completion Date: N/A

2.2.7. Emergency Risk Management

Finding Rating: Low

We noted the following in respect to Emergency Risk Management documentation in place at the time of our visit:

- Local Emergency Recovery Management Plan – although we were advised that this plan existed; a copy was not provided.
- The Business Continuity Plan adopted by the Council on 28 March 2018 includes a contact list which appears to be outdated. In addition, the Plan refers to an ‘Administration Office Response Plan’ and ‘Risk Assessment Process’ of which we were not provided copies.

Implications/Risks

Risk of significant delays and business interruption in the event of unforeseen circumstances in respect to Shire business.

Recommendation

We recommend the documents be updated to reflect the current status. In addition, we recommend the Plan be tested and any action taken to be recorded.

Management Comment

The Shire have an updated Local Emergency Management Arrangements document that was updated and reviewed in 2019. This document states that we have a Recovery Plan however I am unable to locate it.

The Business Continuity Plan is due to be reviewed.

Responsible Officer: Manager of Works and Services / CESM **Completion Date:** 5 April 2021

3. Internal controls

3.1. Scope and approach

In accordance with our quotation dated 9 September 2020, our review examined the following areas:

- Segregation of roles and functions, processing and authorisation controls;
- Delegations of authority (completeness and adherence);
- Documented policies and procedures;
- The effectiveness of policy and process reviews;
- Approval of documents, letters and financial records;
- Management internal reviews undertaken in respect to comparison of internal data with external sources of information;
- The adequacy of internal controls;
- Security controls in respect to physical access to assets and records;
- Security controls in respect to computer applications and information systems (general and application IT controls);
- Access limits placed on data files and systems;
- Whether the maintenance and review of financial control accounts and trial balances is regular and appropriate;
- Key management internal reviews undertaken in respect to comparison and analysis of financial results with budgeted amounts;
- Key management internal reviews undertaken in respect to the arithmetical accuracy and content of records;
- Controls in respect to purchasing and payment of accounts;
- Effectiveness of the training and development plan for staff and elected members; and
- Reporting, review and approval of financial payment and reconciliations; and
- Physical cash and inventory count records when compared to accounting records.

3.2. Detailed findings and recommendations

3.2.1. Procurement and Contract Management

Finding Rating: Medium

Our discussions with management identified there is no documented tender process or contract management framework in place which outlines the approach and procedures to be followed. In addition, there does not appear to be a contract compliance checklist that is used to manage contracts.

As a result, our testing of a sample of contracts identified the following:

- There was no official ongoing performance review or post contract review process in place. Although we acknowledge that all contracts appear current the expectation is that on a yearly basis the Shire would formally assess the performance of the contractor.
- Lease and other agreement information is kept in a separate spreadsheet which contains few details.

All tender documentation is filed in a file and stored in a locked filing cabinet. The records are also stored in Synergy.

Implications/Risks

- Risk Shire representatives do not follow an appropriate and consistent process when procuring and managing contracts.
- Risk of non-compliance with Shire's Purchasing policy.
- Risk of the contractor's non-compliance with the Shire's policies, procedures including relevant ethics, health and safety requirements.
- Lack of documentation evidencing contractor/supplier performance assessment.

Recommendation

We recommend:

- A tender process framework be developed with a checklist to ensure compliance with legislation and regulations.
- A contract management framework be designed and documented to ensure that contracts are uniformly managed appropriately and in accordance with the stated framework. This uniform approach will also include the mandatory requirement of all contractors completing some level of induction (the level of induction completed should be determined based on the risks associated with the service or goods provided), the completion of a sole source justification form (or the equivalent) documenting the justification of a sole source arrangement (in the event that one exists) and completion of a periodic performance review of the service/goods provided by the contractor/supplier;
- A compliance checklist be developed based on the contract management framework and utilised by Shire representative's to ensure compliance is met on all contracts; and
- Further development and enhancement of the agreements spreadsheet by updating the spreadsheet to include the responsible officer, key terms and conditions term of the agreement, commencement and expiration dates, right to extend, dollar value, variation dollar value, insurances required and the date of expiration. The responsible officer should be aware of the key terms and ensure the agreement and insurances are up to date and that the terms and conditions are adhered to.

Management Comment

Tender processes have typically been outsourced by the Shire and managed by an external party as we do not have the capacity within our organisation to manage this ourselves. The Shire is confident that through using an external provider we have still met our statutory obligations in delivering a compliant tender process and then through further evaluation with Council, selecting the successful tenderer.

We do however take on board the comments made by AMD in identifying the risks we may encounter by not having certain processes and procedures in place to better assist staff with mitigating these risks, managing contracts and monitoring compliance.

The Management team also note that the recommendation list provided by AMD is extensive and will require high level administration support and a considerable amount of staff time to develop and implement and thereafter, maintain. Management staff intend to review the recommendations and further discuss our options in efforts to work towards implementing processes and procedures that will assist staff to achieve these outcomes.

Responsible Officer: CEO / MFCS / MW **Completion Date:** by 30th June 2021

3.2.2. Grants Funding Plan

Finding Rating: Medium

Our inquiries indicated there is no Grant Funding Summary Plan in place for the Shire specifying current grant funding contracts, funding received, project description, Council's obligations, key milestone dates and reporting dates.

Implications/Risks

Risk of non-compliance with conditions of executed funding agreements and reporting timelines.

Recommendation

We recommend a Grant Funding Summary Plan be developed specifying grant funding contracts relevant for the current financial year, project description, amount, key milestone dates and reporting dates.

Management Comment

This work has been completed and will need to be up-dated when we acquit grants and get new grants.

Responsible Officer: Manager, Finance & Corporate Services **Completion Date:** Completed

3.2.3. Physical Security

Finding Rating: Medium

Our inquiries indicated the Shire Administration Office, Community Resource Centre and the Depot have a low level of security, i.e. there is no alarm system or security cameras in place.

Implications/Risks

- Risk of potential unauthorised access to Shire buildings including damage, theft and vandalism.

Recommendation

We recommend consideration be given to whether the Shire warrants additional security such as an alarm system or cameras at the Shire Administration Office, Community Resource Centre and/or the Depot.

Management Comment

There are plans to install an electronic security gate that leads into the Depot to enable the control of the egress and entry into the Depot. The Shire and Junction Townsite have virtually nil crime and we have never had a break in or vandalism at any of the Shires properties as such installation of cameras and alarms is not considered warranted.

Responsible Officer: CEO

Completion Date: Nil

3.2.4. IT Strategic Plan

Finding Rating: Medium

Our inquiries indicate that the Shire does not have an IT Strategic Plan in place.

Implications/Risks

Risk the Shire may not adequately plan for future IT requirements.

Recommendation

We recommend the Shire develop an IT Strategic Plan which is subsequently adopted by Council. Once the plan has been adopted, we recommend it is endorsed and communicated to all staff, implemented and monitored on a regular basis.

Management Comment

Given our very small staff numbers we are very aware of the age and performance of every piece of IT that the Shire owns. In each budget we make an allowance to replace computers and systems as required. We work hand in hand with our consultant IT specialists to ensure we maintain modern IT equipment. In our case an IT Strategic Plan would offer little to no value to this Shire.

4. Legislative compliance

4.1. Scope and approach

In accordance with our quotation dated 9 September 2020, our review examined the following areas:

- Internal monitoring of compliance with legislation and regulations;
- The Local Government's ability to stay informed regarding legislative changes;
- The Local Government's completion of the annual Compliance Audit Return and reporting the results of that review to the Audit Committee and Council;
- The monitoring of the Local Government's structured guidelines that detail the Local Government's processes for meeting statutory obligations (compliance frameworks);
- Communications between key management and the Audit Committee to ensure the Audit Committee is informed in respect to the effectiveness of the Local Government's compliance and recommendations for changes as required;
- The Local Government's procedures in respect to receiving, retaining and handling complaints, including confidential and anonymous employee complaints;
- Key managements internal review processes in respect to the identification of adverse trends and management plans to address these;
- Management disclosures in financial reports of the effect of significant compliance issues (if any);
- The internal and / or external audit contracts include an assessment of compliance and ethics risks in the development of the audit plan and in the conduct of audit projects, and report compliance and ethical issues to the Audit Committee; and
- The Audit Committee's processes and procedures in respect to compliance with legislative and regulatory compliance ensuring no misuse of position through adequate disclosure of conflicts of interest.

4.2. Detailed findings and recommendations

4.2.1. Staff Annual Returns

Finding Rating: Medium

Our inquiries indicate that the Shire has not submitted annual returns for designated staff.

Implications/Risks

Risk the Shire is not meeting its statutory requirements.

Recommendation

We recommend the Shire ensures that designated staff lodge annual returns.

Management Comment

This was an unfortunate oversight due to a general misunderstanding around what defines a designated officer as per the legislation. The Management team has now identified the designated staff within our organisation that are required to complete an annual return and will ensure that these are done for 2021.

Responsible Officer: CEO / MFCS

Completion Date: Will be completed for 2021 by 31st August 2021

4.2.2. Audit Committee Review of Compliance

Finding Rating: Low

Perusal of Audit Committee meeting minutes identified that “Monitoring of Compliance” is not a standing agenda item.

Implications/Risks

Risk the Local Government Act and Regulations are not being regularly assessed.

Recommendation

We recommend a standing agenda item be added to the Audit Committee meeting agenda which covers off on management’s monitoring of the effectiveness of compliance and making recommendations for change as necessary. In addition, the introduction of a Compliance Plan and/or calendar may assist in ensuring all statutory requirements are met.

Management Comment

This recommendation was initially thought to be superfluous, but after further discussions with AMD the Manager, Finance and Corporate Services understands the reasoning behind it. This is to ensure the Shire can effectively manage their statutory obligations and meet compliance timeframes set by legislation. Whether it be in the form of a compliance timetable, calendar or compliance plan this is to be used as a reference tool and guide for staff to monitor progress and to limit the risk of missing critical deadlines.

The recommendation will be discussed further with the Shire’s management team to establish the best way to monitor and manage our compliance requirements moving forward, and identify how we can best keep our Audit Committee informed along the way.

Responsible Officer: CEO / MFCS

Completion Date: By 30th June 2021

4.2.3. Internal Audit

Finding Rating: Low

We noted that the Shire does not currently have a formal documented internal audit program in place.

Implications/Risks

Risk of non-compliance with Department of Local Government, Sport and Cultural Industries Guidelines and recommended practices.

Recommendation

The Department of Local Government, Sport and Cultural Industries guidelines recommend an internal audit function be established incorporating an internal audit program which is re-assessed annually.

Should the Shire consider an internal audit function not be required, we suggest the Audit Committee formally document they have considered the best practice guideline and the reasons they feel it is not necessary.

Management Comment

The Management team take AMD's comments on notice and will consider the practicality of implementing an internal audit program based on our resources and capacity to deliver.

Once staff have had an opportunity to discuss this further, a decision will be made regarding the matter.

Responsible Officer: CEO / MFCS

Completion Date: a Decision to be made by 31st March 2021.

4.2.4. Complaints Handling

Finding Rating: Low

Our inquires indicate there is currently no written Complaints Handling procedure in place for Councillors.

Implications / Risks

Risk complaints against Councillors may not be appropriately addressed.

Recommendation

We recommend the development and implementation of a Complaints Handling procedure. This procedure should not only include the processes to follow in the case of a complaint being made against Councillors and/or Shire staff but also the recording of these complaints on a centralised register. The ability to make complaints anonymously should also be included within the procedure.

Management Comment

We accept the recommendation put forward by AMD and will work towards developing a procedure and creating a centralised register.

Responsible Officer: Manager, Finance & Corporate Services

Completion Date: by 30th June 2021

4.2.5. Conflicts of Interest Register

Finding Rating: Low

Our inquiries indicate there is currently no centralised register(s) that captures and monitors conflict of interest disclosures arising during the procurement process.

Implications / Risks

Risk that a Councillor / staff have a perceived / actual conflict of interest which is not recorded and managed appropriately by the Council.

Recommendation

We suggest the Shire consider developing and implementing a Conflict of Interest Register. This register would then be monitored to ensure that all conflicts (whether perceived/actual) are disclosed. All conflicts of interest should be managed accordingly by the Shire.

Management Comment

We accept the recommendation put forward by AMD and will work towards developing a procedure and creating a register.

Responsible Officer: Manager, Finance & Corporate Services **Completion Date:** by 30th June 2021

5. Guidance on Risk Assessment

Risk is uncertainty about an outcome. It is the threat that an event, action or non-action could affect an organisation’s ability to achieve its business objectives and execute its strategies successfully. Risk is an inherent component of all service activities and includes positive as well as negative impacts. As a result not pursuing an opportunity can also be risky. Risk types take many forms – business, economic, regulatory, investment, market, and social, just to name a few.

Risk management involves the identification, assessment, treatment and ongoing monitoring of the risks and controls impacting the organisation. The purpose of risk management is not to avoid or eliminate all risks. It is about making informed decisions regarding risks and having processes in place to effectively manage and respond to risks in pursuit of an organisation’s objectives by maximising opportunities and minimising adverse effects.

Our risk guidelines are based on the Risk Management – Guidelines Standard AS / NZS ISO 31000-2018 and/or the Shire of Upper Gascoyne’s Risk Management Framework.

Our guidance to risk classification in completing our review is as follows:

Measure of Likelihood of Risk

Likelihood is the chance that the event may occur given knowledge of the organisation and its environment. The following table provides broad descriptions to support the likelihood rating:

Level	Rating	Description	Frequency
5	Almost Certain	The event is expected to occur in most circumstances.	More than once per year.
4	Likely	The event will probably occur in most circumstances.	At least once per year.
3	Possible	The event should occur at some time.	At least once in 3 years.
2	Unlikely	The event should occur at some time.	At least once in 10 years.
1	Rare	The event may only occur in exceptional circumstances.	Less than once in 15 years.

**Above Extracted from the Shire’s Risk Management Framework.*

Measure of Consequence of Risk

Consequence is the severity of the impact that would result if the event were to occur. The following table provides broad descriptions to support the consequence rating:

Measures of Consequence

Rating (Level)	Health	Financial Impact	Service Interruption	Compliance	Reputational	Property	Environment
Insignificant (1)	Negligible injuries	Less than \$1,000	No material service interruption	No noticeable regulatory or statutory impact	Unsubstantiated, low impact, low profile or 'no news' item	Inconsequential or no damage.	Contained, reversible impact managed by on site response
Minor (2)	First aid injuries	\$1,001 - \$10,000	Short term temporary interruption – backlog cleared < 1 day	Some temporary non compliances	Substantiated, low impact, low news item	Localised damage rectified by routine internal procedures	Contained, reversible impact managed by internal response
Moderate (3)	Medical type injuries	\$10,001 - \$50,000	Medium term temporary interruption – backlog cleared by additional resources < 1 week	Short term non-compliance but with significant regulatory requirements imposed	Substantiated, public embarrassment, moderate impact, moderate news profile	Localised damage requiring external resources to rectify	Contained, reversible impact managed by external agencies
Major (4)	Lost time injury	\$50,001 - \$500,000	Prolonged interruption of services – additional resources; performance affected < 1 month	Non-compliance results in termination of services or imposed penalties	Substantiated, public embarrassment, high impact, high news profile, third party actions	Significant damage requiring internal & external resources to rectify	Uncontained, reversible impact managed by a coordinated response from external agencies
Catastrophic (5)	Fatality, permanent disability	More than \$500,000	Indeterminate prolonged interruption of services – non-performance > 1 month	Non-compliance results in litigation, criminal charges or significant damages or penalties	Substantiated, public embarrassment, very high multiple impacts, high widespread multiple news profile, third party actions	Extensive damage requiring prolonged period of restitution Complete loss of plant, equipment & building	Uncontained, irreversible impact

*Above Extracted from the Shire's Risk Management Framework.

Risk Analysis Matrix – Level of Risk

Finding Rating for each audit issue was based on the following table:

			CONSEQUENCE				
			Insignificant	Minor	Moderate	Major	Catastrophic
			1	2	3	4	5
LIKELIHOOD	Almost Certain	5	Medium (5)	High (10)	High (15)	Extreme (20)	Extreme (25)
	Likely	4	Low (4)	Medium (8)	High (12)	High (16)	Extreme (20)
	Possible	3	Low (3)	Medium (6)	Medium (9)	High (12)	High (15)
	Unlikely	2	Low (2)	Low (4)	Medium (6)	Medium (8)	High (10)
	Rate	1	Low (1)	Low (2)	Low (3)	Low (4)	Medium (5)

*Above Extracted from the Shire’s Risk Management Framework.

Finding / Risk Acceptance Rating

Risk Acceptance Criteria			
Risk Rank	Description	Criteria	Responsibility
LOW	Acceptable	Risk acceptable with adequate controls, managed by routine procedures and subject to annual monitoring	Operational Manager
MODERATE	Monitor	Risk acceptable with adequate controls, managed by specific procedures and subject to semi-annual monitoring	Operational Manager
HIGH	Urgent Attention Required	Risk acceptable with excellent controls, managed by senior management / executive and subject to monthly monitoring	Director / CEO
EXTREME	Unacceptable	Risk only acceptable with excellent controls and all treatment plans to be explored and implemented where possible, managed by highest level of authority and subject to continuous monitoring	CEO / Council