

I hereby certify that the Minutes of the Audit (Finance and Risk) Committee Meeting are a true and accurate record of the proceedings contained therein.

Chairperson

Date



SHIRE OF WYNDHAM | EAST KIMBERLEY

MINUTES
AUDIT (FINANCE AND
RISK) COMMITTEE

10 February 2015

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**SHIRE OF WYNDHAM EAST KIMBERLEY
MINUTES OF THE AUDIT (FINANCE AND RISK)
COMMITTEE
KUNUNURRA COUNCIL CHAMBERS
HELD ON TUESDAY, 10 FEBRUARY 2015 AT 2:00 PM**

1. DECLARATIONS OF OPENING

The Chairperson declared the meeting open at 2:11pm

2. RECORD OF ATTENDANCE / APOLOGIES

| | | |
|---------------|-------|--|
| Cr K Wright | | Councillor (Chairperson) |
| Cr J Moulden | Shire | President |
| Cr B Robinson | | Councillor |
| Cr D Spackman | | Councillor |
| | | |
| K Hannagan | | Acting Chief Executive Officer |
| N Octoman | | Director Corporate Services |
| L Gee | | Director Community Development |
| S Halliday | | Community Development Officer (minute taker) |
| | | |
| D Tomasi | | UHY Haines Norton |
| R Barnes | | UHY Haines Norton |

3. DECLARATION OF INTEREST

- Financial Interest

Cr D Spackman, Item 7.3, Minor Case Claim.

- Impartiality Interest

Nil

- Proximity Interest

Nil

4. ACCEPTANCE OF MINUTES OF PREVIOUS MEETING

4.1 ACCEPTANCE OF MINUTES OF AUDIT (FINANCE AND RISK) COMMITTEE MEETING OF 4 NOVEMBER 2014

RECOMMENDATION

That the Minutes of the Audit (Finance and Risk) Committee meeting of 4 November 2014 be accepted as a true and accurate record of proceedings.

COMMITTEE RESOLUTION

Minute: AC329

Moved: Cr J Moulden

Seconded: Cr B Robinson

That the Minutes of the Audit (Finance and Risk) Committee meeting of 4 November 2014 be accepted as a true and accurate record of proceedings.

Carried unanimously 4/0

5. DEPUTATIONS / PRESENTATIONS / SUBMISSIONS / NOTICES OF MOTIONS

Presentations

2:00pm David Tomasi UHY Haines Norton

Item 6.1 Annual Financial Reports

3:00pm Russell Barnes UHY Haines Norton

Item 6.2 Acting Chief Executive Officer's Report on The Review of Systems and Procedures Relating to Risk Management, Internal Control and Legislative Compliance

6. REPORTS

6.1 AUDITED FINANCIAL STATEMENTS

| | |
|----------------------------------|--|
| DATE: | 10/02/2015 |
| PROPONENT: | Shire of Wyndham East Kimberley |
| LOCATION: | Shire of Wyndham East Kimberley |
| AUTHOR: | Natalie Octoman, Director Corporate Services |
| REPORTING OFFICER: | Natalie Octoman, Director Corporate Services |
| FILE NO: | FM.09.11 |
| DECLARATION OF INTERESTS: | Nil |

PURPOSE

To receive the 2013-14 Audited Financial Statements and Management Report issued by the Council's auditors UHY Haines Norton, for recommendation to the Council.

BACKGROUND

The Shire is required to prepare general purpose financial reports each year and refer them to the Shire's auditors as soon as practicable, and not later than 30 September following the end of the financial year. The Shire submitted the 2013-14 draft financial statements to UHY Haines Norton prior to 30 September, and on 2 February 2015, received an unqualified audit opinion.

The financial statements are prepared in accordance with Australian Accounting Standards; the Local Government Act 1995; and the Local Government (Financial Regulations) 1996. Management's responsibility is to prepare the financial statements in accordance with the Standards, Act, and Regulations and to ensure that the reports present fairly the financial performance and position of the Shire, free from material misstatement, whether due to fraud or error.

The role of the auditor is to provide an opinion based on their audit as to whether management has fulfilled these obligations. The auditors also prepare a separate, more detailed report for management identifying any issues arising from the conduct of the audit, and recommending any corrective actions. The report is provided to management for the inclusion of management comments in response to concerns raised.

The Council has formally delegated its responsibility in accordance with section 5.18 of the *Local Government Act 1995* to meet annually with the auditors as required by section 7.12A(2) of the *Local Government Act 1995*. The Terms of Reference adopted by the Council also incorporate the responsibility for the Committee to review and examine the auditor's report and any management letters arising from the conduct of the audit and recommending the adoption of the annual financial report to the Council.

STATUTORY IMPLICATIONS

Local Government Act 1995

5.54 Acceptance of annual reports

(1) *Subject to subsection (2), the annual report for a financial year is to be accepted* by the local government no later than 31 December after that financial year.*

** Absolute majority required.*

(2) *If the auditor's report is not available in time for the annual report for a financial year to be accepted by 31 December after that financial year, the annual report is to be accepted by the local government no later than 2 months after the auditor's report becomes available.*

7.9. Audit to be conducted

- (1) *An auditor is required to examine the accounts and annual financial report submitted for audit and, by the 31 December next following the financial year to which the accounts and report relate or such later date as may be prescribed, to prepare a report thereon and forward a copy of that report to —*
 - (a) *the mayor or president;*
 - (b) *the CEO of the local government; and*
 - (c) *the Minister.*
- (2) *Without limiting the generality of subsection (1), where the auditor considers that —*
 - (a) *there is any error or deficiency in an account or financial report submitted for audit;*
 - (b) *any money paid from, or due to, any fund or account of a local government has been or may have been misapplied to purposes not authorised by law; or*
 - (c) *there is a matter arising from the examination of the accounts and annual financial report that needs to be addressed by the local government, details of that error, deficiency, misapplication or matter, are to be included in the report by the auditor.*
- (3) *The Minister may direct the auditor of a local government to examine a particular aspect of the accounts and the annual financial report submitted for audit by that local government and to —*
 - (a) *prepare a report thereon; and*
 - (b) *forward a copy of that report to the Minister, and that direction has effect according to its terms.*
- (4) *If the Minister considers it appropriate to do so, the Minister is to forward a copy of the report referred to in subsection (3), or part of that report, to the CEO of the local government to be dealt with under section 7.12A.*

7.12A. Duties of local government with respect to audits

- (1) *A local government is to do everything in its power to —*
 - (a) *assist the auditor of the local government to conduct an audit and carry out his or her other duties under this Act in respect of the local government; and*
 - (b) *ensure that audits are conducted successfully and expeditiously.*

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

Local Government (Audit) Regulations 1996

10. Report by auditor

- (1) *An auditor's report is to be forwarded to the persons specified in section 7.9(1) within 30 days of completing the audit.*
- (2) *The report is to give the auditor's opinion on —*
 - (a) *the financial position of the local government; and*
 - (b) *the results of the operations of the local government.*
- (3) *The report is to include —*
 - (a) *any material matters that in the opinion of the auditor indicate significant adverse trends in the financial position or the financial management practices of the local government; and*
 - (b) *any matters indicating non-compliance with Part 6 of the Act, the Local Government (Financial Management) Regulations 1996 or applicable financial controls in any other written law; and*
 - (c) *details of whether information and explanations were obtained by the auditor; and*
 - (d) *a report on the conduct of the audit; and*
 - (e) *the opinion of the auditor as to whether or not the following financial ratios included in the annual financial report are supported by verifiable information and reasonable assumptions —*
 - (i) *the asset consumption ratio; and*
 - (ii) *the asset renewal funding ratio.*

(4A) In subregulation (3)(e) —

asset consumption ratio *has the meaning given in the Local Government (Financial Management) Regulations 1996 regulation 50(2);*

asset renewal funding ratio *has the meaning given in the Local Government (Financial Management) Regulations 1996 regulation 50(2).*

- (4) *Where it is considered by the auditor to be appropriate to do so, the auditor is to prepare a management report to accompany the auditor's report and to forward a copy of the management report to the persons specified in section 7.9(1) with the auditor's report.*

16. Audit committee, functions of

An audit committee —

- (a) is to provide guidance and assistance to the local government —
 - (i) as to the carrying out of its functions in relation to audits carried out under Part 7 of the Act; and
 - (ii) as to the development of a process to be used to select and appoint a person to be an auditor; and
- (b) may provide guidance and assistance to the local government as to —
 - (i) matters to be audited; and
 - (ii) the scope of audits; and
 - (iii) its functions under Part 6 of the Act; and
 - (iv) the carrying out of its functions relating to other audits and other matters related to financial management; and
- (c) is to review a report given to it by the CEO under regulation 17(3) (the **CEO's report**) and is to —
 - (i) report to the council the results of that review; and
 - (ii) give a copy of the CEO's report to the council.

[Regulation 16 inserted in Gazette 31 Mar 2005 p. 1043; amended in Gazette 8 Feb 2013 p. 867.]

POLICY IMPLICATIONS

There are no direct policy implications that apply in relation to this item.

FINANCIAL IMPLICATIONS

The Original Budget for 2014-15 provided for a carry forward deficit from 2013-14 of \$1.423 million. This projected carry forward deficit plus the net movement in unrestricted assets for 2014-15 resulted in a projected closing balance as at 30 June 2015 of \$356,592 (deficit). The closing balance, plus the restricted assets associated with the Country Local Government Fund allocation required for 2015-16, and unspent loan funds that were taken into account resulted in an overall closing balance of \$605,925 (deficit).

The finalisation of the 2013-14 annual financial statements has resulted in an actual carry forward deficit of \$1.397 million. This has resulted in an improved position for 2014-15 of \$26,001 which will be incorporated into the Mid-Year Budget Review and will slightly improve the overall deficit position.

STRATEGIC IMPLICATIONS

Strategic Community Plan 2012-2022

Goal 1: Strong leadership and governance that underpins a more strategic approach to community engagement, regional development and organisational sustainability

Objective 1.4: Business innovation, efficiency and improved service

Strategy 1.4.3: Maintain Council's long term financial viability

COMMUNITY CONSULTATION

Community consultation is not required in relation to this item however it will form part of the Annual Report, which will then be presented at the Annual General Meeting.

COMMENT

Independent Audit Report

For 2013-14, it is the Auditor's opinion that the financial reports of the Shire present a true and fair view in all material respects, the Shire's financial position, performance, and cash flow for the year ended 30 June 2014; comply with the Australian Accounting Standards and relevant regulations; and are prepared in accordance with the *Local Government Act 1995* and associated Regulations.

Other Matters

No adverse trends in financial management practices were noted, nor were there any matters indicating non-compliance with the *Local Government Act 1995*, *Local Government (Financial Management) Regulations 1996* or applicable financial controls of any other written laws noted during the audit.

There were however, adverse trends noted in the financial operations of the Shire which are clearly supported by the trends in the ratios contained within the Annual Financial Reports. The auditors, while raising the adverse trends in the management report, have determined not to raise the matter in the audit report as:

1. The Council and management were well aware of the situation at the time of formulating the 2014-15 budget;
2. Significant action was taken by the Council when adopting the budget to repair the structural integrity of the ongoing operations of the Shire;
3. The attitude of both the Council and management since adoption to ensure that the budget as adopted is followed.

The Council's auditors have commended both the Council and management on the strong and decisive action taken to alleviate the position and have outlined that they will continue to monitor the situation as it progresses.

Officer's Comments

The Audited Financial Reports have been prepared later than anticipated due to two (2) key staff positions being vacant; numerous Freedom of Information applications; and legal matters being dealt with. While there was a commitment made at the adoption of the 2012-13 Audited Financial Statements that the timing would be brought forward and all the asset ratios would be able to be calculated, the vacant positions were not anticipated and have had a significant impact on the timing of the presentation of these statements, along with the preparation of the long term financial plan which is required to be able to calculate all of the asset ratios.

At this point in time, one of the key positions has been filled, meaning the amount of time that the Director is currently spending on Freedom of Information applications has reduced; however after four (4) advertising attempts, the final key finance position will not be occupied until 13 February (albeit only on a temporary basis), affecting progress on other works, particularly the long term financial plan.

The Officer intends to overcome this by combining the Mid-Year Budget Review with the 2015-16 budget program in conjunction with developing the long term financial plan. While this is ambitious, the base governance structure was established during the 2014-15 budget preparation process, therefore it is anticipated that it may be achievable with the cooperation of all staff and elected members.

ATTACHMENTS

Attachment 1 - Independent Audit Report to the Electors of the Shire of Wyndham East Kimberley for the Year Ended 30 June 2014.

Attachment 2: Shire of Wyndham East Kimberley Financial Report for the Year Ended 30th June 2014.

Attachment 3: Management Report for the Year Ended 30 June 2014.

VOTING REQUIREMENT

Simple Majority

OFFICER'S RECOMMENDATION

That the Audit (Finance and Risk) Committee recommends to the Council that it:

- 1) Receives the Independent Audit Report to the Electors of the Shire of Wyndham East Kimberley;
- 2) Receives the 2013-14 Annual Financial Report;
- 3) Receives the Management Report for the Year Ended 30 June 2014 and notes the strategies that were implemented during the establishment of the 2014-15 budget in an effort to overcome the budget deficit position and improve the financial ratios moving forward.

Cr D Spackman moves the recommendation with the addition of point four.

COMMITTEE RESOLUTION

Minute: AC330

Moved: Cr D Spackman

Seconded: Cr B Robinson

That the Audit (Finance and Risk) Committee recommends to the Council that it:

- 1) Receives the Independent Audit Report to the Electors of the Shire of Wyndham East Kimberley;
- 2) Receives the 2013-14 Annual Financial Report;
- 3) Receives the Management Report for the Year Ended 30 June 2014 and notes the strategies that were implemented during the establishment of the 2014-15 budget in an effort to overcome the budget deficit position and improve the financial ratios moving forward.
- 4) Directs the CEO or their delegate to incorporate an estimate of the financial ratios (other than assets) as of 30 June 2015 within the mid-year budget review results.

| FINANCIAL RATIOS | | | | Budget Ratio | Actual Ratios | | |
|-----------------------------------|--|---|---|--------------|---------------|---------|---------|
| | Target Ratio for "Basic" Standard ¹ | Target Ratio for "Intermediate" Standard ¹ | Target Ratio for "Advanced" Standard ¹ | 2014/15 | 2013/14 | 2012/13 | 2011/12 |
| Debt Service Cover Ratio | ≥ 2 | N/A | ≥ 15 | 1.32 | (2.63)* | 5.21* | 3.34 |
| Operating Surplus Ratio | 0.01 - 0.15 | N/A | ≥ 0.15 | (0.16) | (0.50)* | (0.10)* | 0.04 |
| Own Source Revenue Coverage Ratio | 0.4 - 0.6 | 0.6 - 0.9 | > 0.9 | 0.63 | 0.60* | 0.67* | 0.63 |

¹ Target ratios are as per the Department of Local Government and Communities (DLGC) Guidelines except the Debt Service Cover Ratio which is a target devised by UHY Haines Norton (and based on experience). For information, DLGC Guidelines establish a target Debt Service Cover Ratio of 5 for the "Advanced" Standard.

* Adjusted for "one-off" non-cash items as disclosed in the annual financial report.

Above target as per guidelines

Within acceptable banding as per guidelines

Below acceptable banding as per guidelines

Carried unanimously 4/0

Ratios added to minute number AC330 as per council resolution 10827 of the 24 February 2015 Ordinary Council Meeting (resolution appears overleaf).

COUNCIL DECISION

Minute No. 10827

Moved: Cr G Taylor

Seconded: Cr D Learbuch

That Council accepts the unconfirmed Minutes of the Audit (Finance and Risk) Committee Meeting held on 10/02/2015 with an amendment to:

Minute AC330 – to include current ratios where available

Minute AC343 – to be amended to:

That the Council:

- 1) Directs the A/CEO, or their delegate, to legally defend the Shire in the abovementioned minor case claim;**
- 2) Approves sufficient provision in the Mid- Year Budget Review to allow for associated legal fees; and**
- 3) Directs the A/CEO, or their delegate, to provide a report to the next Audit (Finance and Risk) Committee meeting outlining the current status of the matter.**

Carried 5/3

For: Cr J Moulden, Cr D Learbuch, Cr B Robinson, Cr G Taylor, Cr R Dessert

Against: Cr D Spackman, Cr G King, Cr K Wright

**INDEPENDENT AUDITOR'S REPORT
TO THE ELECTORS OF THE SHIRE OF WYNDHAM - EAST KIMBERLEY**

REPORT ON THE FINANCIAL REPORT

We have audited the accompanying financial report of the Shire of Wyndham - East Kimberley, which comprises the statement of financial position as at 30 June 2014, statement of comprehensive income by nature or type, statement of comprehensive income by program, statement of changes in equity, statement of cash flows and the rate setting statement for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the statement by Chief Executive Officer.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL REPORT

Management is responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards, the Local Government Act 1995 (as amended) and the Local Government (Financial Management) Regulations 1996 (as amended) and for such internal control as management determines is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Shire's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Shire's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Council, as well as evaluating the overall presentation of the financial report.

We believe the audit evidence we obtained is sufficient and appropriate to provide a basis for our audit opinion.

AUDITOR'S OPINION

In our opinion, the financial report of the Shire of Wyndham - East Kimberley is in accordance with the Local Government Act 1995 (as amended) and the Local Government (Financial Management) Regulations 1996 (as amended), including:

- a. giving a true and fair view of the Shire's financial position as at 30 June 2014 and of its performance and its cash flows for the year ended on that date; and
- b. complying with Australian Accounting Standards (including Australian Accounting interpretations).

**INDEPENDENT AUDITOR'S REPORT
TO THE ELECTORS OF THE SHIRE OF WYNDHAM - EAST KIMBERLEY (CONTINUED)**

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the Local Government (Audit) Regulations 1996, we also report that:

- a) There are no matter that in our opinion indicate significant adverse trends in the financial position or the financial management practices of the Shire.
- b) We noted no matters indicating non-compliance with Part 6 of the Local Government Act 1995 (as amended), the Local Government (Financial Management) Regulations 1996 (as amended) or applicable financial controls of any other written law were noted during the course of our audit.
- c) In relation to the Supplementary Ratio Information presented at page 62 of this report, we have reviewed the calculation of the Asset Consumption Ratio as presented and nothing has come to our attention to suggest they are not:
 - i) reasonably calculated; and
 - ii) based on verifiable information.

The Asset Renewal Funding Ratio was not calculated and no review was carried out.

- d) All necessary information and explanations were obtained by us.
- e) All audit procedures were satisfactorily completed in conducting our audit.

UHY HAINES NORTON
CHARTERED ACCOUNTANTS



DAVID TOMASI
PARTNER

Date: 2 February 2015
Perth, WA

SHIRE OF WYNDHAM EAST KIMBERLEY
FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2014

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| Principal place of business: Address 30 Coolibah Drive PO Box 614 KUNUURRA WA 6743 | |

SHIRE OF WYNDHAM EAST KIMBERLEY
FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2014

LOCAL GOVERNMENT ACT 1995
LOCAL GOVERNMENT (FINANCIAL MANAGEMENT) REGULATIONS 1996

STATEMENT BY CHIEF EXECUTIVE OFFICER

The attached financial report of the Shire of Wyndham East Kimberley being the annual financial report and other information for the financial year ended 30 June 2014 are in my opinion properly drawn up to present fairly the financial position of the Shire of Wyndham East Kimberley at 30th June 2014 and the results of the operations for the financial year then ended in accordance with the Australian Accounting Standards and comply with the provisions of the Local Government Act 1995 and the regulations under that Act.

Signed as authorisation of issue on the 2 day of February 2015



Kevin Hannagan
Acting Chief Executive Officer

**SHIRE OF WYNDHAM EAST KIMBERLEY
STATEMENT OF COMPREHENSIVE INCOME
BY NATURE OR TYPE
FOR THE YEAR ENDED 30TH JUNE 2014**

| | NOTE | 2014 \$ | 2014 Budget \$ | 2013 \$ |
|---|------|---------------------------------|--------------------------------|--------------------------------|
| Revenue | | | | |
| Rates | 22 | 7,596,334 | 7,431,122 | 7,006,756 |
| Operating Grants, Subsidies and Contributions | 28 | 2,210,613 | 2,186,158 | 6,212,650 |
| Fees and Charges | 27 | 7,245,234 | 7,628,784 | 6,850,227 |
| Interest Earnings | 2(a) | 494,010 | 463,750 | 719,590 |
| Other Revenue | 2(a) | 567,001 | 380,654 | 7,165,346 |
| | | <u>18,113,192</u> | <u>18,090,468</u> | <u>27,954,569</u> |
| Expenses | | | | |
| Employee Costs | | (10,480,900) | (10,530,918) | (9,540,670) |
| Materials and Contracts | | (6,892,756) | (6,530,700) | (6,676,645) |
| Utility Charges | | (1,135,506) | (929,208) | (1,005,186) |
| Depreciation on Non-Current Assets | 2(a) | (5,649,409) | (4,694,750) | (4,166,478) |
| Interest Expenses | 2(a) | (259,005) | (253,670) | (205,193) |
| Insurance Expenses | | (467,188) | (538,237) | (440,080) |
| Other Expenditure | | (2,509,461) | (848,912) | (952,697) |
| | | <u>(27,394,225)</u> | <u>(24,326,395)</u> | <u>(22,986,949)</u> |
| | | (9,281,033) | (6,235,927) | 4,967,620 |
| Non-Operating Grants, Subsidies and Contributions | | | | |
| | 28 | 2,519,767 | 6,493,853 | 3,190,645 |
| Profit on Asset Disposals | 20 | 9,365 | 815,345 | 61,998 |
| Loss on Asset Disposals | 20 | (194,361) | (37,341) | (103,672) |
| NET RESULT | | (6,946,262) | 1,035,930 | 8,116,591 |
| Other Comprehensive Income | | | | |
| Changes on Revaluation of Non-Current Assets | 12 | 27,175,144 | 0 | 808,168 |
| Total Other Comprehensive Income | | <u>27,175,144</u> | <u>0</u> | <u>808,168</u> |
| Total Comprehensive Income | | <u><u>20,228,882</u></u> | <u><u>1,035,930</u></u> | <u><u>8,924,759</u></u> |

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

**SHIRE OF WYNDHAM EAST KIMBERLEY
STATEMENT OF COMPREHENSIVE INCOME
BY PROGRAM
FOR THE YEAR ENDED 30TH JUNE 2014**

| | NOTE | 2014 \$ | 2014 Budget \$ | 2013 \$ |
|--|-------------|---------------------|----------------------|---------------------|
| Revenue | | | | |
| Governance | | 130,220 | 103,850 | 288,241 |
| General Purpose Funding | | 9,853,156 | 9,682,667 | 11,676,478 |
| Law, Order, Public Safety | | 50,150 | 53,318 | 46,038 |
| Health | | 81,520 | 75,200 | 23,540 |
| Education and Welfare | | 159,481 | 174,377 | 199,471 |
| Housing | | 222,321 | 258,794 | 190,244 |
| Community Amenities | | 2,442,280 | 2,588,387 | 2,474,155 |
| Recreation and Culture | | 636,721 | 620,744 | 7,138,059 |
| Transport | | 4,133,362 | 4,255,209 | 5,322,250 |
| Economic Services | | 97,384 | 175,000 | 149,180 |
| Other Property and Services | | 306,597 | 102,922 | 446,913 |
| | 2(a) | <u>18,113,192</u> | <u>18,090,468</u> | <u>27,954,569</u> |
| Expenses | | | | |
| Governance | | (3,083,469) | (3,218,068) | (1,855,997) |
| General Purpose Funding | | (883,014) | (650,513) | (552,984) |
| Law, Order, Public Safety | | (688,228) | (674,838) | (611,850) |
| Health | | (473,040) | (467,541) | (481,941) |
| Education and Welfare | | (477,805) | (481,362) | (421,787) |
| Housing | | (728,514) | (592,886) | (676,748) |
| Community Amenities | | (5,669,328) | (4,814,747) | (4,624,931) |
| Recreation & Culture | | (5,731,782) | (4,957,920) | (4,704,365) |
| Transport | | (7,865,577) | (7,053,704) | (7,483,892) |
| Economic Services | | (980,447) | (946,795) | (791,130) |
| Other Property and Services | | (554,016) | (214,351) | (576,131) |
| | 2(a) | <u>(27,135,220)</u> | <u>(24,072,725)</u> | <u>(22,781,756)</u> |
| Financial Costs | | | | |
| Governance | | (162,674) | (167,243) | (107,326) |
| Education and Welfare | | (23,374) | (20,989) | (26,719) |
| Housing | | (4,646) | (4,599) | (4,936) |
| Community Amenities | | (21,486) | (10,121) | (11,873) |
| Recreation & Culture | | (46,825) | (50,718) | (54,339) |
| | 2(a) | <u>(259,005)</u> | <u>(253,670)</u> | <u>(205,193)</u> |
| Non-Operating Grants, Subsidies and Contributions | | | | |
| Governance | | 0 | 1,553,790 | 0 |
| Law, Order, Public Safety | | 0 | 504,504 | 0 |
| Housing | | 947,765 | 947,765 | 947,764 |
| Community Amenities | | 0 | 0 | 10,000 |
| Recreation & Culture | | 114,124 | 13,461 | 633,771 |
| Transport | | 1,457,878 | 3,474,333 | 1,599,110 |
| | | <u>2,519,767</u> | <u>6,493,853</u> | <u>3,190,645</u> |
| Profit/(Loss) on Disposal of Assets | | | | |
| Housing | | 9,289 | 720,665 | 0 |
| Community Amenities | | (6,845) | 4,596 | 0 |
| Recreation & Culture | | 0 | 0 | (7,851) |
| Transport | | (3,444) | 12,325 | (30,489) |
| Other Property and Services | | (183,996) | 40,418 | (3,334) |
| | | <u>(184,996)</u> | <u>778,004</u> | <u>(41,674)</u> |
| Net Result | | <u>(6,946,262)</u> | <u>1,035,930</u> | <u>8,116,591</u> |
| Other Comprehensive Income | | | | |
| Changes on revaluation of non-current assets | 12 | 27,175,144 | 0 | 808,168 |
| Total Other Comprehensive Income | | <u>27,175,144</u> | <u>0</u> | <u>808,168</u> |
| Total Comprehensive Income | | <u>20,228,882</u> | <u>1,035,930</u> | <u>8,924,759</u> |

**SHIRE OF WYNDHAM EAST KIMBERLEY
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30TH JUNE 2014**

| | NOTE | RETAINED SURPLUS \$ | RESERVES CASH BACKED \$ | REVALUATION SURPLUS \$ | TOTAL EQUITY \$ |
|--|-------|---------------------------|----------------------------------|------------------------------|-----------------------|
| Balance as at 1 July 2012 | | 86,418,783 | 6,468,455 | 0 | 92,887,238 |
| Comprehensive Income | | | | | |
| Net Result | | 8,116,591 | 0 | 0 | 8,116,591 |
| Changes on Revaluation of Non-Current Assets | 12 | 0 | 0 | 808,168 | 808,168 |
| Total Comprehensive Income | | 8,116,591 | 0 | 808,168 | 8,924,759 |
| Transfers from/(to) Reserves | | (819,948) | 819,948 | 0 | 0 |
| Balance as at 30 June 2013 | | 93,715,426 | 7,288,403 | 808,168 | 101,811,997 |
| Comprehensive Income | | | | | |
| Net Result | | (6,946,262) | 0 | 0 | (6,946,262) |
| Transfer of prior year revaluation increment to retained earnings due to sale of plant and equipment | 12(b) | 70,353 | 0 | (70,353) | 0 |
| Changes on Revaluation of Non-Current Assets | 12 | 0 | 0 | 27,175,144 | 27,175,144 |
| Total Comprehensive Income | | (6,875,909) | 0 | 27,104,791 | 20,228,882 |
| Transfers from/(to) Reserves | | (974,951) | 974,951 | 0 | 0 |
| Balance as at 30 June 2014 | | 85,864,566 | 8,263,354 | 27,912,959 | 122,040,879 |

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

**SHIRE OF WYNDHAM EAST KIMBERLEY
STATEMENT OF FINANCIAL POSITION
AS AT 30TH JUNE 2014**

| | NOTE | 2014 \$ | 2013 \$ |
|---|------|--------------------|--------------------|
| CURRENT ASSETS | | | |
| Cash and Cash Equivalents | 3 | 8,915,709 | 12,550,556 |
| Trade and Other Receivables | 4 | 1,727,675 | 1,777,825 |
| Inventories | 5 | 10,355 | 10,606 |
| Other Financial Assets | | 6,682 | 6,682 |
| TOTAL CURRENT ASSETS | | <u>10,660,421</u> | <u>14,345,669</u> |
| NON-CURRENT ASSETS | | | |
| Other Receivables | 4 | 14,549 | 10,320 |
| Inventories | 5 | 46,283 | 46,283 |
| Property, Plant and Equipment | 6 | 68,656,354 | 42,119,322 |
| Infrastructure | 7 | 55,223,997 | 53,552,754 |
| TOTAL NON-CURRENT ASSETS | | <u>123,941,183</u> | <u>95,728,679</u> |
| TOTAL ASSETS | | <u>134,601,604</u> | <u>110,074,348</u> |
| CURRENT LIABILITIES | | | |
| Trade and Other Payables | 8 | 3,794,119 | 1,354,920 |
| Current Portion of Long Term Borrowings | 9 | 2,261,457 | 478,397 |
| Provisions | 10 | 1,047,309 | 1,060,643 |
| TOTAL CURRENT LIABILITIES | | <u>7,102,885</u> | <u>2,893,960</u> |
| NON-CURRENT LIABILITIES | | | |
| Long Term Borrowings | 9 | 5,314,442 | 5,267,401 |
| Provisions | 10 | 143,398 | 100,990 |
| TOTAL NON-CURRENT LIABILITIES | | <u>5,457,840</u> | <u>5,368,391</u> |
| TOTAL LIABILITIES | | <u>12,560,725</u> | <u>8,262,351</u> |
| | | <u>122,040,879</u> | <u>101,811,997</u> |
| EQUITY | | | |
| Retained Surplus | | 85,864,566 | 93,715,426 |
| Reserves - Cash Backed | 11 | 8,263,354 | 7,288,403 |
| Revaluation Surplus | 12 | 27,912,959 | 808,168 |
| TOTAL EQUITY | | <u>122,040,879</u> | <u>101,811,997</u> |

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

**SHIRE OF WYNDHAM EAST KIMBERLEY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30TH JUNE 2014**

| | NOTE | 2014 \$ | 2014 Budget \$ | 2013 \$ |
|---|-------|---------------------|----------------------|---------------------|
| Cash Flows From Operating Activities | | | | |
| Receipts | | | | |
| Rates | | 7,807,543 | 7,681,122 | 7,179,233 |
| Operating Grants, Subsidies and Contributions | | 2,114,114 | 2,931,028 | 6,212,650 |
| Fees and Charges | | 7,302,938 | 7,753,785 | 8,187,640 |
| Interest Earnings | | 494,010 | 385,250 | 719,590 |
| Goods and Services Tax | | 1,458,002 | 2,270,820 | 2,973,562 |
| Other Revenue | | 567,001 | 380,654 | 663,354 |
| | | <u>19,743,608</u> | <u>21,402,659</u> | <u>25,936,029</u> |
| Payments | | | | |
| Employee Costs | | (10,601,941) | (10,215,918) | (9,502,914) |
| Materials and Contracts | | (4,310,611) | (6,289,630) | (7,253,734) |
| Utility Charges | | (1,135,506) | (884,208) | (1,005,186) |
| Interest Expenses | | (251,583) | (253,670) | (199,524) |
| Insurance Expenses | | (467,188) | (488,238) | (440,080) |
| Goods and Services Tax | | (1,584,495) | (1,644,878) | (3,175,982) |
| Other Expenditure | | (2,509,464) | (848,913) | (841,383) |
| | | <u>(20,860,788)</u> | <u>(20,625,455)</u> | <u>(22,418,803)</u> |
| Net Cash Provided By (Used In) Operating Activities | 13(b) | <u>(1,117,180)</u> | <u>777,204</u> | <u>3,517,226</u> |
| Cash Flows from Investing Activities | | | | |
| Payments for Development of Land Held for Resale | | 0 | (504,504) | (23,184) |
| Payments for Purchase of Property, Plant & Equipment | | (3,299,361) | (4,428,913) | (6,118,091) |
| Payments for Construction of Infrastructure | | (4,087,512) | (10,844,598) | (5,645,452) |
| Non-Operating Grants, Subsidies and Contributions | | 2,519,767 | 5,993,853 | 3,190,645 |
| Proceeds from Sale of Fixed Assets | | 519,337 | 1,015,027 | 268,551 |
| Net Cash Provided by (Used in) Investment Activities | | <u>(4,347,769)</u> | <u>(8,769,135)</u> | <u>(8,327,531)</u> |
| Cash Flows from Financing Activities | | | | |
| Repayment of Debentures | | (478,397) | (478,397) | (352,993) |
| Proceeds from New Debentures | | 2,308,498 | 2,308,498 | 4,000,000 |
| Net Cash Provided By (Used In) Financing Activities | | 1,830,101 | 1,830,101 | 3,647,007 |
| Net Increase (Decrease) in Cash Held | | (3,634,847) | (6,161,830) | (1,163,298) |
| Cash at Beginning of Year | | 12,550,556 | 12,913,101 | 13,713,854 |
| Cash and Cash Equivalents at the End of the Year | 13(a) | <u>8,915,709</u> | <u>6,751,271</u> | <u>12,550,556</u> |

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

**SHIRE OF WYNDHAM EAST KIMBERLEY
RATE SETTING STATEMENT
FOR THE YEAR ENDED 30TH JUNE 2014**

| | NOTE | 2014 Actual \$ | 2014 Budget \$ | 2013 Actual \$ |
|--|-------|----------------------|----------------------|----------------------|
| Revenue | | | | |
| Governance | | 130,220 | 1,657,640 | 288,241 |
| General Purpose Funding | | 2,256,822 | 2,251,545 | 4,669,722 |
| Law, Order, Public Safety | | 50,150 | 557,822 | 46,038 |
| Health | | 81,520 | 75,200 | 23,540 |
| Education and Welfare | | 159,481 | 174,377 | 199,471 |
| Housing | | 1,179,375 | 1,927,224 | 1,138,008 |
| Community Amenities | | 2,442,280 | 2,592,983 | 2,484,155 |
| Recreation and Culture | | 750,845 | 634,205 | 7,771,830 |
| Transport | | 5,591,239 | 7,743,542 | 6,921,360 |
| Economic Services | | 97,384 | 175,000 | 149,180 |
| Other Property and Services | | 306,597 | 179,006 | 446,913 |
| | | <u>13,045,913</u> | <u>17,968,544</u> | <u>24,138,458</u> |
| Expenses | | | | |
| Governance | | (3,246,143) | (3,385,311) | (1,963,323) |
| General Purpose Funding | | (883,014) | (650,513) | (552,984) |
| Law, Order, Public Safety | | (688,228) | (674,838) | (611,850) |
| Health | | (473,040) | (467,541) | (481,941) |
| Education and Welfare | | (501,179) | (502,351) | (448,506) |
| Housing | | (733,160) | (597,485) | (681,684) |
| Community Amenities | | (5,697,659) | (4,824,868) | (4,636,804) |
| Recreation and Culture | | (5,778,606) | (5,008,638) | (4,766,556) |
| Transport | | (7,869,021) | (7,055,379) | (7,514,381) |
| Economic Services | | (980,447) | (946,795) | (791,130) |
| Other Property and Services | | (738,014) | (250,017) | (579,464) |
| | | <u>(27,588,511)</u> | <u>(24,363,736)</u> | <u>(23,028,623)</u> |
| Net Result Excluding Rates | | (14,542,598) | (6,395,192) | 1,109,835 |
| Adjustments for Cash Budget Requirements: | | | | |
| Initial Recognition of Assets Due to Change to Regulations | | | | |
| - Land | | 0 | 0 | (6,501,992) |
| Revaluation Losses Recognised through Expenditure | | 0 | 0 | 111,314 |
| (Profit)/Loss on Asset Disposals | 20 | 184,996 | (778,004) | 41,674 |
| Movement in Deferred Pensioner Rates (Non-Current) | | (4,229) | 0 | (964) |
| Movement in Employee Benefit Provisions | | 29,075 | 48,452 | 3,329 |
| Depreciation on Assets | 2(a) | 5,649,409 | 4,694,750 | 4,166,478 |
| Capital Expenditure and Revenue | | | | |
| Purchase Land Held for Resale | | 0 | (504,504) | (23,184) |
| Purchase Land and Buildings | 6(a) | (1,997,294) | (3,076,165) | (4,357,944) |
| Purchase Furniture and Equipment | 6(a) | (185,222) | (469,265) | (530,716) |
| Purchase Plant and Equipment | 6(a) | (952,807) | (833,485) | (1,008,006) |
| Purchase Property Plant & Equipment- Work in Progress | 6(a) | (164,038) | | (221,425) |
| Purchase Roads | 7(a) | (1,912,357) | (2,058,500) | (3,247,700) |
| Purchase Footpaths | 7(a) | 0 | (31,000) | (16,218) |
| Purchase Drainage | 7(a) | (458,658) | (675,000) | (362,930) |
| Purchase Bridges | 7(a) | (125,999) | | (21,307) |
| Purchase Other Infrastructure | 7(a) | (185,812) | (7,142,044) | (1,392,647) |
| Purchase Infrastructure- Work in Progress | 7(a) | (1,404,686) | | (604,652) |
| Proceeds from Disposal of Fixed Assets | 20 | 519,337 | 1,015,027 | 268,551 |
| Repayment of Debentures | 21(a) | (478,397) | (478,397) | (352,993) |
| Proceeds from New Debentures | 21(a) | 2,308,498 | 2,308,498 | 4,000,000 |
| Transfers to Reserves (Restricted Assets) | 11 | (1,807,305) | (2,205,012) | (1,569,242) |
| Transfers from Reserves (Restricted Assets) | 11 | 832,354 | 3,111,153 | 749,294 |
| ADD Estimated Surplus/(Deficit) July 1 B/Fwd | 22(b) | 5,702,346 | 6,068,866 | 8,457,035 |
| LESS Estimated Surplus/(Deficit) June 30 C/Fwd | 22(b) | (1,397,052) | 31,300 | 5,702,346 |
| Total Amount Raised from General Rate | 22(a) | <u>(7,596,334)</u> | <u>(7,431,122)</u> | <u>(7,006,756)</u> |

**SHIRE OF WYNDHAM EAST KIMBERLEY
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2014**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) 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), Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board, the Local Government Act 1995 and accompanying regulations. Material accounting policies which have been adopted in the preparation of this financial report are presented below and have been consistently applied unless stated otherwise.

Except for cash flow and rate setting information, the report has also 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.

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 Council 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 19. to these financial statements.

(b) 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.

**SHIRE OF WYNDHAM EAST KIMBERLEY
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2014**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) 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 and bank overdrafts.

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

(d) 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.

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.

Collectability of trade and other receivables is reviewed on an ongoing basis. Debts that are known to be uncollectible are written off when identified. An allowance for doubtful debts is raised when there is objective evidence that they will not be collectible.

(e) Inventories

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 Sale

Land held for development and sale 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. Finance costs and holding charges incurred after development is completed are expensed.

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

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

**SHIRE OF WYNDHAM EAST KIMBERLEY
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2014**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Fixed Assets

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

Mandatory Requirement to Revalue Non-Current Assets

Effective from 1 July 2012, the Local Government (Financial Management) Regulations were amended and the measurement of non-current assets at Fair Value became mandatory.

The amendments allow for a phasing in of fair value in relation to fixed assets over three years as follows:

- (a) for the financial year ending on 30 June 2013, the fair value of all of the assets of the local government that are plant and equipment; and
 - (b) for the financial year ending on 30 June 2014, the fair value of all of the assets of the local government -
 - (i) that are plant and equipment; and
 - (ii) that are -
 - (I) land and buildings; or-
 - (II) Infrastructure;
- and
- (c) for a financial year ending on or after 30 June 2015, the fair value of all of the assets of the local government.

Thereafter, in accordance with the regulations, each asset class must be revalued at least every 3 years.

In 2013, Council commenced the process of adopting Fair Value in accordance with the Regulations.

Relevant disclosures, in accordance with the requirements of Australian Accounting Standards, have been made in the financial report as necessary.

Land Under Control

In accordance with Local Government (Financial Management) Regulation 16(a), the Council was required to include as an asset (by 30 June 2013), 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 in accordance with the other policies detailed in this Note.

Whilst they were initially recorded at cost, fair value at the date of acquisition was deemed cost as per AASB 116.

Consequently, these assets were initially recognised at cost but revalued along with other items of Land and Buildings at 30 June 2014.

Initial Recognition and Measurement between Mandatory Revaluation Dates

All assets are initially recognised at cost and subsequently revalued in accordance with the mandatory measurement framework detailed above.

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 Council 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 detailed above, are carried at cost less accumulated depreciation as management believes this approximates fair value. They will be subject to subsequent revaluation at the next anniversary date in accordance with the mandatory measurement framework detailed above.

SHIRE OF WYNDHAM EAST KIMBERLEY
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Fixed Assets (Continued)

Revaluation

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 asset are recognised against revaluation surplus directly in equity. All other decreases are recognised in profit or loss.

Transitional Arrangements

During the time it takes to transition the carrying value of non-current assets from the cost approach to the fair value approach, the Council may still be utilising both methods across differing asset classes.

Those assets carried at cost will be carried in accordance with the policy detailed in the ***Initial Recognition*** section as detailed above.

Those assets carried at fair value will be carried in accordance with the ***Revaluation*** Methodology section as detailed above.

Early Adoption of AASB 13 - Fair Value Measurement

Whilst the new accounting standard in relation to Fair Value, AASB 13 – Fair Value Measurement only become applicable for the year ended 30 June 2014 (in relation to Council), given the legislative need to commence using Fair Value methodology in the previous reporting period (year ended 30 June 2013) the Council chose to early adopt AASB 13

As a consequence, the principles embodied in AASB 13 - Fair Value Measurement have been applied to the previous reporting period (year ended 30 June 2013).

Land Under Roads

In Western Australia, all 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 fact Local Government (Financial Management) Regulation 16(a)(i) prohibits local governments from recognising such land as an asset.

In respect of land under roads acquired on or after 1 July 2008, as detailed above, Local Government (Financial Management) Regulation 16(a)(i) prohibits 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 is not included as an asset of the Council.

SHIRE OF WYNDHAM EAST KIMBERLEY
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Fixed Assets (Continued)

Depreciation

The depreciable amount of all fixed assets including buildings but excluding freehold 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.

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) Restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount; or
- b) Eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

Major depreciation periods used for each class of depreciable asset are:

| | |
|----------------------------|----------------|
| Buildings | 10 to 50 years |
| Computers | 3 years |
| Communications | 5 years |
| Furniture | 10 years |
| Equipment | 5 years |
| Light Plant | 3 years |
| Medium Plant | 7 years |
| Heavy Plant | 10 years |
| Town Roads | 10 to 45 years |
| Rural Roads | 10 to 40 years |
| Runways/ Aprons / Taxiways | 25 years |
| Footpaths | 15 to 20 years |
| Drainage | 40 years |
| Parks and Ovals | 35 years |
| Street Lighting | 25 years |
| Boat Ramps | 10 years |

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.

When revalued assets are disposed of, amounts included in the revaluation surplus relating to that asset are transferred to retained surplus.

Capitalisation Threshold

Expenditure on items of equipment under \$5,000 is not capitalised. Rather, it is recorded on an asset inventory listing.

**SHIRE OF WYNDHAM EAST KIMBERLEY
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2014**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Fair Value of Assets and Liabilities

When performing a revaluation, the Council uses a mix of both independent and management valuations using the following as a guide:

Fair Value is the price that Council 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. 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 (i.e. the market with the greatest volume and level of activity for the asset 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.

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 Council 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 Council 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.

**SHIRE OF WYNDHAM EAST KIMBERLEY
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2014**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Fair Value of Assets and Liabilities (Continued)

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 an asset at its current service capacity.

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 Council 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 and 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.

As detailed above, the mandatory measurement framework imposed by the Local Government (Financial Management) Regulations requires, as a minimum, all assets carried at a revalued amount to be revalued at least every 3 years.

(h) Financial Instruments

Initial Recognition and Measurement

Financial assets and financial liabilities are recognised when the Council becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the Council commits itself to either the purchase or sale of the asset (i.e. trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified 'at fair value through profit or loss', in which case transaction costs are expensed to profit or loss immediately.

Classification and Subsequent Measurement

Financial instruments are subsequently measured at fair value, amortised cost using the effective interest rate method, or at cost.

Amortised cost is calculated as:

- (a) the amount in which the financial asset or financial liability is measured at initial recognition;
- (b) less principal repayments and any reduction for impairment; and
- (c) plus or minus the cumulative amortisation of the difference, if any, between the amount initially recognised and the maturity amount calculated using the effective interest rate method.

The effective interest method is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense in profit or loss.

**SHIRE OF WYNDHAM EAST KIMBERLEY
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2014**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Financial Instruments (Continued)

Classification and Subsequent Measurement (Continued)

(i) Financial assets at fair value through profit and loss

Financial assets are classified at "fair value through profit or loss" when they are held for trading for the purpose of short-term profit taking. Such assets are subsequently measured at fair value with changes in carrying amount being included in profit or loss. Assets in this category are classified as current assets.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss.

Loans and receivables are included in current assets where they are expected to mature within 12 months after the end of the reporting period.

(iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed maturities and fixed or determinable payments that the Council has the positive intention and ability to hold to maturity. They are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss.

Held-to-maturity investments are included in non-current assets, where they are expected to mature within 12 months after the end of the reporting period. All other investments are classified as non-current.

(iv) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either not suitable to be classified into other categories of financial assets due to their nature, or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

They are subsequently measured at fair value with changes in such fair value (i.e. gains or losses) recognised in other comprehensive income (except for impairment losses). When the financial asset is derecognised, the cumulative gain or loss pertaining to that asset previously recognised in other comprehensive income is reclassified into profit or loss.

Available-for-sale financial assets are included in current assets, where they are expected to be sold within 12 months after the end of the reporting period. All other available-for-sale financial assets are classified as non-current.

(v) Financial liabilities

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

SHIRE OF WYNDHAM EAST KIMBERLEY
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Financial Instruments (Continued)

Impairment

A financial asset is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events (a "loss event") having occurred, which will have an impact on the estimated future cash flows of the financial asset(s).

In the case of available-for-sale financial assets, a significant or prolonged decline in the market value of the instrument is considered a loss event. Impairment losses are recognised in profit or loss immediately. Also, any cumulative decline in fair value previously recognised in other comprehensive income is reclassified to profit or loss at this point.

In the case of financial assets carried at amortised cost, loss events may include: indications that the debtors or a group of debtors are experiencing significant financial difficulty, default or delinquency in interest or principal payments; indications that they will enter bankruptcy or other financial reorganisation; and changes in arrears or economic conditions that correlate with defaults.

For financial assets carried at amortised cost (including loans and receivables), a separate allowance account is used to reduce the carrying amount of financial assets impaired by credit losses. After having taken all possible measures of recovery, if management establishes that the carrying amount cannot be recovered by any means, at that point the written-off amounts are charged to the allowance account or the carrying amount of impaired financial assets is reduced directly if no impairment amount was previously recognised in the allowance account.

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expire or the asset is transferred to another party whereby the Council no longer has any significant continual involvement in the risks and benefits associated with the asset.

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.

(i) Impairment of Assets

In accordance with Australian Accounting Standards the Council's 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 assets such as roads, drains, public buildings and the like, value in use is represented by the depreciated replacement cost of the asset.

(j) Trade and Other Payables

Trade and other payables represent liabilities for goods and services provided to the Council prior to the end of the financial year that are unpaid and arise when the Council 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.

SHIRE OF WYNDHAM EAST KIMBERLEY
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Employee Benefits

Short-Term Employee Benefits

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

Other Long-Term Employee Benefits

Provision is made for employees' long service leave and annual leave entitlements not expected to be settled wholly within 12 months after the end of the annual reporting period in which the employees render the related service. Other 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 or service and employee departures and are discounted at rates determined by reference to market yields at the end of the reporting period on government bonds that have maturity dates that approximate the terms of the obligations. Any remeasurements for changes in assumptions of obligations for other long-term employee benefits are recognised in profit or loss in the periods in which the changes occur.

The Council's obligations for long-term employee benefits are presented as non-current provisions in its statement of financial position, except where the Council 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.

(l) 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.

(m) Provisions

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

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

**SHIRE OF WYNDHAM EAST KIMBERLEY
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2014**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) Leases

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

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

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

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

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

(o) Investment in Associates

An associate is an entity over which the Council has significant influence. Significant influence is the power to participate in the financial operating policy decisions of that entity but is not control or joint control of those policies. Investments in associates are accounted for in the financial statements by applying the equity method of accounting, whereby the investment is initially recognised at cost and adjusted thereafter for the post-acquisition change in the Council's share of net assets of the associate. In addition, the Council's share of the profit or loss of the associate is included in the Council's profit or loss.

The carrying amount of the investment includes, where applicable, goodwill relating to the associate. Any discount on acquisition, whereby the Council's share of the net fair value of the associate exceeds the cost of investment, is recognised in profit or loss in the period in which the investment is acquired.

Profits and losses resulting from transactions between the Council and the associate are eliminated to the extent of the Council's interest in the associate.

When the Council's share of losses in an associate equals or exceeds its interest in the associate, the Council discontinues recognising its share of further losses unless it has incurred legal or constructive obligations or made payments on behalf of the associate. When the associate subsequently makes profits, the Council will resume recognising its share of those profits once its share of the profits equals the share of the losses not recognised.

(p) Interests in Joint Arrangements

Joint arrangements represent the contractual sharing of control between parties in a business venture where unanimous decisions about relevant activities are required.

Separate joint venture entities providing joint venturers with an interest to net assets are classified as a joint venture and accounted for using the equity method. Refer to note 1(o) for a description of the equity method of accounting.

Joint venture operations represent arrangements whereby joint operators maintain direct interests in each asset and exposure to each liability of the arrangement. The Council's interests in the assets, liabilities, revenue and expenses of joint operations are included in the respective line items of the financial statements. Information about the joint ventures is set out in Note 16.

SHIRE OF WYNDHAM EAST KIMBERLEY
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(q) Rates, Grants, Donations and Other Contributions

Rates, grants, donations and other contributions are recognised as revenues when the local government obtains control over the assets comprising the contributions.

Control over assets acquired from rates is obtained at the commencement of the rating period or, where earlier, upon receipt of the rates.

Where contributions recognised as revenues during the reporting period were obtained on the condition that they be expended in a particular manner or used over a particular period, and those conditions were undischarged as at the reporting date, the nature of and amounts pertaining to 'those undischarged conditions are disclosed in Note 2(c). That note also discloses the amount of contributions recognised as revenues in a previous reporting period which were obtained in respect of the local government's operations for the current reporting period.

(r) Superannuation

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

(s) Current and Non-Current Classification

In the determination of whether an asset or liability is current or non-current, consideration is given to the time when each asset or liability is expected to be settled. The asset or liability is classified as current if it is expected to be settled within the next 12 months, being the Council's operational cycle. In the case of liabilities where the Council 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 even if not expected to be realised in the next 12 months except for land held for sale where it is held as non-current based on the Council's intentions to release for sale.

(t) Rounding Off Figures

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

(u) Comparative Figures

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

When the Council applies an accounting policy retrospectively, makes a retrospective restatement or reclassifies items in its financial statement, 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.

(v) 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.

**SHIRE OF WYNDHAM EAST KIMBERLEY
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2014**

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(w) New Accounting Standards and Interpretations for Application in Future Periods

The AASB has issued a number of new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods, some of which are relevant to the Council.

Management's assessment of the new and amended pronouncements that are relevant to the Council, applicable to future reporting periods and which have not yet been adopted are set out as follows:

| Title | Issued / Compiled | Applicable ⁽¹⁾ | Impact |
|--|-------------------|---------------------------|--|
| (i) AASB 9 – Financial Instruments | December 2013 | 1 January 2018 | Nil – The objective of this Standard is to improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. Given the nature of the financial assets of the Council, it is not anticipated the standard will have any material effect. |
| (ii) AASB 2010 -7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) | December 2013 | 1 January 2018 | Nil - The revisions embodied in this standard give effect to the consequential changes arising from the issuance of AASB 9 which is not anticipated to have any material effect on the Council (refer (i) above). |
| [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 & 1038 and Interpretations 2, 5, 10, 12, 19 & 127] | | | |

**SHIRE OF WYNDHAM EAST KIMBERLEY
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2014**

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(w) New Accounting Standards and Interpretations for Application in Future Periods (Continued)

| Title | Issued / Compiled | Applicable ⁽¹⁾ | Impact |
|---|-------------------|---------------------------|--|
| (iii) AASB 2011 - 7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangement Standards [Not-For-Profit entities] [AASB 1, 3, 5, 7, 9, 2009-11, 101, 107, 112, 118, 121, 124, 131, 132, 133, 138, 139, 1023 & 1038 and Interpretations 5, 9, 16 & 17] | December 2012 | 1 January 2014 | Consequential changes to various standards arising from the issuance of AASB 10, 11, 12, 127 and 128. It is not expected to have a significant impact on Council. |
| (iv) AASB 2012-3: Amendments to Australian Accounting Standards - Offsetting Financial Assets and Financial Liabilities [AASB 132] | June 2012 | 1 January 2014 | This Standard adds application guidance to AASB 132: Financial Instruments: Presentation to address potential inconsistencies identified in applying some of the offsetting criteria of AASB 132, including clarifying the meaning of "currently has a legally enforceable right of set-off" and that some gross settlement systems may be considered equivalent to net settlement. This Standard is not expected to significantly impact the Council's financial statements. |

**SHIRE OF WYNDHAM EAST KIMBERLEY
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2014**

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(w) New Accounting Standards and Interpretations for Application in Future Periods (Continued)

| Title | Issued / Compiled | Applicable ⁽¹⁾ | Impact |
|---|-------------------|---------------------------|--|
| (v) AASB 2013 - 3: Amendments to AASB 136 - Recoverable Amount Disclosures for Non-Financial Assets | June 2013 | 1 January 2014 | <p>This standard makes amendments to AASB 136 and includes requirements to disclose additional information when present value techniques are used to measure the recoverable amount of impaired assets.</p> <p>It is not expected to have a significant impact on Council.</p> |
| (vi) AASB 2013-8: Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Entities – Control and Structured Entities [AASB 10, 12 & 1049] | October 2013 | 1 January 2014 | <p>This standard adds Appendix E to AASB 10 to provide implementation guidance for Not-for-Profit entities regarding control criteria from the perspective of not-for-profit entities.</p> <p>It is not expected to have a significant impact on Council.</p> |
| (vii) AASB 2013-9: Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments [Operative dates: Part A Conceptual Framework – 20 December 2013; Part B Materiality – 1 January 2014; Part C Financial Instruments – 1 January 2015] | December 2013 | Refer Title column | <p>Part A of this standard makes various editorial corrections to Australian Accounting Standards.</p> <p>Part B of this standard deletes references to AASB 1031 in various Australian Accounting Standards in advance of the withdrawal of AASB 1031.</p> <p>Part C of this standard makes consequential amendments to AASB 9 and numerous other standards and amends the permissions around certain applications relating to financial liabilities reissued at fair value.</p> <p>As the bulk of changes related either to editorial or reference changes it is not expected to have a significant impact on Council.</p> |

Notes:

⁽¹⁾ Applicable to reporting periods commencing on or after the given date.

**SHIRE OF WYNDHAM EAST KIMBERLEY
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2014**

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(x) Adoption of New and Revised Accounting Standards

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

These new and revised standards were:

| | | |
|----------|----------------|----------------|
| AASB 10 | AASB 128 | AASB 2012 - 2 |
| AASB 11 | AASB 2011 - 7 | AASB 2012 - 3 |
| AASB 12 | AASB 2011 - 9 | AASB 2012 - 5 |
| AASB 119 | AASB 2011 - 10 | AASB 2012 - 10 |
| AASB 127 | | |

Most of the standards adopted had a minimal effect on the accounting and reporting practices of the Council as they did not have a significant impact on the accounting or reporting practices or were either not applicable, largely editorial in nature, were revisions to help ensure consistency with presentation, recognition and measurement criteria of IFRSs or related to topics not relevant to operations.

**SHIRE OF WYNDHAM EAST KIMBERLEY
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2014**

| 2. REVENUE AND EXPENSES | 2014 | 2013 |
|---|------------------|------------------|
| | \$ | \$ |
| (a) Net Result | | |
| The Net Result includes: | | |
| (i) Charging as an Expense: | | |
| Significant Expense | | |
| Governance | 1,622,019 | 0 |
| Other Property and Services | 0 | 111,314 |
| | <u>1,622,019</u> | <u>111,314</u> |
| This significant expense in 2014 relates to revenue received during the year ended 30 June 2012 in relation to CLGF funding for Kimberley Zone housing construction. In January 2014, the Shire of Broome took over the Kimberley Zone Secretariat and is to hold the regional funding allocations, therefore requiring the transfer of \$ 1,622,019 to Broome. | | |
| The significant expense in 2013 related to the reduction in fair value of the Shire's furniture and equipment. | | |
| Both significant expenses in 2014 and 2013 have been classified as Other Expenditure by Nature or Type. | | |
| Auditors Remuneration | | |
| - Audit of the annual financial report | 22,500 | 21,500 |
| - Financial Management Review | 8,000 | 0 |
| - Assistance with the finalisation of the 2012-13 annual financial report | 16,115 | 0 |
| - Audit of grant funded projects and others | 14,700 | 14,495 |
| | <u>61,315</u> | <u>35,995</u> |
| Depreciation | | |
| Non-Specialised Buildings | 624,287 | 569,811 |
| Specialised Buildings | 1,124,300 | 574,952 |
| Furniture and Equipment | 226,290 | 192,847 |
| Plant and Equipment | 725,321 | 605,654 |
| Land Vested in and Under Control of Council - Buildings | 273,290 | 0 |
| Roads | 1,678,191 | 1,332,471 |
| Footpaths | 80,345 | 74,977 |
| Drainage | 25,190 | 15,396 |
| Bridges | 10,438 | 9,853 |
| Airport - Infrastructure | 220,549 | 220,549 |
| Other Infrastructure | 661,208 | 569,968 |
| | <u>5,649,409</u> | <u>4,166,478</u> |
| Interest Expenses (Finance Costs) | | |
| Debentures (refer Note 21.(a)) | 259,005 | 205,193 |
| | <u>259,005</u> | <u>205,193</u> |
| Rental Charges | | |
| - Operating Leases | 241,156 | 228,970 |
| | <u>241,156</u> | <u>228,970</u> |
| (ii) Crediting as Revenue: | | |
| Significant Revenue | | |
| Recreation and Culture | 0 | 6,501,992 |
| | <u>0</u> | <u>6,501,992</u> |
| This significant revenue in 2013 related to the initial recognition of golf courses, race courses and showground on Crown Land under the Shire's control in accordance with amendments to the Financial Management Regulations. They have been classified as Other Revenue by Nature or Type. | | |
| Other Revenue | | |
| Reimbursements and Recoveries | 186,019 | 271,789 |
| Significant Revenue (Refer Above) | 0 | 6,501,992 |
| Other | 380,982 | 391,565 |
| | <u>567,001</u> | <u>7,165,346</u> |

**SHIRE OF WYNDHAM EAST KIMBERLEY
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2014**

2. REVENUE AND EXPENSES (Continued)

(a) Net Result (continued)

| | 2014 Actual \$ | 2014 Budget \$ | 2013 Actual \$ |
|---|----------------------|----------------------|----------------------|
| Interest Earnings | | | |
| - Reserve Funds | 252,320 | 246,250 | 324,748 |
| - Other Funds | 140,455 | 100,000 | 271,211 |
| Other Interest Revenue (<i>refer note 26</i>) | 101,235 | 117,500 | 123,631 |
| | <u>494,010</u> | <u>463,750</u> | <u>719,590</u> |

(b) Statement of Objective

The Shire of Wyndham-East Kimberley is dedicated to providing high quality services to the community through the various service orientated programs which it has established. In order to discharge its responsibilities to the community, the Shire has developed a set of operational and financial objectives.

COMMUNITY VISION

For the East Kimberley to be a thriving community with opportunities for all.

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

GOVERNANCE

Objective:

To provide a decision making process for the efficient allocation of scarce resources.

Activities:

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 ratepayers on matters which do not concern specific council services.

GENERAL PURPOSE FUNDING

Objective:

To collect revenue to allow for the provision of services.

Activities:

Rates, general purpose government grants and interest revenue.

LAW, ORDER, PUBLIC SAFETY

Objective:

To provide services to help ensure a safer and environmentally conscious community.

Activities:

Supervision and enforcement of various local laws relating to fire prevention, animal control and other aspects of public safety including emergency services.

HEALTH

Objective:

To provide an operational framework for environmental and community health.

Activities:

Inspection of food outlets and their control, provision of meat inspection services, noise control, pest control and waste disposal compliance.

**SHIRE OF WYNDHAM EAST KIMBERLEY
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2014**

2. REVENUE AND EXPENSES (Continued)

(b) Statement of Objective (Continued)

EDUCATION AND WELFARE

Objective:

To provide services to disadvantaged persons, the elderly, children and youth.

Activities:

Operation of youth services, day care centres and assistance to other voluntary services.

HOUSING

Objective:

To provide and maintain staff and residential housing.

Activities:

Provision of staff and residential housing.

COMMUNITY AMENITIES

Objective:

To provide services required by the community.

Activities:

Rubbish Collection services, operation of landfill sites, litter control, administration of the town planning schemes, maintenance of cemeteries, maintenance of rest centres and storm water drainage maintenance.

RECREATION AND CULTURE

Objective:

To establish and effectively manage infrastructure and resource which will help the social well being of the community.

Activities:

Maintenance of halls, aquatic centres, recreation centres and various reserves; operation of library and community development services.

TRANSPORT

Objective:

To provide safe, effective and efficient transport services to the community.

Activities:

Construction and maintenance of streets, roads, bridges; cleaning and lighting of streets, traffic lights; depot maintenance.
The provision and operation of airport services.

ECONOMIC SERVICES

Objective:

To help promote the shire and its economic wellbeing.

Activities:

The regulation and provision of tourism, area promotion, building control, noxious weeds and vermin control.

OTHER PROPERTY AND SERVICES

Objective:

To monitor and control council's overheads operating accounts.

Activities:

Private works operation, plant repairs, operations and administrative costs.

**SHIRE OF WYNDHAM EAST KIMBERLEY
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2014**

2. REVENUE AND EXPENSES (Continued)

(c) Conditions Over Grants/Contributions

| Grant/Contribution | Function/ Activity | Opening Balance ⁽¹⁾ 1/07/12 \$ | Received ⁽²⁾ 2012/13 \$ | Expended ⁽³⁾ 2012/13 \$ | Closing Balance ⁽¹⁾ 30/06/13 \$ | Received ⁽²⁾ 2013/14 \$ | Expended ⁽³⁾ 2013/14 \$ | Closing Balance 30/06/14 \$ |
|--|------------------------|--|--|--|---|--|--|--------------------------------------|
| Childrens Book Week | Recreation and Culture | 4,350 | 3,700 | (5,642) | 2,408 | 4,300 | (5,648) | 1,060 |
| Royalties for Regions (SWEK -CLGF11/12) | Housing | 0 | 947,764 | (675,029) | 272,735 | 0 | (207,035) | 65,700 |
| Royalties for Regions (SWEK CLGF12/13) | Housing | 0 | 0 | 0 | 0 | 948,377 | (248,936) | 699,441 |
| State Local Road Black Spot | Transport | 0 | 0 | 0 | 0 | 81,334 | (65,600) | 15,734 |
| Regional Road Group -Main Roads WA | Transport | 782,369 | 505,816 | (1,106,463) | 181,722 | 591,999 | (498,576) | 275,145 |
| Road Upgrade - Carlton Hill Road | Transport | 0 | 225,000 | (3,635) | 221,365 | 0 | (20,365) | 201,000 |
| Sustainable Regions Grant | Transport | 26,300 | 0 | 0 | 26,300 | 0 | 0 | 26,300 |
| Aboriginal Access Roads - Federal Grant (WALGGC) | Transport | 225,553 | 308,000 | (533,553) | 0 | 413,934 | (366,515) | 47,419 |
| Contribution to Local Planning Strategy | Community Amenities | 0 | 0 | 0 | 0 | 100,000 | (94,000) | 6,000 |
| East Kimberley Development Package | Various | 560,520 | 168,065 | 0 | 728,585 | 0 | (726) | 727,859 |
| Wyndham Community Resource Centre (CRC) - Remote Indigenous Public Internet Access programme | Recreation and Culture | 0 | 0 | 0 | 0 | 28,341 | 0 | 28,341 |
| Kids in Sport | Recreation and Culture | 29,130 | 0 | (5,716) | 23,414 | 0 | (23,414) | 0 |
| Club Development Officer (DSR) | Recreation and Culture | 0 | 105,000 | (19,766) | 85,234 | 10,000 | (95,234) | 0 |
| Youth Services (FaCHSIA) | Community Amenities | 50,000 | 0 | (956) | 49,044 | 0 | (49,044) | 0 |
| Youth Services (AGD) | Youth Services (AGD) | 153,231 | 133,000 | (158,816) | 127,415 | 32,000 | (159,415) | 0 |
| Roads to Recovery | Transport | 934,508 | 135,092 | (1,026,194) | 43,406 | 0 | (43,406) | 0 |
| Kimberley Zone Secretariat | Governance | 90,103 | 25,155 | (115,258) | 0 | 0 | 0 | 0 |
| Kimberley Zone Business Plan | Governance | 2,174 | 25,000 | (24,999) | 2,175 | 0 | (2,175) | 0 |
| Kimberley Zone Housing Construction | Governance | 2,368,523 | 92,140 | (10,478) | 2,450,185 | 43,216 | (2,493,401) | 0 |
| Kimberley Regional Collaborative Group | Governance | 12,774 | 44,075 | (42,065) | 14,784 | 0 | (14,784) | 0 |
| Kimberley Joint Shires - Service Delivery Remote Aboriginal Communities (DLG) | Governance | 1,424 | 0 | 0 | 1,424 | 0 | (1,424) | 0 |
| Kimberley Regional Collaborative Group - Project Officer (DLG) | Governance | 25,409 | 1,585 | (26,994) | 0 | 0 | 0 | 0 |
| Aboriginal Access Roads - State Grant | Transport | 0 | 0 | 0 | 0 | 165,574 | (165,574) | 0 |
| Integrated Planning Framework (IPF) - Asset Management Funding | Governance | 16,272 | 0 | (16,272) | 0 | 0 | 0 | 0 |

**SHIRE OF WYNDHAM EAST KIMBERLEY
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2014**

2. REVENUE AND EXPENSES (Continued)

(c) Conditions Over Grants/Contributions

| Grant/Contribution | Function/ Activity | Opening Balance ⁽¹⁾ 1/07/12 \$ | Received ⁽²⁾ 2012/13 \$ | Expended ⁽³⁾ 2012/13 \$ | Closing Balance ⁽¹⁾ 30/06/13 \$ | Received ⁽²⁾ 2013/14 \$ | Expended ⁽³⁾ 2013/14 \$ | Closing Balance 30/06/14 \$ |
|--|-------------------------------|--|---|---|---|---|---|--|
| Integrated Planning Framework (IPF) - Long Term Financial Planning Funding | Governance | 30,000 | 0 | (30,000) | 0 | 0 | 0 | 0 |
| Wyndham Foreshore Protection and Enhancement Plan - Funding | Community Amenities | 4,500 | 10,500 | (15,000) | 0 | 0 | 0 | 0 |
| KLC Hall Upgrade | Recreation and Culture | 12,641 | 150,105 | (162,746) | 0 | 0 | 0 | 0 |
| Crime Prevention (Park Lighting) | Community Amenities | 25,000 | 0 | (25,000) | 0 | 0 | 0 | 0 |
| Regional Local Community Infrastructure Grant | Recreation and Culture | 28,670 | 0 | (28,670) | 0 | 0 | 0 | 0 |
| Kimberley Development Commission | Economic Development | 88,000 | 0 | (88,000) | 0 | 0 | 0 | 0 |
| Youth Trainee (DLG) | Community Amenities | 11,500 | 0 | (11,500) | 0 | 0 | 0 | 0 |
| Wyndham Community Resource Centre (CRC) - Building & Infrastructure Grant Fund | Recreation and Culture | 0 | 0 | 0 | 0 | 90,000 | (90,000) | 0 |
| Wyndham Community Resource Centre (CRC) - Operational | Recreation and Culture | 0 | 0 | 0 | 0 | 65,000 | (65,000) | 0 |
| Celebrity Tree Boat Ramp - Grant | Recreation and Culture | 0 | 0 | 0 | 0 | 15,000 | (15,000) | 0 |
| Total | | <u>5,482,951</u> | <u>2,879,997</u> | <u>(4,132,752)</u> | <u>4,230,196</u> | <u>2,589,075</u> | <u>(4,725,272)</u> | <u>2,093,999</u> |

Notes:

- (1) - Grants/contributions recognised as revenue in a previous reporting period which were not expended at the close of the previous reporting period.
- (2) - New grants/contributions which were recognised as revenues during the reporting period and which had not yet been fully expended in the manner specified by the contributor.
- (3) - Grants/contributions which had been recognised as revenues in a previous reporting period or received in the current reporting period and which were expended in the current reporting period in the manner specified by the contributor.

SHIRE OF WYNDHAM EAST KIMBERLEY
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2014

| | Note | 2014 \$ | 2013 \$ |
|---|-------|------------------|-------------------|
| 3. CASH AND CASH EQUIVALENTS | | | |
| Cash on Hand - Unrestricted | | 1,700 | 1,300 |
| Cash at Bank- Municipal | | 650,655 | 5,260,853 |
| Restricted Reserves | | 8,263,354 | 7,288,403 |
| | | <u>8,915,709</u> | <u>12,550,556</u> |
| Cash at Bank - Municipal | | | |
| Unrestricted Cash* | | (3,010,309) | 1,030,657 |
| Restricted Cash - Unspent Grants | 2c | 2,093,999 | 4,230,196 |
| Restricted Cash - Unspent Loans | 21(c) | 1,566,965 | 0 |
| | | <u>650,655</u> | <u>5,260,853</u> |
| The following restrictions have been imposed by regulations or other externally imposed requirements: | | | |
| Waste Management | 11 | 179,151 | 295,061 |
| Airport General | 11 | 6,373,410 | 5,189,347 |
| Plant and Equipment | 11 | 2,761 | 75,305 |
| Parking | 11 | 112,247 | 234,084 |
| Non-Potable Water | 11 | 89,230 | 89,570 |
| Civic Buildings | 11 | 7,609 | 7,353 |
| East Kimberley Tourism | 11 | 127,431 | 116,481 |
| Foreshore Reservation | 11 | 121,875 | 83,156 |
| Staff Entitlement | 11 | 223,934 | 216,403 |
| Recreation Hardcourts | 11 | 26,000 | 25,126 |
| Bio Security | 11 | 267,364 | 258,371 |
| Childcare | 11 | 132,688 | 118,661 |
| Parks | 11 | 307,502 | 297,160 |
| Legal Fees | 11 | 3,514 | 3,395 |
| Youth Bus | 11 | 19,186 | 18,541 |
| Footpaths | 11 | 269,452 | 260,389 |
| | | <u>8,263,354</u> | <u>7,288,403</u> |

* The negative unrestricted cash balance as at 30 June 2014 is mainly as a result of works undertaken whereby the funding was not received until the 2014-15 financial year and accruals could not be raised.

The main factors were:

| | | |
|--|----|--------|
| -Flood Recovery Works (WANDRRA) | \$ | 1.073m |
| -Asphalt Resurfacing Program (Roads to Recovery) | \$ | 0.461m |
| -Anticipated Sale of Boobialla Property Not Coming To Fruition | \$ | 0.414m |

4. TRADE AND OTHER RECEIVABLES

Current

| | | |
|------------------------------|------------------|------------------|
| Rates Outstanding | 306,016 | 521,454 |
| Sundry Debtors | 856,180 | 759,681 |
| GST Receivable | 253,969 | 127,476 |
| Bonds Paid for Staff Housing | 17,860 | 17,860 |
| Accrued Income | 293,650 | 351,354 |
| | <u>1,727,675</u> | <u>1,777,825</u> |

Non-Current

| | | |
|--------------------------------|---------------|---------------|
| Rates Outstanding - Pensioners | 14,549 | 10,320 |
| | <u>14,549</u> | <u>10,320</u> |

5. INVENTORIES

Current

| | | |
|--------------------|---------------|---------------|
| Fuel and Materials | 10,355 | 10,606 |
| | <u>10,355</u> | <u>10,606</u> |

Non-Current

| | | |
|-----------------------------|---------------|---------------|
| Land Held for Resale - Cost | | |
| Development Costs | 46,283 | 46,283 |
| | <u>46,283</u> | <u>46,283</u> |

**SHIRE OF WYNDHAM EAST KIMBERLEY
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2014**

| | 2014 \$ | 2013 \$ |
|---|-------------------|-------------------|
| 6. PROPERTY, PLANT AND EQUIPMENT | | |
| Land and Buildings | | |
| Freehold Land at: | | |
| - Independent Valuation 2013 | 12,642,000 | 0 |
| - Cost | 0 | 2,958,255 |
| - Additions after Valuation - Cost | 295,000 | 0 |
| | 12,937,000 | 2,958,255 |
| Land Vested In and Under the Control of Council at: | | |
| - Management Valuation 2013 | 3,108,474 | 0 |
| - Cost | 0 | 4,294,383 |
| | 3,108,474 | 4,294,383 |
| Total Land | 16,045,474 | 7,252,638 |
| Non-Specialised Buildings at: | | |
| - Independent Valuation 2013 | 14,423,000 | 0 |
| - Cost | 0 | 13,611,074 |
| - Additions after Valuation - Cost | 1,269,711 | 0 |
| Less: Accumulated Depreciation | (603,983) | (4,028,112) |
| | 15,088,728 | 9,582,962 |
| Specialised Buildings at: | | |
| - Independent Valuation 2013 | 28,268,278 | 0 |
| - Cost | 0 | 24,606,169 |
| - Additions after Valuation - Cost | 432,583 | 0 |
| Less: Accumulated Depreciation | (1,124,300) | (4,638,523) |
| | 27,576,561 | 19,967,646 |
| Land Vested in and Under Control of Council - Buildings at: | | |
| - Management Valuation 2013 | 3,485,476 | 0 |
| - Independent Valuation 2013 | 1,350,000 | 0 |
| Less Accumulated Depreciation | (273,290) | 0 |
| | 4,562,186 | 0 |
| Total Buildings | 47,227,475 | 29,550,608 |
| Total Land and Buildings | 63,272,949 | 36,803,246 |
| Furniture and Equipment at: | | |
| - Management Valuation 2013 | 346,120 | 346,120 |
| - Independent Valuation 2013 | 544,739 | 544,739 |
| - Additions after Valuation - Cost | 185,222 | 0 |
| Less Accumulated Depreciation | (226,290) | 0 |
| | 849,791 | 890,859 |
| Plant and Equipment at: | | |
| - Management Valuation 2013 | 33,069 | 33,069 |
| - Independent Valuation 2013 | 3,887,479 | 4,065,260 |
| - Additions after Valuation - Cost | 952,807 | 0 |
| Less Accumulated Depreciation | (725,321) | 0 |
| | 4,148,034 | 4,098,329 |
| Work in Progress at: | | |
| - Cost | 385,580 | 326,888 |
| | 385,580 | 326,888 |
| | 68,656,354 | 42,119,322 |

SHIRE OF WYNDHAM EAST KIMBERLEY
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2014

6. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Land and Buildings:

The Shire's Land and Buildings were revalued at 1 July 2013 by independent valuers. In relation to land, valuations were made on the basis of observable open market values of similar assets, adjusted for conditions and comparability, at their highest and best use (Level 2 inputs in the fair value hierarchy) unless there are some restrictions or other factors associated with the land which resulted in the land being deemed to be valued using Level 3 inputs.

These restrictions and other factors including zoning, area, usage or topography which resulted in a reduced degree of confidence applying a typical valuation method based on direct comparable sales evidence. The value of these lands were derived by making the necessary adjustments to the closest available market evidence in order to reflect the current (highest and best) use to which the land is zoned. Given the significance of the Level 3 inputs into the overall fair value measurement these lands are deemed to have been valued using Level 3 inputs.

With regards to specialised buildings and non-specialised buildings, these were valued having regard for their current replacement cost utilising both observable and unobservable inputs being construction costs based on contract prices, current condition (Level 2 inputs), residual values and remaining useful life assessments (Level 3 inputs).

Given the significance of the Level 3 inputs into the overall fair value measurement, these specialised buildings and non-specialised buildings are deemed to have been valued using Level 3 inputs. These 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.

The valuation of these assets resulted in an overall increase of \$ 27,175,144 in the net value of the Shire's land and buildings. All of this increase was credited to the revaluation surplus in the Shire's equity (refer Note 12(a) for further details) and was recognised as Changes on Revaluation of non-current Assets in the Statement of Comprehensive Income.

With regard to land vested in and under the control of Council, these assets were originally recognised as at 30 June 2013 at deemed cost where cost was effectively the fair value at the date of recognition.

As land vested in and under the control of Council is Crown Land restricted as to usage, it is not possible for an alternative usage to be considered when arriving at the fair value. In addition, due to its nature, any significant value attributable directly to the land would likely be offset by the need to return value to the Crown before any restriction is lifted, thus reducing the net fair value to nil.

Consequently, the original value of deemed cost was obtained having regard for the current replacement cost of the improvements on the land to allow for its current restricted usage.

These included both observable and unobservable inputs being construction costs based on recent contract prices, current condition (Level 2 inputs), residual values and remaining useful life assessments (Level 3 inputs).

Given the significance of the Level 3 inputs into the overall fair value measurement, this land vested in and under the control of Council is deemed to have been valued using Level 3 inputs.

These 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.

Due to the mandatory fair value measurement framework as detailed in Note 1(f), Land vested in and under the control of Council required a fair value assessment to occur in the current year.

This was performed by management at 1 July 2013 on the same basis as the prior year deemed cost valuation was arrived at.

The revaluation of land vested in and under the control of Council resulted in neither an increase nor a decrease in the net value of the Land Vested in and under Control of the Council. Consequently no adjustment was recognised in either the net result or other comprehensive income in the Statement of Comprehensive income.

**SHIRE OF WYNDHAM EAST KIMBERLEY
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2014**

6. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Plant and Equipment:

Furniture and Equipment:

Both plant and equipment and furniture and equipment were revalued in 2013 as part of the mandatory requirements embodied in Local Government (Financial Management) Regulation 17A.

Whilst the additions since that time are shown at cost, given they were acquired at arms length and any accumulated depreciation reflects the usage of service potential, it is considered the recorded written down value approximates fair value. Thus, the value is considered in accordance with Local Government (Financial Management (Regulation) 17A (2) which requires these assets to be shown at fair value.

They will be revalued during the year ended 30 June 2016 in accordance with the mandatory asset measurement framework detailed at Note 1(f).

SHIRE OF WYNDHAM EAST KIMBERLEY
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2014

6. PROPERTY, PLANT AND EQUIPMENT (Continued)

(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.

| | | Balance at the Beginning of the Year \$ | Transfer from/(to) Infrastructure \$ | Additions \$ | (Disposals) \$ | Revaluation Increments/ (Decrements) \$ | Impairment (Losses)/ Reversals \$ | Depreciation (Expense) \$ | Carrying Amount at the End of Year \$ |
|--|-----------|---|---|------------------|-------------------|--|--|---------------------------------|---|
| Freehold Land | (Level 2) | 2,953,695 | (182,338) | 295,000 | (185,906) | 4,878,109 | 0 | 0 | 7,758,560 |
| Freehold Land | (Level 3) | 4,560 | 0 | 0 | 0 | 5,173,880 | 0 | 0 | 5,178,440 |
| Land Vested In and Under the Control of Council | (Level 3) | 4,294,383 | (1,185,909) | 0 | 0 | 0 | 0 | 0 | 3,108,474 |
| Total Land | | 7,252,638 | (1,368,247) | 295,000 | (185,906) | 10,051,989 | 0 | 0 | 16,045,474 |
| Non-Specialised Buildings | (Level 2) | 7,636,668 | (8,008) | 909,345 | (339,380) | 2,106,023 | 0 | (413,664) | 9,890,984 |
| Non-Specialised Buildings | (Level 3) | 4,001,182 | 0 | 360,366 | 0 | 1,046,819 | 0 | (210,623) | 5,197,744 |
| Specialised Buildings | (Level 3) | 15,705,149 | 0 | 432,583 | 0 | 12,563,128 | 0 | (1,124,300) | 27,576,560 |
| Land Under Control - Buildings | (Level 3) | 2,207,609 | 1,220,683 | 0 | 0 | 1,407,185 | 0 | (273,290) | 4,562,187 |
| Total Buildings | | 29,550,608 | 1,212,675 | 1,702,294 | (339,380) | 17,123,155 | 0 | (2,021,877) | 47,227,475 |
| Total Land and Buildings | | 36,803,246 | (155,572) | 1,997,294 | (525,286) | 27,175,144 | 0 | (2,021,877) | 63,272,949 |
| Furniture and Equipment | (Level 3) | 890,859 | 0 | 185,222 | 0 | 0 | 0 | (226,290) | 849,791 |
| Plant and Equipment | (Level 2) | 2,922,950 | 1,266 | 952,807 | (177,685) | 0 | 0 | (555,239) | 3,144,099 |
| Plant and Equipment | (Level 3) | 1,175,379 | 0 | 0 | (1,362) | 0 | 0 | (170,082) | 1,003,935 |
| Work in Progress | | 326,888 | (105,346) | 164,038 | 0 | 0 | 0 | 0 | 385,580 |
| Total Property, Plant and Equipment | | 42,119,322 | (259,652) | 3,299,361 | (704,333) | 27,175,144 | 0 | (2,973,488) | 68,656,354 |

SHIRE OF WYNDHAM EAST KIMBERLEY
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2014

| | 2014 | 2013 |
|-------------------------------|---------------------|---------------------|
| | \$ | \$ |
| 7. INFRASTRUCTURE | | |
| Roads | | |
| - Cost | 51,410,173 | 48,998,378 |
| Less Accumulated Depreciation | <u>(17,614,218)</u> | <u>(15,936,026)</u> |
| | 33,795,955 | 33,062,352 |
| Footpaths | | |
| - Cost | 1,984,671 | 1,984,671 |
| Less Accumulated Depreciation | <u>(1,076,721)</u> | <u>(996,376)</u> |
| | 907,950 | 988,295 |
| Drainage | | |
| - Cost | 2,557,698 | 2,024,774 |
| Less Accumulated Depreciation | <u>(1,127,072)</u> | <u>(1,101,883)</u> |
| | 1,430,626 | 922,891 |
| Bridges | | |
| - Cost | 429,112 | 303,113 |
| Less Accumulated Depreciation | <u>(54,733)</u> | <u>(44,295)</u> |
| | 374,379 | 258,818 |
| Other Infrastructure | | |
| - Cost | 19,206,255 | 17,300,898 |
| Less Accumulated Depreciation | <u>(5,609,191)</u> | <u>(3,505,213)</u> |
| | 13,597,064 | 13,795,685 |
| Airport - Infrastructure | | |
| - Cost | 5,581,740 | 5,581,740 |
| Less Accumulated Depreciation | <u>(2,079,347)</u> | <u>(1,858,798)</u> |
| | 3,502,393 | 3,722,942 |
| Work in Progress | | |
| - Cost | <u>1,615,630</u> | <u>801,771</u> |
| | 1,615,630 | 801,771 |
| | <u>55,223,997</u> | <u>53,552,754</u> |

**SHIRE OF WYNDHAM EAST KIMBERLEY
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2014**

7. INFRASTRUCTURE (Continued)

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.

| | Balance as at the Beginning of the Year \$ | Transfer from /(to) Property, Plant and Equipment | Additions \$ | (Disposals) \$ | Revaluation increments/ (Decrements) \$ | Impairment (Losses)/ Reversals \$ | Depreciation (Expense) \$ | Carrying Amount at the End of Year \$ |
|--------------------------|--|--|-------------------------|-------------------|--|--|---------------------------------|---|
| Roads | 33,062,352 | 499,437 | 1,912,357 | 0 | 0 | 0 | (1,678,191) | 33,795,955 |
| Footpaths | 988,295 | 0 | 0 | 0 | 0 | 0 | (80,345) | 907,950 |
| Drainage | 922,891 | 74,267 | 458,658 | 0 | 0 | 0 | (25,190) | 1,430,626 |
| Bridges | 258,818 | 0 | 125,999 | 0 | 0 | 0 | (10,438) | 374,379 |
| Other Infrastructure | 13,795,685 | 276,775 | 185,812 | 0 | 0 | 0 | (661,208) | 13,597,064 |
| Airport - Infrastructure | 3,722,942 | 0 | 0 | 0 | 0 | 0 | (220,549) | 3,502,393 |
| Work in Progress | 801,771 | (590,827) | 1,404,686 | 0 | 0 | 0 | 0 | 1,615,630 |
| Total | <u>53,552,754</u> | <u>259,652</u> | <u>4,087,512</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>(2,675,921)</u> | <u>55,223,997</u> |

**SHIRE OF WYNDHAM EAST KIMBERLEY
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2014**

| | 2014 \$ | 2013 \$ |
|------------------------------------|------------------|------------------|
| 8. TRADE AND OTHER PAYABLES | | |
| Current | | |
| Sundry Creditors | 3,604,894 | 1,019,977 |
| Accrued Interest on Debentures | 41,523 | 34,101 |
| Accrued Salaries and Wages | 142,786 | 138,644 |
| ATO Liabilities | 0 | 154,257 |
| Accrued Expenses | 4,916 | 7,941 |
| | 3,794,119 | 1,354,920 |

9. LONG-TERM BORROWINGS

| | | |
|---------------------------------------|------------------|------------------|
| Current | | |
| Secured by Floating Charge Debentures | 2,261,457 | 478,397 |
| | 2,261,457 | 478,397 |
| Non-Current | | |
| Secured by Floating Charge Debentures | 5,314,442 | 5,267,401 |
| | 5,314,442 | 5,267,401 |

Additional detail on borrowings is provided in Note 21.

10. PROVISIONS

Analysis of Total Provisions

| | | |
|-------------|------------------|------------------|
| Current | 1,047,309 | 1,060,643 |
| Non-Current | 143,398 | 100,990 |
| | 1,190,707 | 1,161,633 |

| | Provision for Annual Leave \$ | Provision for Long Service Leave \$ | Total \$ |
|--------------------------------|--|--|------------------|
| Opening balance at 1 July 2013 | 708,228 | 453,405 | 1,161,633 |
| Additional provision | 499,228 | 99,221 | 598,449 |
| Amounts used | (563,090) | (6,285) | (569,375) |
| Balance at 30 June 2014 | 644,366 | 546,341 | 1,190,707 |

**SHIRE OF WYNDHAM EAST KIMBERLEY
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2014**

| | 2014 \$ | 2014 Budget \$ | 2013 \$ |
|--|------------------|----------------------|------------------|
| 11. RESERVES - CASH BACKED | | | |
| (a) Waste Management | | | |
| Opening Balance | 295,061 | 268,457 | 553,690 |
| Amount Set Aside / Transfer to Reserve | 75,067 | 444,771 | 300,877 |
| Amount Used / Transfer from Reserve | (190,977) | (230,753) | (559,506) |
| | <u>179,151</u> | <u>482,475</u> | <u>295,061</u> |
| (b) Airport General | | | |
| Opening Balance | 5,189,347 | 5,026,632 | 4,184,595 |
| Amount Set Aside / Transfer to Reserve | 1,584,890 | 1,614,550 | 1,004,752 |
| Amount Used / Transfer from Reserve | (400,827) | (2,558,400) | 0 |
| | <u>6,373,410</u> | <u>4,082,782</u> | <u>5,189,347</u> |
| (c) Plant and Equipment | | | |
| Opening Balance | 75,305 | 75,305 | 71,705 |
| Amount Set Aside / Transfer to Reserve | 2,456 | 2,595 | 3,600 |
| Amount Used / Transfer from Reserve | (75,000) | (75,000) | 0 |
| | <u>2,761</u> | <u>2,900</u> | <u>75,305</u> |
| (d) Parking | | | |
| Opening Balance | 234,084 | 234,084 | 279,376 |
| Amount Set Aside / Transfer to Reserve | 36,663 | 8,305 | 14,026 |
| Amount Used / Transfer from Reserve | (158,500) | (110,000) | (59,318) |
| | <u>112,247</u> | <u>132,389</u> | <u>234,084</u> |
| (e) Non-Potable Water | | | |
| Opening Balance | 89,570 | 89,570 | 85,288 |
| Amount Set Aside / Transfer to Reserve | 3,110 | 3,087 | 4,282 |
| Amount Used / Transfer from Reserve | (3,450) | (88,000) | 0 |
| | <u>89,230</u> | <u>4,657</u> | <u>89,570</u> |
| (f) Civic Buildings | | | |
| Opening Balance | 7,353 | 7,353 | 7,001 |
| Amount Set Aside / Transfer to Reserve | 256 | 253 | 352 |
| Amount Used / Transfer from Reserve | 0 | 0 | 0 |
| | <u>7,609</u> | <u>7,606</u> | <u>7,353</u> |
| (g) East Kimberley Tourism | | | |
| Opening Balance | 116,481 | 116,481 | 107,691 |
| Amount Set Aside / Transfer to Reserve | 14,550 | 13,997 | 15,902 |
| Amount Used / Transfer from Reserve | (3,600) | (10,000) | (7,112) |
| | <u>127,431</u> | <u>120,478</u> | <u>116,481</u> |
| (h) Foreshore Reservation | | | |
| Opening Balance | 83,156 | 83,155 | 8,750 |
| Amount Set Aside / Transfer to Reserve | 38,719 | 61,610 | 74,406 |
| Amount Used / Transfer from Reserve | 0 | 0 | 0 |
| | <u>121,875</u> | <u>144,765</u> | <u>83,156</u> |
| (i) Staff Entitlement | | | |
| Opening Balance | 216,403 | 221,430 | 216,644 |
| Amount Set Aside / Transfer to Reserve | 7,531 | 7,631 | 10,877 |
| Amount Used / Transfer from Reserve | 0 | 0 | (11,118) |
| | <u>223,934</u> | <u>229,061</u> | <u>216,403</u> |

SHIRE OF WYNDHAM EAST KIMBERLEY
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2014

| | 2014 \$ | 2014 Budget \$ | 2013 \$ |
|---|-------------------------|-------------------------|-------------------------|
| 11. RESERVES - CASH BACKED (continued) | | | |
| (j) Recreation Hardcourts | | | |
| Opening Balance | 25,126 | 47,126 | 62,976 |
| Amount Set Aside / Transfer to Reserve | 874 | 1,315 | 21,837 |
| Amount Used / Transfer from Reserve | 0 | (14,000) | (59,687) |
| | <u>26,000</u> | <u>34,441</u> | <u>25,126</u> |
| (k) Bio Security | | | |
| Opening Balance | 258,371 | 258,372 | 246,020 |
| Amount Set Aside / Transfer to Reserve | 8,993 | 8,904 | 12,351 |
| Amount Used / Transfer from Reserve | 0 | 0 | |
| | <u>267,364</u> | <u>267,276</u> | <u>258,371</u> |
| (l) Childcare | | | |
| Opening Balance | 118,661 | 118,662 | 106,261 |
| Amount Set Aside / Transfer to Reserve | 14,027 | 16,090 | 15,835 |
| Amount Used / Transfer from Reserve | 0 | 0 | (3,435) |
| | <u>132,688</u> | <u>134,752</u> | <u>118,661</u> |
| (m) Parks | | | |
| Opening Balance | 297,160 | 297,160 | 329,724 |
| Amount Set Aside / Transfer to Reserve | 10,342 | 10,241 | 16,554 |
| Amount Used / Transfer from Reserve | 0 | 0 | (49,118) |
| | <u>307,502</u> | <u>307,401</u> | <u>297,160</u> |
| (n) Legal Fees | | | |
| Opening Balance | 3,395 | 3,396 | 3,233 |
| Amount Set Aside / Transfer to Reserve | 119 | 117 | 162 |
| Amount Used / Transfer from Reserve | 0 | 0 | 0 |
| | <u>3,514</u> | <u>3,513</u> | <u>3,395</u> |
| (o) Youth Bus | | | |
| Opening Balance | 18,541 | 18,541 | 10,816 |
| Amount Set Aside / Transfer to Reserve | 645 | 2,572 | 7,725 |
| Amount Used / Transfer from Reserve | 0 | 0 | 0 |
| | <u>19,186</u> | <u>21,113</u> | <u>18,541</u> |
| (p) Footpaths | | | |
| Opening Balance | 260,389 | 260,389 | 194,685 |
| Amount Set Aside / Transfer to Reserve | 9,063 | 8,974 | 65,704 |
| Amount Used / Transfer from Reserve | 0 | (25,000) | 0 |
| | <u>269,452</u> | <u>244,363</u> | <u>260,389</u> |
| TOTAL RESERVES | <u><u>8,263,354</u></u> | <u><u>6,219,972</u></u> | <u><u>7,288,403</u></u> |
| Total Opening Balance | 7,288,403 | 7,126,113 | 6,468,455 |
| Total Amount Set Aside / Transfer to Reserve | 1,807,305 | 2,205,012 | 1,569,242 |
| Total Amount Used / Transfer from Reserve | (832,354) | (3,111,153) | (749,294) |
| TOTAL RESERVES | <u><u>8,263,354</u></u> | <u><u>6,219,972</u></u> | <u><u>7,288,403</u></u> |

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.

**SHIRE OF WYNDHAM EAST KIMBERLEY
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2013**

11. RESERVES - CASH BACKED (continued)

In accordance with council resolutions in relation to each reserve account, the purpose for which the funds are set aside are as follows:

(a) Waste Management

This reserve is for the upgrade and rationalisation of refuse disposal facilities within the Shire.

(b) Airport General

This reserve is for the improvement of Council's airport facilities, and also acts as the 'float' for transferring the profit or loss on the operations of the airports in line with Council Policy F4.

(c) Plant and Equipment

This reserve is for the purchase of major plant and equipment.

(d) Parking

This reserve is for land purchases and/or the construction and maintenance of vehicle parking facilities within the Shire.

(e) Non-Potable Water

This reserve is for the development of non-potable water supply in Wyndham.

(f) Civic Buildings

This reserve is for the construction and or capital maintenance of civic buildings within the Shire.

(g) East Kimberley Tourism

This reserve is for the capital maintenance and/or upgrading of East Kimberley Tourism House.

(h) Foreshore Reservation

This reserve is for maintaining the foreshore of Lake Kununurra, funded from the contributions of leases on portion of reserve 41812.

(i) Staff Entitlement

This reserve is to provide for Shire employee entitlements.

(j) Recreation Hardcourts

This reserve is for the purpose of providing for future capital upgrade of recreational hardcourts.

(k) Bio Security

This reserve is to hold funds for use in emergency situations that threaten the bio security of the East Kimberley.

(l) Childcare

This reserve is to hold lease payments from Kununurra Childcare Centre to provide for capital maintenance of the building.

(m) Parks

This reserve is to hold funds from the sale of parks provided by the State to undertake major upgrades and to establish new parks and public open spaces in the Shire.

(n) Legal Fees

This reserve is to hold funds not expended in any budget year to accumulate to cover any significant legal costs or expenses related to regulatory prosecution and enforcement matters.

(o) Youth Bus

This reserve is to hold fees from the hire of youth buses to provide funds for their repairs, maintenance and replacement.

(p) Footpaths

This reserve is to hold developer contributions for the construction of footpaths after housing construction is completed in new subdivisions.

The Waste Management, Airport General, Plant and Equipment, Parking, Non-Potable Water, Civic Buildings, East Kimberley Tourism, Foreshore Reservation, Staff Entitlement, Recreation Hardcourts, Bio Security, Childcare, Parks, Legal Fees, Youth Bus, and Footpaths Reserves are not expected to be used within a set period as further transfers to the reserve accounts are expected as funds are utilised.

**SHIRE OF WYNDHAM EAST KIMBERLEY
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2014**

12. REVALUATION SURPLUS

| | 2014 | 2013 |
|---|--------------------------|-----------------------|
| | \$ | \$ |
| <p>Revaluation surpluses have arisen on revaluation of the following classes of non-current assets:</p> | | |
| (a) Land & Buildings | | |
| Opening Balance | 0 | 0 |
| Revaluation Increment | 27,175,144 | 0 |
| Revaluation Decrement | 0 | 0 |
| | <u>27,175,144</u> | <u>0</u> |
| (b) Plant & Equipment | | |
| Opening Balance | 808,168 | 808,168 |
| Revaluation Increment | 0 | 0 |
| Revaluation Decrement | (70,353) | 0 |
| | <u>737,815</u> | <u>808,168</u> |
| TOTAL ASSET REVALUATION SURPLUS | <u>27,912,959</u> | <u>808,168</u> |

**SHIRE OF WYNDHAM EAST KIMBERLEY
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2014**

13. NOTES TO THE STATEMENT OF CASH FLOWS

(a) Reconciliation of Cash

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

| | 2014 \$ | 2014 Budget \$ | 2013 \$ |
|---------------------------|------------------|----------------------|-------------------|
| Cash and Cash Equivalents | <u>8,915,709</u> | <u>6,751,271</u> | <u>12,550,556</u> |

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

| | | | |
|--|--------------------|----------------|------------------|
| Net Result | (6,946,262) | 1,035,930 | 8,116,591 |
| Depreciation | 5,649,409 | 4,694,750 | 4,166,478 |
| (Profit)/Loss on Sale of Asset | 184,996 | (778,004) | 41,674 |
| (Increase)/Decrease in Receivables | 172,414 | 825,525 | 1,508,402 |
| (Increase)/Decrease in Inventories | 250 | (3,135) | 1,260 |
| Increase/(Decrease) in Payables | 2,586,034 | 1,447,539 | (542,434) |
| Increase/(Decrease) in GST | (280,750) | 0 | (202,420) |
| Increase/(Decrease) in Accrued Interest on Debentures | 7,422 | 0 | 5,670 |
| Increase/(Decrease) in Employee Provisions | 29,074 | 48,452 | 3,328 |
| Grants Contributions for the Development of Assets | (2,519,767) | (6,493,853) | (3,190,645) |
| Initial Recognition of Assets due to Changes in Regulation | 0 | 0 | (6,501,992) |
| Loss on Revaluation of Fixed Assets | 0 | 0 | 111,313 |
| Net Cash from Operating Activities | <u>(1,117,180)</u> | <u>777,204</u> | <u>3,517,225</u> |

| | 2014 \$ | 2013 \$ |
|--|------------------|------------------|
| (c) Undrawn Borrowing Facilities | | |
| Credit Standby Arrangements | | |
| Bank Overdraft limit | 0 | 0 |
| Bank Overdraft at Balance Date | 0 | 0 |
| Credit Card limit | 55,000 | 55,000 |
| Credit Card Balance at Balance Date | 0 | (15,082) |
| Total Amount of Credit Unused | <u>55,000</u> | <u>39,918</u> |
| Loan Facilities | | |
| Loan Facilities - Current | 2,261,457 | 478,397 |
| Loan Facilities - Non-Current | 5,314,442 | 5,267,401 |
| Total Facilities in Use at Balance Date | <u>7,575,899</u> | <u>5,745,798</u> |
| Unused Loan Facilities at Balance Date | <u>1,566,965</u> | <u>221,657</u> |

**SHIRE OF WYNDHAM EAST KIMBERLEY
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2014**

14. CONTINGENT LIABILITIES

Notice received from lawyers acting for Racing the Planet Events Ltd, organisers of the Kimberley Ultramarathon. If legal action commences then Racing the Planet Events Ltd plan to cross claim the Shire. There being only limited information in the notice this note is to advise that due to the extent of injuries suffered by some of the competitors in that event, legal action is expected. The Shire is fully insured in any event of judgement against the Shire.

| | 2014 | 2013 |
|---|-------------|-------------|
| | \$ | \$ |
| 15. CAPITAL AND LEASING COMMITMENTS | | |
| (a) Operating Lease Commitments | | |
| Non-cancellable operating leases contracted for but not capitalised in the accounts. | | |
| Payable: | | |
| - not later than one year | 93,794 | 194,077 |
| - later than one year but not later than five years | 0 | 100,746 |
| - later than five years | 0 | 0 |
| | 93,794 | 294,823 |
| (b) Capital Expenditure Commitments | | |
| Contracted for: | | |
| - capital expenditure projects | 935,356 | 444,572 |
| - plant & equipment purchases | 0 | 0 |
| Payable: | | |
| - not later than one year | 935,356 | 444,572 |
| The capital expenditure project outstanding at the end of the current reporting period represents | | |
| Waterlily Place-Staff Housing | 0 | 237,911 |
| Wyndham Oval Toilet | 0 | 80,000 |
| Messmate Way Roundabout - Re-construct and seal | 0 | 111,900 |
| Celebrity Tree Boat Ramp -Planning | 0 | 14,761 |
| Kalumburu Road-Resheet | 43,197 | 0 |
| Maintenance at the East Kimberley Regional Airport | 449,040 | 0 |
| Erythrina street-Reconstruct, seal pavement and footpath | 148,891 | 0 |
| Kununurra town site-Asphalt resurfacing program | 117,679 | 0 |
| Coolibah drive-Asphalt resurfacing program | 176,549 | 0 |
| | 935,356 | 444,572 |

**SHIRE OF WYNDHAM EAST KIMBERLEY
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2014**

16. JOINT VENTURE ARRANGEMENTS

The Shire of Wyndham East Kimberley was not involved in any Joint Ventures in the 2013/14 financial year.

17. TOTAL ASSETS CLASSIFIED BY FUNCTION AND ACTIVITY

| | 2014 | 2013 |
|-----------------------------|--------------------|--------------------|
| | \$ | \$ |
| Governance | 127,431 | 682,718 |
| General Purpose Funding | 0 | 0 |
| Law, Order, Public Safety | 241,353 | 95,473 |
| Health | 82,520 | 12,812 |
| Education and Welfare | 3,678,304 | 2,289,599 |
| Housing | 7,643,665 | 9,235,907 |
| Community Amenities | 5,122,955 | 4,777,740 |
| Recreation and Culture | 33,110,233 | 15,294,262 |
| Transport | 57,664,071 | 58,818,658 |
| Economic Services | 1,928,230 | 116,175 |
| Other Property and Services | 8,752,078 | 14,489,200 |
| Unallocated | 16,250,764 | 4,261,804 |
| | <u>134,601,604</u> | <u>110,074,348</u> |

**SHIRE OF WYNDHAM EAST KIMBERLEY
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2014**

| | 2014 | 2013 | 2012 |
|-----------------------------------|--------|-------|------|
| 18. FINANCIAL RATIOS | | | |
| Current Ratio | 0.18 | 1.06 | 1.61 |
| Asset Sustainability Ratio | 0.47 | 1.50 | 0.92 |
| Debt Service Cover Ratio | (4.82) | 16.66 | 3.34 |
| Operating Surplus Ratio | (0.61) | 0.33 | 0.04 |
| Own Source Revenue Coverage Ratio | 0.56 | 0.65 | 0.63 |

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 Sustainability Ratio | $\frac{\text{capital renewal and replacement expenditure}}{\text{Depreciation expenses}}$ |
| 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 | $\frac{\text{own source operating revenue}}{\text{operating expenses}}$ |

Notes:

- (a) Information relating to the **Asset Consumption Ratio** and the **Asset Renewal Funding Ratio** can be found at Supplementary Ratio Information on Page 62 of this document.
- (b) Three of the 2014 ratios disclosed above are distorted by an item of significant expense relating to the refund of the CLGF grant funding for the Kimberley Zone Housing Construction for \$ 1,622,019. This item forms part of operating expenses and has been included in the calculations above. This item of significant expenditure is considered to be "one-off" and if ignored, the calculations disclosed in the 2014 column above would be as follows:

| | 2014 |
|-----------------------------------|--------|
| Debt Service Cover Ratio | (2.63) |
| Operating Surplus Ratio | (0.50) |
| Own Source Revenue Coverage Ratio | 0.60 |

- (c) Three of the 2013 ratios disclosed above were distorted by items of significant revenue and expense relating to:
The initial recognition of Land under the Shire's control in accordance with amendments to the Financial Management Regulations amounting to \$6,501,992 (refer to Notes 1(f) and 2(a)(ii) for further details). This forms part of Operating revenue.
The significant expense relating to the reduction in the fair value of the Shire's furniture and equipment amounting to \$111,314 (refer to note 1(g) and 2(a)(i) for further details). This forms part of operating expenses.
These items form part of operating revenue and expenses and have been included in the calculations above.
These items of significant revenue and expenditure are considered to be "one-off" and are non-cash in nature and, if they were ignored, the calculations disclosed in the 2013 column above would be as follows:

| | 2013 |
|-----------------------------------|--------|
| Debt Service Cover Ratio | 5.21 |
| Operating Surplus Ratio | (0.10) |
| Own Source Revenue Coverage Ratio | 0.67 |

SHIRE OF WYNDHAM EAST KIMBERLEY
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
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19. TRUST FUNDS

Funds held at balance date over which the Shire has no control and which are not included in the financial statements are as follows:

| | Balance 1 July 2013 \$ | Amounts Received \$ | Amounts Paid (\$) | Balance 30 June 2014 \$ |
|--|------------------------------|---------------------------|-------------------------|-------------------------------|
| Housing Bonds | 1,100 | 0 | (1,100) | 0 |
| Councillor Nomination Bonds | 320 | 1,120 | (1,440) | 0 |
| ASIC - Airport Security Card | 5,740 | 0 | (1,000) | 4,740 |
| Footpath Bonds | 39,650 | 9,892 | (12,534) | 37,008 |
| Hall Hire Bonds - Kununurra Leisure Centre | 6,900 | 5,150 | (6,400) | 5,650 |
| Hall Hire Bonds - Peter Reid Memorial Hall | 1,140 | 8,310 | (8,930) | 520 |
| Wyndham Port Hall Bond | 10,000 | 500 | (250) | 10,250 |
| Wyndham Oval Hire Bonds | 200 | 1,270 | (750) | 720 |
| Kununurra Youth Centre Bonds | 7,000 | 1,000 | (6,000) | 2,000 |
| Other Trust Funds | 580 | 0 | 0 | 580 |
| Public Open Space Contributions | 404,254 | 15,458 | 0 | 419,712 |
| Building Services Levy | 23,416 | 30,823 | (50,409) | 3,830 |
| Building & Construction Industry Training Fund | 18,987 | 57,532 | (76,519) | 0 |
| Kimberley Zone Aboriginal Housing Project | 10,000 | 133 | (10,133) | 0 |
| Kununurra 50th Birthday Brick Fund | 7,305 | 175 | (5,656) | 1,824 |
| 50th Anniversary Special Series Number Plates | 11,725 | 2,999 | (7,449) | 7,275 |
| Terminal Security Access Card | 715 | 0 | 0 | 715 |
| Transport Clearing Account | 0 | 192,530 | (192,530) | 0 |
| Health Application Fee | 140 | 0 | 0 | 140 |
| Private Works Bonds | 0 | 66,000 | 0 | 66,000 |
| | <u>549,172</u> | <u>392,892</u> | <u>(381,100)</u> | <u>560,964</u> |

**SHIRE OF WYNDHAM EAST KIMBERLEY
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2014**

20. DISPOSALS OF ASSETS - 2013/14 FINANCIAL YEAR

The following assets were disposed of during the year.

| | Net Book Value | | Sale Price | | Profit (Loss) | |
|---|----------------|----------------|----------------|------------------|------------------|----------------|
| | Actual \$ | Budget \$ | Actual \$ | Budget \$ | Actual \$ | Budget \$ |
| Housing | | | | | | |
| LB107/179- 29 Boobialla Street | 0 | 41,864 | 0 | 400,000 | 0 | 358,136 |
| LB108/180 - 23 Boobialla Street | 377,048 | 37,471 | 386,337 | 400,000 | 9,289 | 362,529 |
| Community Amenities | | | | | | |
| <u>Landfill Plant</u> | | | | | | |
| P365 - Toyota Hilux 2WD | 14,118 | 9,054 | 7,273 | 13,650 | (6,845) | 4,596 |
| Transport | | | | | | |
| <u>Airport Plant</u> | | | | | | |
| P476 - John Deere Tractor Mower | 9,158 | 11,404 | 7,000 | 9,729 | (2,158) | (1,675) |
| P345 - Line Marker | 0 | 0 | 0 | 4,000 | 0 | 4,000 |
| P351 - Massey Ferguson Tractor | 0 | 0 | 0 | 10,000 | 0 | 10,000 |
| P369 - Holden Commodore - WY13702 | 9,015 | 0 | 9,091 | 0 | 76 | 0 |
| P752 - Fuel Tank | 1,362 | 0 | 0 | 0 | (1,362) | 0 |
| Other Property and Services | | | | | | |
| <u>Light Plant</u> | | | | | | |
| P358 - Toyota 4wd Hilux WY12885 | 12,057 | 12,729 | 9,091 | 18,480 | (2,966) | 5,751 |
| P212 - Toyota Hilux- WY14226 | 20,218 | 12,719 | 13,636 | 18,480 | (6,582) | 5,761 |
| P371 - Toyota Hilux Dual Cab 4WD WY07 | 21,268 | 14,199 | 19,091 | 33,122 | (2,177) | 18,923 |
| P467 - Toyota Hilux 4WD Single Cab WY12448 | | 9,608 | 0 | 18,480 | 0 | 8,872 |
| P314 - Toyota Land cruise-WY12352 | 24,346 | 14,044 | 22,727 | 35,000 | (1,619) | 20,956 |
| <u>Medium Plant</u> | | | | | | |
| P481 - John Deere Ride on Mower with Dump Catcher | 7,256 | 3,960 | 5,909 | 6,295 | (1,347) | 2,335 |
| P362 - Kubota F3680 Ride on Mower | 9,745 | 10,774 | 3,182 | 6,306 | (6,563) | (4,468) |
| <u>Heavy Plant</u> | | | | | | |
| P469 - Komatsu Skid Steer Loader with Bucket | 13,875 | 8,229 | 8,500 | 21,715 | (5,375) | 13,486 |
| P360 - Fuso Canter 3T Tipper Truck | 36,629 | 50,968 | 27,500 | 19,770 | (9,129) | (31,198) |
| <u>Assets Disposed/Derecognised during Re-Valuation</u> | | | | | | |
| LB113 - LOT 692 Pindan Street | 1,400 | 0 | 0 | 0 | (1,400) | 0 |
| LB159 - Leased Residence No 2, Airport Wyndham | 55,618 | 0 | 0 | 0 | (55,618) | 0 |
| LB160 - Leased Residence No 7, Airport Wyndham | 55,618 | 0 | 0 | 0 | (55,618) | 0 |
| LB230 - 2 Daikin WMount Split Inverter AirCond SES | | | | | | |
| HQ Building Mezz Floor | 1,096 | 0 | 0 | 0 | (1,096) | 0 |
| LB114 - LOT 750 Ironwood Drive | 12,000 | 0 | 0 | 0 | (12,000) | 0 |
| LB116 - O'Donnell Street - Telstra | 1,000 | 0 | 0 | 0 | (1,000) | 0 |
| LB118 - Parking Land Acquisition 04/05 | 21,506 | 0 | 0 | 0 | (21,506) | 0 |
| | 704,333 | 237,023 | 519,337 | 1,015,027 | (184,996) | 778,004 |

| | | |
|--------|------------------|----------------|
| Profit | 9,365 | 815,345 |
| Loss | (194,361) | (37,341) |
| | <u>(184,996)</u> | <u>778,004</u> |

SHIRE OF WYNDHAM EAST KIMBERLEY
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2014

21. INFORMATION ON BORROWINGS

(a) Repayments - Debentures

| Particulars | | Principal 1 July 2013 \$ | New Loans \$ | Principal Repayments | | Principal 30 June 2014 | | Interest Repayments | |
|---------------------------------------|------|-----------------------------------|--------------------|-------------------------|----------------|---------------------------|------------------|------------------------|----------------|
| | | | | Actual \$ | Budget \$ | Actual \$ | Budget \$ | Actual \$ | Budget \$ |
| Governance | | | | | | | | | |
| Administration Building Land | L122 | 372,044 | 0 | 44,202 | 44,202 | 327,842 | 327,842 | 21,907 | 23,203 |
| Administration Building Bridging Loan | L123 | 1,500,000 | 0 | 0 | 0 | 1,500,000 | 1,500,000 | 50,400 | 50,124 |
| Administration Building Loan | L124 | 2,396,182 | 0 | 213,621 | 213,621 | 2,182,561 | 2,182,562 | 90,368 | 93,916 |
| Education and Welfare | | | | | | | | | |
| Kununurra Childcare Centre | L120 | 405,691 | 0 | 52,445 | 52,445 | 353,246 | 353,245 | 23,374 | 20,989 |
| Housing | | | | | | | | | |
| Staff Housing | L115 | 75,920 | 0 | 11,994 | 11,994 | 63,926 | 63,926 | 4,232 | 4,599 |
| Staff Housing | L127 | 0 | 88,498 | 0 | 0 | 88,498 | 88,498 | 414 | 0 |
| Community Amenities | | | | | | | | | |
| Liquid Waste Facility | L125 | 0 | 400,000 | 0 | 0 | 400,000 | 400,000 | 1,714 | 0 |
| Waste Management | L126 | 0 | 1,695,000 | 0 | 0 | 1,695,000 | 1,695,000 | 8,993 | 0 |
| Drainage | L128 | 0 | 125,000 | 0 | 0 | 125,000 | 125,000 | 663 | 0 |
| Recreation and Culture | | | | | | | | | |
| KNX Aquatic Centre Refurbishment | L113 | 424,204 | 0 | 67,017 | 67,017 | 357,187 | 357,188 | 23,646 | 25,695 |
| WYN Recreation Centre | L114 | 177,939 | 0 | 28,111 | 28,111 | 149,828 | 149,827 | 9,919 | 10,778 |
| KNW Youth Centre | L118 | 147,185 | 0 | 25,371 | 25,371 | 121,814 | 121,814 | 10,116 | 10,121 |
| Multi Purpose Courts | L119 | 246,633 | 0 | 35,636 | 35,636 | 210,997 | 210,996 | 13,259 | 14,245 |
| | | 5,745,798 | 2,308,498 | 478,397 | 478,397 | 7,575,899 | 7,575,898 | 259,005 | 253,670 |

All loan repayments were financed by general purpose revenue.

**SHIRE OF WYNDHAM EAST KIMBERLEY
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2014**

21. INFORMATION ON BORROWINGS (Continued)

(b) New Debentures - 2013/14

| Particulars/Purpose | Amount Borrowed | | Institution | Loan Type | Term (Years) | Total Interest & Charges \$ | Interest Rate % | Amount Used | | Balance Unspent \$ |
|-----------------------|-----------------|-----------|-------------|-----------|--------------|-----------------------------|-----------------|-------------|-----------|--------------------|
| | Actual \$ | Budget \$ | | | | | | Actual \$ | Budget \$ | |
| Liquid Waste Facility | 400,000 | 400,000 | WATC | Debenture | 4 | 31,202 | 3.4 | 164,944 | 400,000 | 235,056 |
| Waste Management | 1,695,000 | 1,695,000 | WATC | Debenture | 10 | 399,280 | 4.2 | 418,480 | 1,695,000 | 1,276,520 |
| Drainage | 125,000 | 125,000 | WATC | Debenture | 10 | 29,445 | 4.2 | 69,611 | 125,000 | 55,389 |
| Staff Housing | 88,498 | 88,498 | WATC | Debenture | 6 | 11,030 | 3.7 | 88,498 | 88,498 | 0 |
| | 2,308,498 | 2,308,498 | | | | 470,957 | | 741,533 | 2,308,498 | 1,566,965 |

(c) Unspent Debentures

| Particulars | Date Borrowed | Balance 1 July 13 \$ | Borrowed During Year \$ | Expended During Year \$ | Balance 30 June 14 \$ |
|------------------------------|---------------|----------------------|-------------------------|-------------------------|-----------------------|
| Liquid Waste Facility | 16-May-14 | 0 | 400,000 | 164,944 | 235,056 |
| Waste Management | 16-May-14 | 0 | 1,695,000 | 418,480 | 1,276,520 |
| Drainage | 16-May-14 | 0 | 125,000 | 69,611 | 55,389 |
| Administration Building Loan | 07-Dec-12 | 221,657 | 0 | 221,657 | 0 |
| | | 221,657 | 2,220,000 | 874,692 | 1,566,965 |

(d) Overdraft

The Shire did not have a bank overdraft facility as at 30 June 2014.

SHIRE OF WYNDHAM EAST KIMBERLEY
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2014

22. RATING INFORMATION - 2013/14 FINANCIAL YEAR

| (a) Rates | Rate in \$ | Number of Properties | Rateable Value \$ | Rate Revenue \$ | Interim Rates \$ | Back Rates \$ | Total Revenue \$ | Budget Rate Revenue \$ | Budget Interim Rate \$ | Budget Back Rate \$ | Budget Total Revenue \$ |
|---|-------------------|----------------------|-------------------|-----------------|------------------|---------------|------------------|------------------------|------------------------|---------------------|-------------------------|
| RATE TYPE | | | | | | | | | | | |
| Differential General Rate / General Rate | | | | | | | | | | | |
| GRV - Townsite | 8.3607 | 1,701 | 60,363,774 | 5,046,833 | 49,217 | 20,945 | 5,116,995 | 5,046,833 | 15,000 | 0 | 5,061,833 |
| GRV - Other | 6.3607 | 1 | 101,764 | 6,807 | 0 | 0 | 6,807 | 6,807 | 0 | 0 | 6,807 |
| Unimproved Value Valuations | | | | | | | | | | | |
| UV - Rural Residential | 0.8425 | 172 | 47,659,000 | 401,528 | 4,969 | (729) | 405,768 | 401,527 | 0 | 0 | 401,527 |
| UV - Rural Agriculture 1 | 0.8375 | 84 | 69,236,200 | 577,014 | 8,180 | 7,251 | 592,445 | 579,937 | 0 | 0 | 579,937 |
| UV - Rural Agriculture 2 | 0.5666 | 111 | 56,325,000 | 316,299 | 9,957 | 131 | 326,387 | 319,137 | 0 | 0 | 319,137 |
| UV - Other | 0.5666 | 23 | 14,723,000 | 89,182 | 1,589 | 8,223 | 98,994 | 83,421 | 10,000 | 0 | 93,421 |
| UV - Pastoral | 2.7803 | 22 | 9,022,039 | 250,840 | 0 | 0 | 250,840 | 250,840 | 0 | 0 | 250,840 |
| UV - Mining | 23.2100 | 71 | 1,971,464 | 457,576 | (4,852) | (2,324) | 450,400 | 457,577 | 0 | 0 | 457,577 |
| Sub-Totals | | 2,185 | 259,402,241 | 7,146,079 | 69,060 | 33,497 | 7,248,636 | 7,146,079 | 25,000 | 0 | 7,171,079 |
| Minimum Payment | Minimum \$ | | | | | | | | | | |
| GRV - Townsite | 975.00 | 347 | 2,641,700 | 338,325 | 0 | 0 | 338,325 | 338,325 | 0 | 0 | 338,325 |
| Unimproved Value Valuations | | | | | | | | | | | |
| UV - Rural Residential | 975.00 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| UV - Rural Agriculture 1 | 975.00 | 1 | 10,000 | 975 | 0 | 0 | 975 | 0 | 0 | 0 | 0 |
| UV - Rural Agriculture 2 | 975.00 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| UV - Other | 975.00 | 9 | 679,400 | 8,775 | 0 | 0 | 8,775 | 8,775 | 0 | 0 | 8,775 |
| UV - Pastoral | 975.00 | 2 | 68,361 | 1,950 | 0 | 0 | 1,950 | 2,925 | 0 | 0 | 2,925 |
| UV - Mining | 925.00 | 70 | 103,858 | 64,750 | 0 | 0 | 64,750 | 64,750 | 0 | 0 | 64,750 |
| Sub-Totals | | 429 | 3,503,319 | 414,775 | 0 | 0 | 414,775 | 414,775 | 0 | 0 | 414,775 |
| Ex-Gratia Rates | | | | | | | 7,663,411 | | | | 7,585,854 |
| Discounts (refer note 25.) | | | | | | | 4,388 | | | | 4,000 |
| Total Amount Raised From General Rate | | | | | | | (71,465) | | | | (100,000) |
| Excess Rate Adjustment | | | | | | | 7,596,334 | | | | 7,489,854 |
| Specified Area Rate (refer note 23.) | | | | | | | 0 | | | | (58,732) |
| Totals | | | | | | | 0 | | | | 0 |
| | | | | | | | 7,596,334 | | | | 7,431,122 |

**SHIRE OF WYNDHAM EAST KIMBERLEY
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2014**

22. RATING INFORMATION - 2013/14 FINANCIAL YEAR (Continued)

(b) Information on Surplus/(Deficit) Brought Forward

| | 2014 (30 June 2014 Carried Forward) \$ | 2014 (1 July 2013 Brought Forward) \$ | 2013 (30 June 2013 Carried Forward) \$ |
|---|---|--|---|
| Surplus/(Deficit) 1 July 13 Brought Forward | <u>(1,397,052)</u> | <u>5,702,346</u> | <u>5,702,346</u> |
| Comprises: | | | |
| Cash and Cash Equivalents | | | |
| Cash on Hand - Unrestricted | 1,700 | 1,300 | 1,300 |
| Cash at Bank- Municipal | 650,655 | 5,260,853 | 5,260,853 |
| Restricted Reserves | 8,263,354 | 7,288,403 | 7,288,403 |
| Receivables | | | |
| Rates Outstanding | 306,016 | 521,454 | 521,454 |
| Sundry Debtors | 856,180 | 759,681 | 759,681 |
| GST Receivable | 253,969 | 127,476 | 127,476 |
| Bonds Paid for Staff Housing | 17,860 | 17,860 | 17,860 |
| Accrued Income | 293,650 | 351,354 | 351,354 |
| Inventories | | | |
| Fuel and Materials | 10,355 | 10,606 | 10,606 |
| Other Financial Assets | 6,682 | 6,682 | 6,682 |
| Less: | | | |
| Trade and other Payables | | | |
| Sundry Creditors | (3,604,894) | (1,019,977) | (1,019,977) |
| Accrued Interest on Debentures | (41,523) | (34,101) | (34,101) |
| Accrued Salaries and Wages | (142,786) | (138,644) | (138,644) |
| ATO Liabilities | 0 | (154,257) | (154,257) |
| Accrued Expenses | (4,916) | (7,941) | (7,941) |
| Current Portion of Long Term Borrowings | | | |
| Secured by Floating Charge Debentures | (2,261,457) | (478,397) | (478,397) |
| Provisions | | | |
| Provision for Annual Leave | (644,366) | (708,228) | (708,228) |
| Provision for Long Service Leave | (402,943) | (352,415) | (352,415) |
| Net Current Assets | <u>3,557,536</u> | <u>11,451,709</u> | <u>11,451,709</u> |
| Less: | | | |
| Reserves - Restricted Cash | (8,263,354) | (7,288,403) | (7,288,403) |
| Add: | | | |
| Secured by Floating Charge Debentures | 2,261,457 | 478,397 | 478,397 |
| Component of Employee Liability not required to be funded | 1,047,309 | 1,060,643 | 1,060,643 |
| Surplus/(Deficit) | <u>(1,397,052)</u> | <u>5,702,346</u> | <u>5,702,346</u> |

Difference

There was no difference between the Surplus 1 July 2013 Brought Forward position used in the 2014 audited financial report and the Surplus Carried Forward position as disclosed in the 2013 audited financial report.

**SHIRE OF WYNDHAM EAST KIMBERLEY
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2014**

23. SPECIFIED AREA RATE - 2013/14 FINANCIAL YEAR

The Shire of Wyndham East Kimberley did not impose any Specified Area Rates for the 2013/14 financial year.

24. SERVICE CHARGES - 2013/14 FINANCIAL YEAR

The Shire of Wyndham East Kimberley did not impose a service charge on any of the prescribed services listed under the *Local Government (Financial Management) Regulations 1996*, regulation 54 for the 2013/14 financial year.

**25. DISCOUNTS, INCENTIVES, CONCESSIONS, & WRITE-OFFS
- 2013/14 FINANCIAL YEAR**

| | Type | Disc % | Total Cost/ Value \$ | Budget Cost/ Value \$ |
|----------------------|-----------|--------|----------------------------|--------------------------------|
| General Rates | Discount | 2.50% | 71,465 | 100,000 |
| | | | 71,465 | 100,000 |
| Rate Assessment A502 | Waiver | N/A | 975 | 975 |
| Rate Assessment | Write-Off | N/A | 213,808 | 0 |

A discount on rates was granted to all who paid their rates in full within 21 days of the date of service appearing on the rate notice.

26. INTEREST CHARGES AND INSTALMENTS - 2013/14 FINANCIAL YEAR

| | Interest Rate % | Admin. Charge \$ | Revenue \$ | Budgeted Revenue \$ |
|----------------------------------|-----------------------|------------------------|---------------|---------------------------|
| Interest on Unpaid Rates | 11.00% | 0 | 74,522 | 90,000 |
| Interest on Instalments Plan | 5.50% | 0 | 26,400 | 27,500 |
| Charges on Instalment Plan | N/A | 5 | 6,730 | 7,000 |
| Pensioner Deferred Rate Interest | 3.95% | 0 | 313 | 0 |
| | | | 107,965 | 124,500 |

Ratepayers had the option of paying rates in four equal instalments, due on 17th September 2013, 19th November 2013, 21st January 2014 and 25th March 2014. Administration charges and interest applied for the final three instalments.

| 27. FEES & CHARGES | 2014 \$ | 2013 \$ |
|-------------------------------|--------------------|--------------------|
| Governance | 24,201 | 1,761 |
| General Purpose Funding | 11,741 | 16,698 |
| Law, Order, Public Safety | 41,203 | 18,706 |
| Health | 80,501 | 23,540 |
| Education and Welfare | 106,371 | 127,094 |
| Housing | 222,321 | 190,244 |
| Community Amenities | 2,292,432 | 1,866,364 |
| Recreation and Culture | 456,000 | 466,617 |
| Transport | 3,914,111 | 3,990,147 |
| Economic Services | 96,353 | 149,056 |
| Other Property and Services | 0 | 0 |
| | <u>7,245,234</u> | <u>6,850,227</u> |

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

**SHIRE OF WYNDHAM EAST KIMBERLEY
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2014**

28. GRANT REVENUE

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

| | 2014 | 2013 |
|---|-------------------------|-------------------------|
| By Nature or Type: | \$ | \$ |
| Operating Grants, Subsidies and Contributions | 2,210,613 | 6,212,650 |
| Non-Operating Grants, Subsidies and Contributions | <u>2,519,767</u> | <u>3,190,645</u> |
| | <u><u>4,730,380</u></u> | <u><u>9,403,295</u></u> |
| By Program: | | |
| Governance | 21,793 | 151,885 |
| General Purpose Funding | 1,492,773 | 3,758,417 |
| Law, Order, Public Safety | 8,947 | 27,332 |
| Education and Welfare | 53,110 | 72,377 |
| Housing | 947,765 | 947,764 |
| Community Amenities | 139,981 | 617,068 |
| Recreation and Culture | 292,622 | 803,222 |
| Transport | 1,663,878 | 2,865,984 |
| Other Property and Services | <u>109,511</u> | <u>159,246</u> |
| | <u><u>4,730,380</u></u> | <u><u>9,403,295</u></u> |

29. EMPLOYEE NUMBERS

The number of full-time equivalent employees at balance date

| | |
|-----------|-----------|
| <u>87</u> | <u>98</u> |
|-----------|-----------|

30. ELECTED MEMBERS REMUNERATION

The following fees, expenses and allowances were paid to council members and/or the president.

| | 2014 | 2014 | 2013 |
|------------------------------|-----------------------|-----------------------|-----------------------|
| | \$ | Budget | \$ |
| | | \$ | |
| Meeting Fees | 127,406 | 130,500 | 57,928 |
| President's Allowance | 23,702 | 22,795 | 19,480 |
| Deputy President's Allowance | 4,303 | 5,699 | 4,870 |
| Travelling Expenses | 1,605 | 5,000 | 5,610 |
| Technology Allowance | 0 | 0 | 7,833 |
| Telecommunications Allowance | <u>0</u> | <u>0</u> | <u>18,200</u> |
| | <u><u>157,016</u></u> | <u><u>163,994</u></u> | <u><u>113,921</u></u> |

31. MAJOR LAND TRANSACTIONS

Council did not participate in any major land transactions during the 2013/14.

32. TRADING UNDERTAKINGS AND MAJOR TRADING UNDERTAKINGS

Council did not participate in any trading undertakings or major trading undertakings during the 2013/14 financial year.

**SHIRE OF WYNDHAM EAST KIMBERLEY
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2014**

33. POST BALANCE SHEET EVENT

Shire Depot – Wyndham

On Sunday 14th September 2014, the Shire depot located at Lot 914 & 1359 Coverley Street, Wyndham suffered extensive damage due to fire. The fire started at approximately 11.30am within the back of the old greenhouse shed and spread through the greenhouse, storage shed and then the depot office. After the fire, it was discovered a trailer, lawn mower and a ute, which was garaged in the storage shed, were also fully destroyed. The cause was determined to be that several youths had climbed the fence and started a fire in the old greenhouse shed and the grass area. Damage was significant with the building and vehicles, in the main, gutted leaving the structure shells and walls.

The building and contents are insured for replacement through the Shire's insurer, Local Government Insurance Service (LGIS). The Shire's insurance also covers professional (architectural/engineers/consultants) fees associated with the reconstruction of the building together with business interruption cover. It is anticipated reconstruction of the building will be covered, based on returning the building to its pre-fire condition, through insurance and as such, will have limited impact on the Shire's financial position. A firmer understanding of the cost and relative cover will be understood once reinstatement costs have been determined through the rebuild process.

**SHIRE OF WYNDHAM EAST KIMBERLEY
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2014**

34. FINANCIAL RISK MANAGEMENT

Council's activities expose it to a variety of financial risks including price risk, credit risk, liquidity risk and interest rate risk. The Council's overall risk management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Council.

Council 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 Council held the following financial instruments at balance date:

| | Carrying Value | | Fair Value | |
|------------------------------|-------------------|-------------------|-------------------|-------------------|
| | 2014 | 2013 | 2014 | 2013 |
| | \$ | \$ | \$ | \$ |
| Financial Assets | | | | |
| Cash and cash equivalents | 8,915,709 | 12,550,556 | 8,915,709 | 12,550,556 |
| Receivables | 1,742,224 | 1,788,145 | 1,742,224 | 1,788,145 |
| Other Financial Assets | 6,682 | 6,682 | 6,682 | 6,682 |
| | <u>10,664,615</u> | <u>14,345,383</u> | <u>10,664,615</u> | <u>14,345,383</u> |
| Financial Liabilities | | | | |
| Payables | 3,794,119 | 1,354,920 | 3,794,119 | 1,354,920 |
| Borrowings | 7,575,899 | 5,745,798 | 5,796,126 | 4,150,265 |
| | <u>11,370,018</u> | <u>7,100,718</u> | <u>9,590,245</u> | <u>5,505,185</u> |

Fair value is determined as follows:

- Cash and Cash Equivalents, Receivables, Payables - estimated to the carrying value which approximates net market value.
- Borrowings, estimated future cash flows discounted by the current market interest rates applicable to liabilities with similar risk profiles.

**SHIRE OF WYNDHAM EAST KIMBERLEY
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2014**

34. FINANCIAL RISK MANAGEMENT (Continued)

(a) Cash and Cash Equivalents

Council's objective is to maximise its return on cash whilst maintaining an adequate level of liquidity and preserving capital. The finance area manages the cash portfolio with the assistance of independent advisers (where applicable). Council has an investment policy and the policy is subject to review by Council. An Investment Report is provided to Council on a monthly basis setting out the make-up and performance of the portfolio.

Cash is also subject to interest rate risk - the risk that movements in interest rates could affect returns.

Another risk associated with cash is credit risk – the risk that a contracting entity will not complete its obligations under a financial instrument resulting in a financial loss to Council.

Council manages these risks by diversifying its portfolio and only investing in registered commercial banks. Council also seeks advice from independent advisers (where applicable) before placing any cash.

| | 2014 | 2013 |
|--|-------------|-------------|
| | \$ | \$ |
| Impact of a 1% ⁽¹⁾ movement in interest rates on cash | | |
| - Equity | 89,157 | 125,506 |
| - Statement of Comprehensive Income | 89,157 | 125,506 |

Notes:

⁽¹⁾ Sensitivity percentages based on management's expectation of future possible market movements.

**SHIRE OF WYNDHAM EAST KIMBERLEY
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2014**

34. FINANCIAL RISK MANAGEMENT (Continued)
(b) Receivables

Council's major receivables comprise rates and annual charges and user charges and fees. The major risk associated with these receivables is credit risk – the risk that the debts may not be repaid. Council 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 Council to recover these debts as a secured charge over the land – that is, the land can be sold to recover the debt. Council 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.

Council makes suitable provision for doubtful receivables as required and carries out credit checks on most non-rate debtors.

There are no material receivables that have been subject to a re-negotiation of repayment terms.

The profile of the Council's credit risk at balance date was:

| | 2014 | 2013 |
|--|-------------|-------------|
| Percentage of Rates and Annual Charges | | |
| - Current | 0.00% | 0.00% |
| - Overdue | 100.00% | 100.00% |
| Percentage of Other Receivables | | |
| - Current | 70.00% | 73.91% |
| - Overdue | 30.00% | 26.09% |

**SHIRE OF WYNDHAM EAST KIMBERLEY
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2014**

34. FINANCIAL RISK MANAGEMENT (Continued)

(c) Payables

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. Council 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.

The contractual undiscounted cash flows of Council's Payables and Borrowings are set out in the Liquidity Sensitivity Table below:

| | Due within 1 year \$ | Due between 1 & 5 years \$ | Due after 5 years \$ | Total contractual cash flows \$ | Carrying values \$ |
|--------------------|---|---|---|--|-----------------------------------|
| <u>2014</u> | | | | | |
| Payables | 3,794,119 | 0 | 0 | 3,794,119 | 3,794,119 |
| Borrowings | <u>2,550,938</u> | <u>3,889,235</u> | <u>2,306,171</u> | <u>8,746,344</u> | <u>7,575,899</u> |
| | <u><u>6,345,057</u></u> | <u><u>3,889,235</u></u> | <u><u>2,306,171</u></u> | <u><u>12,540,463</u></u> | <u><u>11,370,018</u></u> |
| <u>2013</u> | | | | | |
| Payables | 1,354,920 | 0 | 0 | 1,354,920 | 1,354,920 |
| Borrowings | <u>726,127</u> | <u>4,233,358</u> | <u>1,733,531</u> | <u>6,693,016</u> | <u>5,745,798</u> |
| | <u><u>2,081,047</u></u> | <u><u>4,233,358</u></u> | <u><u>1,733,531</u></u> | <u><u>8,047,936</u></u> | <u><u>7,100,718</u></u> |

**SHIRE OF WYNDHAM EAST KIMBERLEY
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2014**

34. FINANCIAL RISK MANAGEMENT (Continued)

**(c) Payables
Borrowings (Continued)**

Borrowings are also subject to interest rate risk - the risk that movements in interest rates could adversely affect funding costs. Council 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 following tables set out the carrying amount, by maturity, of the financial instruments exposed to interest rate risk:

| | <u><1 year</u> | <u>>1<2 years</u> | <u>>2<3 years</u> | <u>>3<4 years</u> | <u>>4<5 years</u> | <u>>5 years</u> | <u>Total</u> | <u>Weighted Average Effective Interest Rate</u> |
|---|-------------------|-------------------------|-------------------------|-------------------------|-------------------------|--------------------|--------------|---|
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ | % |
| <u>Year Ended 30 June 2014</u> | | | | | | | | |
| Borrowings | | | | | | | | |
| Fixed Rate | | | | | | | | |
| Debtentures | 1,500,000 | 0 | 0 | 400,000 | 903,751 | 4,772,148 | 7,575,899 | 4.56% |
| Weighted Average Effective Interest Rate | 3.26% | 0.00% | 0.00% | 3.40% | 6.16% | 4.29% | | |
| <u>Year Ended 30 June 2013</u> | | | | | | | | |
| Borrowings | | | | | | | | |
| Fixed Rate | | | | | | | | |
| Debtentures | 0 | 1,500,000 | 0 | 0 | 0 | 4,245,798 | 5,745,798 | 4.42% |
| Weighted Average Effective Interest Rate | 0.00% | 3.26% | 0.00% | 0.00% | 0.00% | 4.83% | | |

**SHIRE OF WYNDHAM EAST KIMBERLEY
SUPPLEMENTARY RATIO INFORMATION
FOR THE YEAR ENDED 30TH JUNE 2014**

RATIO INFORMATION

The following information relates to those ratios which only require attestation they have been checked and are supported by verifiable information. It does not form part of the audited financial report

| | 2014 | 2013 | 2012 |
|-----------------------------|------|------|------|
| Asset Consumption Ratio | 0.44 | 0.50 | 0.55 |
| Asset Renewal Funding Ratio | * | * | N/A |

The above ratios are calculated as follows:

Asset Consumption Ratio $\frac{\text{depreciated replacement costs of assets}}{\text{current replacement cost of depreciable assets}}$

Asset Renewal Funding Ratio $\frac{\text{NPV of planning capital renewal over 10 years}}{\text{NPV of required capital expenditure over 10 years}}$

N/A - In keeping with amendments to Local Government (Financial Management) Regulations 50, comparative for 2012 has not been reported as financial information is not available.

*Council is unable to calculate the Asset Renewal Funding Ratio at this time as the information is not available.

2 February 2015

The Shire President
Shire of Wyndham – East Kimberley
PO Box 614
KUNUNURRA WA 6743

Dear Cr Moulden



MANAGEMENT REPORT FOR THE YEAR ENDED 30TH JUNE 2014

We advise that we have completed our audit procedures for the year ended 30th June 2014 and enclose our Audit Report.

We are required under the Local Government Audit Regulations to report certain compliance matters in our audit report. Other matters which arise during the course of our audit that we wish to bring to Council's attention are raised in this management report.

It should be appreciated that our audit procedures are designed primarily to enable us to form an opinion on the financial statements and therefore may not bring to light all weaknesses in systems and procedures which may exist. However, we aim to use our knowledge of the Shire's organisation gained during our work to make comments and suggestions which, we hope, will be useful to you.

FINANCIAL POSITION AND COMMENT ON RATIOS

During the formulation of the budget for the year ended 30 June 2015, it became apparent to both Council and Management there had been an adverse financial trend within the operations of the Shire.

This is supported by the trends experienced in the key statutory ratios as portrayed in the table below. As at 30 June 2013, many of these ratios were either above target or within acceptable banding but, within the space of 12 months, they had mostly slipped below the acceptable level.

Normally when situations similar to this manifest, we would raise a significant adverse trend in the audit report.

In this particular case, whilst there has been an adverse financial trend, we do not believe it warrants noting in the audit report due to the following:

- Council and management were well aware of the situation at the time of formulating of the budget for the year ended 30 June 2015;
- Significant action was taken by Council when adopting the budget for the year ended 30 June 2015 to repair the structural integrity of the ongoing operations of the Shire; and
- The attitude of both Council and management since adoption to ensure the budget as adopted is followed.

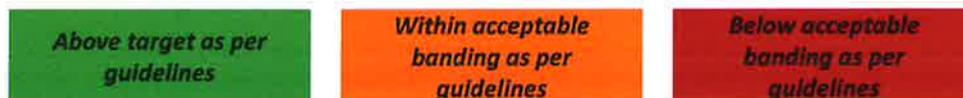
Whilst this action is no guarantee for a better financial outlook in the future, we wish to commend both Council and Management on the strong and decisive action taken to alleviate the position and will continue to monitor the situation as the year progresses.

Notwithstanding this, we would also draw your attention to the table below and would like to take this opportunity to make some comments about some of the ratios.

FINANCIAL POSITION AND COMMENT ON RATIOS (CONTINUED)

| | Target Ratio ¹ | Council's Actual Ratios | | | 3 Year Trend ² |
|-----------------------------------|---------------------------|-------------------------|---------|------|---------------------------|
| | | 2014 | 2013 | 2012 | |
| Current Ratio | ≥ 1 | 0.18 | 1.06 | 1.61 | ↓ |
| Asset Sustainability Ratio | ≥ 1.1 | 0.47 | 1.50 | 0.92 | ↓ |
| Debt Service Cover Ratio | ≥ 15 | (2.63)* | 5.21* | 3.34 | ↓ |
| Operating Surplus Ratio | ≥ 0.15 | (0.50)* | (0.10)* | 0.04 | ↓ |
| Own Source Revenue Coverage Ratio | ≥ 0.9 | 0.60* | 0.67* | 0.63 | ↓ |
| Asset Consumption Ratio | ≥ 0.75 | 0.44 | 0.50 | 0.55 | ↓ |
| Asset Renewal Funding Ratio | ≥ 1.05 | N/A | N/A | N/A | N/A |

Key



¹ Target ratios per Department of Local Government and Communities (DLGC) Guidelines except the Debt Service Cover Ratio which is a target devised by UHY Haines Norton (and based on experience). For information, DLGC Guidelines establish a target Debt Service Cover Ratio of 5.

² The 3 year trend compares the 2014 ratio to the average of the last 3 years.

* Adjusted for "one-off" non-cash items as disclosed in the annual financial report.

N/A This has not been calculated – refer comment below.

Operating Surplus Ratio

The Operating Surplus Ratio measures the Shire’s financial sustainability having regard to asset management and the community’s service level needs.

A negative ratio indicates the local government is experiencing an operating deficit. A sustained period of deficits will erode the Shire’s ability to service debt and maintain both its operational service level and asset base over the longer term whilst a positive ratio which is consistently above 0.15 provides the Shire with greater flexibility in meeting operational service levels, asset management requirements and coping with financial “shocks”.

Further to the adjustments for one off items as noted in the table above, this decrease was exacerbated and distorted in 2014 and 2013 by the early payment of Financial Assistance Grants (FAGs) in June 2013 which was not repeated in 2014.

If we are to normalise this ratio (in relation to early payment of FAGs grants), the adjusted ratio would be (0.37) in 2014. Whilst this improves the ratio for 2014 slightly, it is still well below the acceptable banding level.

To help alleviate the continued erosion of the Operating Surplus Ratio and to help ensure the ongoing sustainability and financial wellbeing of the Shire, both Council and Management will need to continue to focus on ways to improve and maintain the operating position in the medium term. This is either via increasing revenue or by decreasing expenditure (or a combination of both).

FINANCIAL POSITION AND COMMENT ON RATIOS (CONTINUED)

Own Source Revenue Coverage Ratio

The Own Source Revenue Coverage Ratio measures the Shire's ability to cover operating expenses from own source revenue. The higher the ratio, the more self-reliant the Shire is and consequently, it is another key indicator.

One point to note in relation to this ratio is the level of disability of the Shire due to population, size and geographical location. A lower ratio is expected and may be acceptable, provided other measures are maximised.

This is dependent upon the Council and management understanding the circumstances and the interaction own source revenue has on other ratios and operations in general.

In the Shire's case, this is the most respectable (in the context of the target guidelines provided) of all of the statutory ratios in 2014.

Asset Renewal Funding Ratio

It was not possible to calculate this ratio as the Shire's Asset Management Plan and Long Term Financial Plan did not have yearly totals of required capital renewal expenditure and planned capital renewal expenditure for each of the 10 years forecasted. This information is necessary for the calculation of the net present value (NPV) of capital renewal expenditure and planned capital renewal expenditure required by the ratio.

To enable proper calculation of this ratio and to help identify gaps between planned and required capital expenditure, Council should consider updating the Shire's Asset Management Plan and Long Term Financial Plan with yearly totals of the required capital renewal expenditure and planned capital renewal expenditure forecasted.

Summary

One off assessments of ratios at a particular point in time can only provide a snapshot of the financial position and operating predicament of the Shire.

As is the case with all ratios and indicators, their interpretation is much improved if they are calculated as an average over time with the relevant trends being considered.

In the case of asset ratios, it also helps to reduce skewing caused by large scale intermittent investment in major infrastructure.

We will continue to monitor the financial position and ratios in future financial years and suggest it is prudent for Council and management to do also as they strive to manage the scarce resources of Council.

We noted no other matters we wish to bring to your attention.

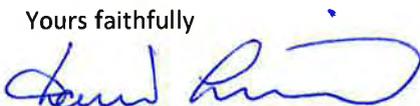
UNCORRECTED MISSTATEMENTS

We advise there were no uncorrected misstatements noted during the course of our audit.

We take this opportunity to thank all staff for the assistance provided during the audit.

Should you wish to discuss any matter relating to the audit or any other matter, please do not hesitate to contact us.

Yours faithfully



DAVID TOMASI
PARTNER

Encl.

6.2 ACTING CHIEF EXECUTIVE OFFICER'S REPORT ON THE REVIEW OF SYSTEMS AND PROCEDURES RELATING TO RISK MANAGEMENT, INTERNAL CONTROL AND LEGISLATIVE COMPLIANCE

| | |
|----------------------------------|--|
| DATE: | 4/02/2015 |
| PROPONENT: | Shire of Wyndham East Kimberley |
| LOCATION: | Shire of Wyndham East Kimberley |
| AUTHOR: | Natalie Octoman, Director Corporate Services |
| REPORTING OFFICER: | Kevin Hannagan, Acting Chief Executive Officer |
| FILE NO: | FM.02.8 |
| DECLARATION OF INTERESTS: | Nil |

PURPOSE

For the Audit (Finance and Risk) Committee to review the Chief Executive Officer's report on the appropriateness and effectiveness of the Shire's systems and procedures in relation to risk management, internal control and legislative compliance and to report to the Council the results of the review.

BACKGROUND

The *Local Government (Audit) Regulations 1996* prescribe the requirements for local government in relation to the engagement of auditors, the annual compliance audit return and the functions of the audit committee.

In February 2013 the Department of Local Government released Circular No. 05-2013 advising local governments of amendments to the *Local Government (Audit) Regulations 1996* which would be gazetted on 8 February 2013 and come into effect on 9 February 2013.

The amendments extend the functions and responsibilities of the Audit (Finance and Risk) Committee to include reviewing the effectiveness of the local government's systems in regard to risk management, internal control and legislative compliance.

Specifically, the amendments require a local government's Chief Executive Officer to review, at least once every two years, the appropriateness and effectiveness of the local government's systems and procedures in regard to risk management, internal control and legislative compliance, and provide a report of that review to the local government's Audit Committee for their consideration.

The Audit (Finance and Risk) Committee is to consider the Chief Executive Officer's review and report the results of their consideration of that review to the Council.

This expansion of responsibilities for the Audit (Finance and Risk) Committee is intended to enable local governments to better manage legislative compliance within their own timeframes and with increased transparency and involvement for elected members.

STATUTORY IMPLICATIONS

Regulations 16(a) and 16(b) in relation to the Audit (Finance and Risk) Committee providing assistance to the local government remain unchanged. A new section 16(c) was inserted and states:

Local Government (Audit) Regulations 1996

16. Audit committee, functions of

An audit committee —

- (c) is to review a report given to it by the CEO under regulation 17(3) (the CEO's report) and is to —
- (i) report to the council the results of that review; and
 - (ii) give a copy of the CEO's report to the council.

[Regulation 16 inserted in Gazette 31 Mar 2005 p. 1043; amended in Gazette 8 Feb 2013 p. 867.]

17. CEO to review certain systems and procedures

- (1) The CEO is to review the appropriateness and effectiveness of a local government's systems and procedures in relation to —
- (a) risk management; and
 - (b) internal control; and
 - (c) legislative compliance.
- (2) The review may relate to any or all of the matters referred to in subregulation (1)(a), (b) and (c), but each of those matters is to be the subject of a review at least once every 2 calendar years.
- (3) The CEO is to report to the audit committee the results of that review.

[Regulation 17 inserted in Gazette 8 Feb 2013 p. 868.]

POLICY IMPLICATIONS

The report identifies a range of new policies and policy reviews that are required to be developed or undertaken. All current policies are intended to be reviewed and transferred into a consistent template that outlines the "head of power" and other legislative linkages, including delegations and management instructions for example, however there are no specific policy implications for this report.

FINANCIAL IMPLICATIONS

The initial review was undertaken within the funds set aside in the 2014/15 annual budget. There are no immediate further financial implications associated with this report however it is likely that to implement some of the recommendations that funds and additional staff may be required.

STRATEGIC IMPLICATIONS

Strategic Community Plan 2012-2022

Goal 1: Strong leadership and governance that underpins a more strategic approach to community engagement, regional development and organisational sustainability

Objective 1.4: Business innovation, efficiency and improved service

Strategy 1.4.1: Ensure legislative compliance and follow best practice principles in planning and service delivery

Strategy 1.4.2: Improve the efficiency and productivity of Shire services

COMMUNITY CONSULTATION

There is no community consultation required as part of this report.

COMMENT

This is the first review that the Shire of Wyndham East Kimberley has undertaken in relation to the new legislative requirements, hence the engagement of an external party to assist in the process. UHY Haines Norton is not only the Council's appointed auditors but have numerous other business "arms" whereby advice or assistance may be sought.

It should be noted that while UHY Haines Norton may be the Council's appointed audit firm that was engaged to assist in the review process, that it is an independent area, being the Advisory Services team that undertook the review and not the Audit team.

The Shire engaged the services of UHY Haines Norton to complete the following in relation to the new legislation outlined in Regulation 17 of the *Local Government (Audit) Regulations 1996*:

4. To undertake a high level review of the risk management systems, policies, procedures and plans in place at the Shire;
5. To evaluate the financial internal control systems and procedures at the Shire;
6. To evaluation the operational internal control systems and procedures;
7. To assess systems and processes for maintaining legislative compliance;
8. To develop a 'gap analysis' of any improvements identified during the assessment;
9. To provide in the report, recommendations identified during the assessment of the systems and procedures relating to risk management, internal audit and legislative compliance to assist the Chief Executive Officer assess the appropriateness and effectiveness of these systems and procedures.

Prior to the review being undertaken, management had already recognised a clear need for a Policy review (amongst others), and had commenced this review with the objective being to ensure that policies were up-to-date; version control could be applied; review programs could be implemented; responsible officers assigned; and to enhance overall knowledge management within the organisation given the high turnover of staff and the inherent risks that apply. To this end, the final document would be a complete Policy Manual which incorporates all current Council approved policies that then lead into management instructions, work instructions and eventually position descriptions.

Effectively all policies, management instructions and work instructions would refer to a "head of power", being the applicable legislation which again, would further enhance the

understanding of why local government is required to undertake particular functions and it would also assist in ensuring legislative compliance across the organisation.

This is considered to be a mammoth exercise that was clearly to be staged over a few years, and certainly not able to be completed within a 12 month period given the workloads already on current staff; however management were quite clear in communications with staff that this was the overall aim.

The review by UHY Haines Norton has identified and documented many areas that require addressing. The Shire has been provided the opportunity to incorporate management comments and has also assigned responsible officers to each of the actions identified as part of the overall improvement program (of which there are 44 actions).

The report provided to the Audit (Finance and Risk) Committee is effectively part of a broader continuous improvement program which will need to be balanced with outcomes identified in the Corporate Business Plan along with other reviews that have either been recently completed or are still underway. Some of the reviews include the following:

- (1) Detailed Financial Systems and Processes Risk and Efficiency Review;
- (2) DLGC Business Improvement Review – in conjunction with the Zone;
- (3) Procurement Review;
- (4) Probity Review;
- (5) Local Laws Review;
- (6) Delegations and Sub-Delegations Review;
- (7) A Complete Policy Review;
- (8) Mid-Year Budget Review
- (9) Establishing the 2015-16 Budget and Long Term Financial Plan;
- (10) Corporate Business Plan Realignment and Review – tied into the review of informing plans and strategies such as the Asset Management Plan, Forward Capital Works Plan, Workforce Plan, People Plan, ICT Strategy and Plan, Long Term Financial Plan;
- (11) Development of a Complaints Policy;
- (12) Development of a Customer Service Charter;
- (13) Development of a Communications Policy.

There are some key areas in relation to risk management, legislative compliance and internal controls that are being undertaken currently, and will continue to be undertaken or improved upon:

Financial Services Review

During the period of November 2012 to January 2013 an independent Financial Services Review was undertaken where there was a review and assessment of the finance unit and the development of recommendations for business improvement. The report recommendations were however, broader than just the finance team and included organisation-wide improvements, many of which have been implemented, are ongoing as part of good business practice, or are in the process of being implemented.

Compliance Audit Return

The Shire continues to complete the annual Compliance Audit Return and submit it to the Department of Local Government by the required deadline. The Return focuses on key areas of legislation and the Shire has outlined the specific areas where non-compliance may exist and focussed on these areas for improvement. The Return is presented to the Audit (Finance and Risk) Committee and the Council.

External Audit Services

Annual financial audit – As required by section 7.2 of the *Local Government Act 1995*, the Shire appointed UHY Haines Norton to audit its accounts and annual financial report. The contract period for UHY Haines Norton expires at the end of June 2015 and the Shire is currently undertaking a Request for Quotation process to enter into a 5-year contract with suitably qualified consultants (which is the subject of a separate report).

Four yearly review of financial management systems – As required by Regulation 5(2)(c) of the *Local Government (Financial Management) Regulations 1996*, the Shire undertook its last review and reported the results to the May 2014 Audit (Finance and Risk) Committee meeting.

It should be recognised that the Shire has however, made some significant in-roads in developing and enhancing corporate financial governance over the past 12 months, and will continue to review and improve its policies, systems and processes to ensure more effective monitoring of risk management programs, the maintenance of sound internal controls, and that a strong attitude toward legislative compliance is further developed in all areas of the organisation.

ATTACHMENTS

Attachment 1 - Report on a Review of Risk Management, Legislative Compliance and Internal Controls – UHY Haines Norton.

Attachment 2 – Local Government Operational Guidelines – Number 09 – Revised September 2013 “*Audit in Local Government*”.

VOTING REQUIREMENT

Simple Majority

OFFICER'S RECOMMENDATION 1

That the Audit (Finance and Risk) Committee:

1. Notes the results of the Chief Executive Officer's review on the appropriateness and effectiveness of the Shire's systems and procedures in relation to risk management, internal control and legislative compliance;
2. Notes that the implementation of the improvements outlined in the report will be utilising a staged approach;
3. Reports to the Council the results of the review; and
4. Provides a copy of the report to the Council.

COMMITTEE RESOLUTION 1

Minute: AC331

Moved: Cr B Robinson

Seconded: Cr D Spackman

That the Audit (Finance and Risk) Committee:

- 1. Notes the results of the Chief Executive Officer's review on the appropriateness and effectiveness of the Shire's systems and procedures in relation to risk management, internal control and legislative compliance;**
- 2. Notes that the implementation of the improvements outlined in the report will be utilising a staged approach;**
- 3. Reports to the Council the results of the review; and**
- 4. Provides a copy of the report to the Council.**

Carried unanimously 4/0

OFFICER'S RECOMMENDATION 2

That the Audit (Finance and Risk) Committee recommends to the Council that it:

1. Notes the Chief Executive Officer's report of the appropriateness and effectiveness of the Shire's systems and procedures in relation to risk management, internal control and legislative compliance.

COMMITTEE RESOLUTION 2

Minute: AC332

Moved: Cr B Robinson

Seconded: Cr D Spackman

That the Audit (Finance and Risk) Committee recommends to the Council that it:

1. **Notes the Chief Executive Officer's report of the appropriateness and effectiveness of the Shire's systems and procedures in relation to risk management, internal control and legislative compliance.**

Carried unanimously 4/0

SHIRE OF WYNDHAM-EAST KIMBERLEY

REPORT ON A REVIEW OF

RISK MANAGEMENT, LEGISLATIVE COMPLIANCE AND INTERNAL CONTROLS

FEBRUARY 2015



*Powerful insights
Astute advice*

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BACKGROUND

SCOPE OF SERVICES

The Shire of Wyndham-East Kimberley engaged the services of UHY Haines Norton (WA) Pty Ltd to provide the following services in relation the *Local Government (Audit) Regulation 1996*:

- To undertake a high level review of the risk management systems policies, procedures and plans in place at the Shire;
- To evaluate the financial internal control systems and procedures at the Shire;
- To evaluate the operational internal control systems and procedures at the Shire;
- To assess systems and processes for maintaining legislative compliance;
- Develop a 'gap analysis' of any improvements identified during this assessment; and
- To provide in our report, recommendations identified during our assessment of the systems and procedures relating to risk management, internal audit and legislative compliance to assist the Chief Executive Officer assess the appropriateness and effectiveness of these systems and procedures.

REVIEW REQUIRED BY LEGISLATION

The *Local Government (Audit) Regulation 1996*, Regulation 17, requires the following:

- 1) *The CEO is to review the appropriateness and effectiveness of a local government's systems and procedures in relation to —*
 - (a) *risk management; and*
 - (b) *internal control; and*
 - (c) *legislative compliance.*
- 2) *The review may relate to any or all of the matters referred to in sub regulation (1) (a), (b) and (c), but each of those matters is to be the subject of a review at least once every 2 calendar years.*
- 3) *The CEO is to report to the audit committee the results of that review.*

This is the inaugural review undertaken in response to Regulation 17 and our report is prepared for the Chief Executive Officer (CEO) to assist with the task of achieving compliance with the legislation.

In accordance with Regulation 16(c) of the Audit Regulations, the Audit (Finance and Risk) Committee is required to review a report prepared by the CEO, and then report to the Council the results of the Committee's review, at the same time attaching a copy of the CEO's report.

Operational guidelines prepared by the Department of Local Government and Communities (Audit in Local Government, number 09, September 2013) provides background to the expected outcomes of the review. An extract of the relevant content of the operational guideline number 09 has been reproduced at **Appendix E**.

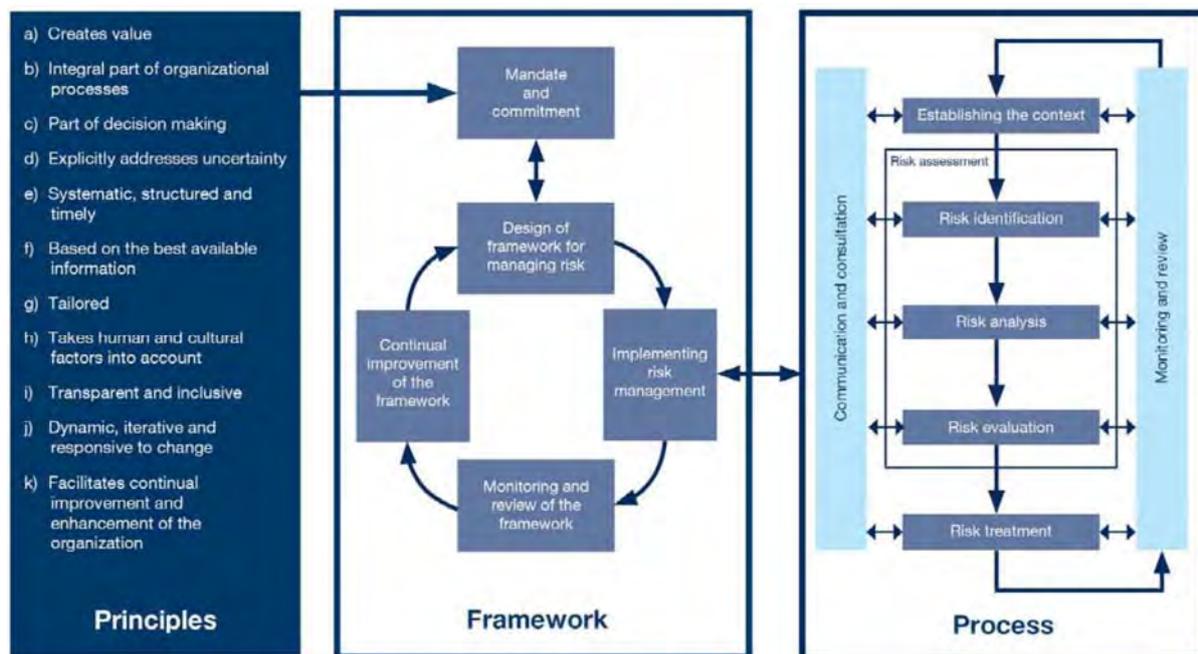
INTRODUCTION

REVIEW METHODOLOGY

The primary goal of this review is to assist the CEO of the Shire of Wyndham East Kimberley to establish the appropriateness and effectiveness of the Shire of Wyndham East Kimberley's systems and procedures in relation to risk management, legislative compliance and internal controls.

The Australian Standard for Risk Management (ISO 31000) outlines three components in the application of Risk Management being; Principles, Framework and Process as set out in Diagram 1 below. Internal controls are part of risk treatment within the risk management process, and legislative non-compliance is one of the risks that would be identified as part of applying the risk management process.

Diagram 1. Risk Management principles, framework and process



(Standards Australia/Standards New Zealand, 2009)

In undertaking our review, we have applied the ISO 31000 framework component, as set out above, to each of the three review topics (risk management, internal controls and legislative compliance). This involved a review that incorporates the five framework components being mandate and commitment, framework design, implementation, monitoring and continuous improvement as follows:

- Identify the extent of commitment and mandate to the principles;
- Establish an appropriate framework for each review component (risk management, legislative compliance and internal controls) after considering the overall context in which the review occurs;
- Assess the appropriate framework against the current framework;
- Assess the implementation of the current framework;
- Assess the degree of monitoring of the current framework and its effectiveness;
- Assess the gaps (if any) between the current framework and the identified appropriate framework and document improvements; and
- Report on the appropriateness and effectiveness of current systems and procedures.

INTRODUCTION (CONTINUED)

STRATEGIC COMMUNITY PLAN

The Shire’s Strategic Community Plan (2012-2022) and the Corporate Business Plan (2015-2018) identify the Council’s organisational objectives and key outcomes as it seeks to achieve its vision and mission being:

‘Vision: For the East Kimberley to be a thriving community with opportunities for all.’

‘Mission: To enable the East Kimberley to develop in a manner that will achieve social, cultural, economic and environmental benefits for all.’

The Strategic Community Plan was developed based on the following three strategic goals:

- **Goal 1:** Strong leadership and governance that underpins a more strategic approach to community engagement, regional development and organisational sustainability;
- **Goal 2:** Greater returns from regional investment to ensure sustainable provision of appropriate physical and social infrastructure; and
- **Goal 3:** Protection and enhancement of lifestyle values, community facilities and the environment to provide safe and inviting communities.

In striving to achieve its goals the Shire of Wyndham East Kimberley faces many risks, both inherent and business risks, at the same time fulfilling an expectation it will also maintain compliance with numerous legislative requirements. To manage these risks and comply with legislation, the Shire has established various processes, systems and controls.

This review examines the appropriateness and effectiveness of the organisations risk management systems and internal controls in the context of the Shire striving to achieve its stated goals. A number of strategies in the Strategic Community Plan relate to risk management, legislative compliance or internal controls, as set out below:

| GOAL | OUTCOME | STRATEGIES |
|---|---|---|
| Goal 1: Strong leadership and governance that underpins a more strategic approach to community engagement, regional development and organisational sustainability. | 1.4 Business innovation, efficiency and improved service. | 1.4.1 Ensure legislative compliance and follow best practice principles in planning and service delivery. |
| | | 1.4.2 Improve the efficiency and productivity of Shire services. |
| | | 1.4.3 Maintain Council’s long term financial viability. |
| | | 1.4.4 Deliver cost effective and efficient corporate services. |
| | | 1.4.5 Attract and maintain a skilled, motivated and professional workforce. |

REVIEW CONTEXT

REVIEW CONTEXT AT THE SHIRE OF WYNDHAM-EAST KIMBERLEY

It is important to understand the external and internal context in which the Shire of Wyndham East Kimberley operates relevant to risk, the internal control environment and the task of legislative compliance. That is, to understand the environment in which the Shire seeks to achieve its strategic goals. The external and internal influences identified during the review are set out below:

EXTERNAL FACTORS

INTERNAL FACTORS

| | |
|---|---|
| Increasing community expectations in relation to service levels and service delivery. | The goals and strategies contained in the Council's current Strategic Community Plan. |
| Rapid changes in information technology changing the service delivery environment. | The timing and actions contained in Council's Corporate Business Plan. |
| Increase compliance requirements due to Government Policy and Legislation. | The current organisational size, structure, activities and location. |
| Cost shifting by Federal and State Governments. | The current human resourcing levels and turnover rate. |
| Reducing external grant funding for infrastructure and operations. | The current financial capacity. |
| Land and housing availability and affordability. | The maintenance of corporate records. |
| Native title processes. | |

A number of the above factors will influence the Shire's appetite for risk, being the level of risk the organisation is willing to retain or pursue through the setting of risk criteria and policy.

Understanding risk appetite helps determine the level of acceptable/unacceptable risk in relation to breaches of legislation and controls and the extent additional controls are required to treat risk.

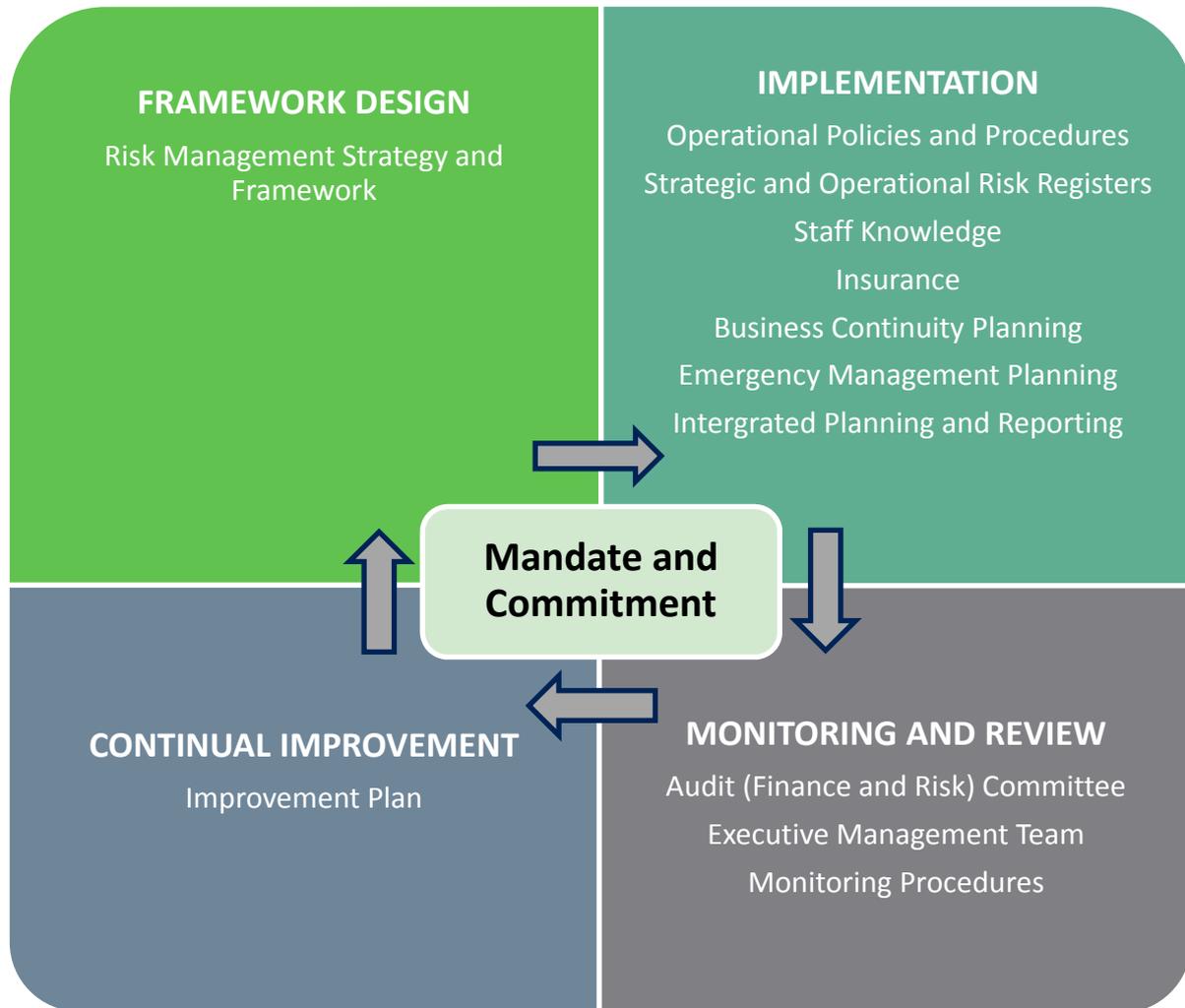
As a public body, there is a public expectation the Shire will maintain a low appetite for the risk of non-compliance with legislation and policy in order to maintain the organisation's reputation and to protect public funds from loss or misappropriation.

The appetite for risk in relation to service delivery, finance, health, safety and the environment is considered to be 'low' to 'medium', requiring treatment with effective internal controls. Where the level of risk is considered 'high' or 'extreme', additional controls are required to reduce the level of risk. In circumstances where the level of risk cannot be reduced below that of 'high', close monitoring of internal controls are required to ensure these controls remain effective.

RISK MANAGEMENT FRAMEWORK

The following risk management framework was identified as being appropriate for the Shire of Wyndham-East Kimberley after consideration of the current internal and external influences.

RISK MANAGEMENT FRAMEWORK



The results of our review of the current risk management systems and procedures against the above framework are detailed in **Appendix A** and summarised on the following page.

RISK MANAGEMENT FRAMEWORK (CONTINUED)

APPROPRIATENESS

At present, there is no documented policy, strategy or framework to guide the Shire of Wyndham-East Kimberley in developing, implementing and monitoring an effective risk management system. Bearing in mind the size, resources, operations and the context in which the Shire operates, a documented risk management strategy and framework supported by Council Policy is considered necessary to ensure strategic and operational risks are appropriately considered.

The current Australian Standard for Risk Management (ISO 31000) is viewed as the most appropriate approach to risk management and should guide the Shire in its development of a documented strategy, framework and policy for risk management.

Risk management practices are evident in activities such as Occupational Safety and Health and for Airport Operations in response to specific requirements however in these isolated cases practices are not consistent. For example, documented risk management practices at the Airport are based on the previous risk management standard and not the current standard.

EFFECTIVENESS

Currently there are a number of informal risk management practices and activities being undertaken, however they are not being measured and monitored making it difficult to assess their effectiveness. A lack of significant adverse risk events is not considered a reliable indicator of the effectiveness of these current practices.

RISK MANAGEMENT IMPROVEMENTS

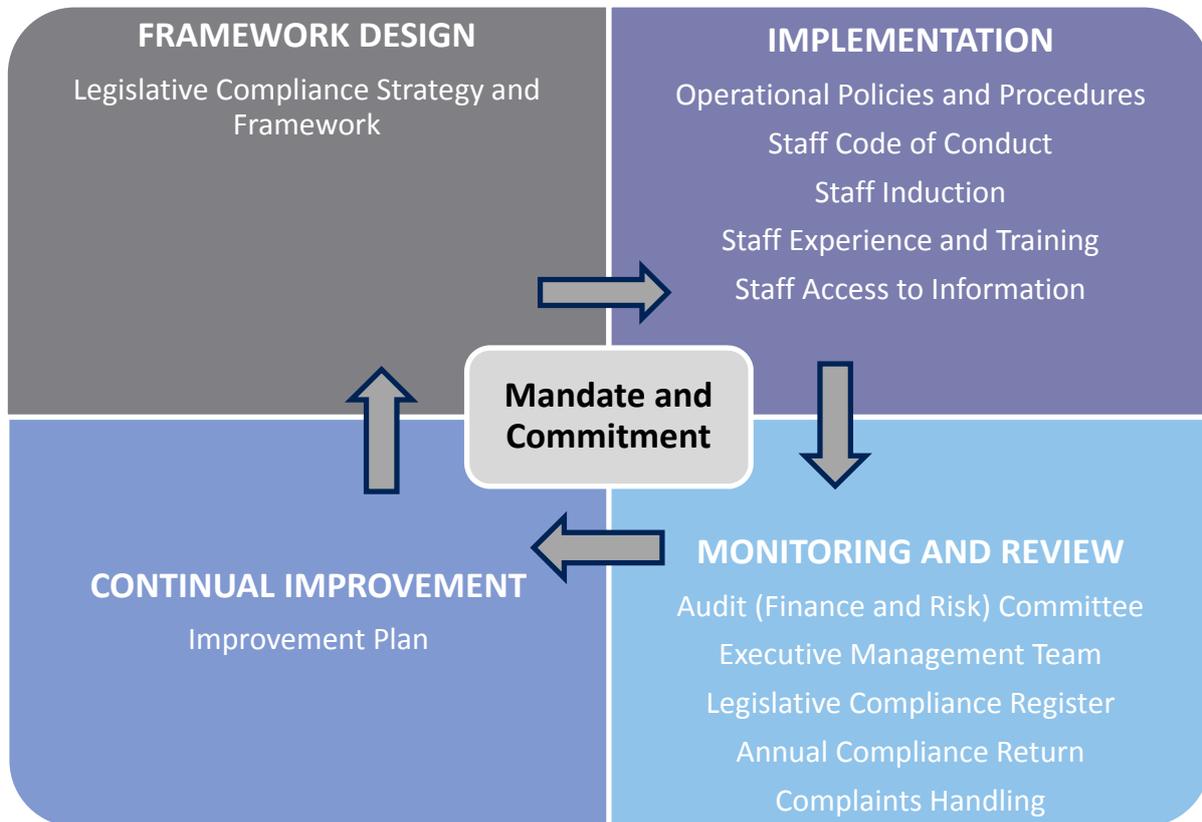
Improvements to risk management processes are detailed as an attachment at **Appendix A**, with selected matters highlighted below:

- As a matter of high priority, formation of an effective Business Continuity Plan, including updating and expanding current Disaster Recovery Plans;
- The establishment of a risk management strategy and framework (supported by Council Policy) aligned to ISO 31000 to guide the implementation of risk management and its role in supporting decision making and the business processes of the Shire of Wyndham-East Kimberley;
- Establishment of a Risk Management Working Group to oversee and progress implementation of the proposed risk management strategy and framework;
- The inclusion of risk management as a topic within the staff induction process to assist employees gain a common understanding of their role in the reporting and treatment of identified risks;
- The inclusion of 'Key Risks' as a topic within Council agenda items to encourage consideration of risk at the point of decision making;
- The regular reporting of high and extreme risk and their associated treatment to the Audit (Finance and Risk) Committee; and
- Documented risk management processes and procedures for significant operational planning.

LEGISLATIVE COMPLIANCE FRAMEWORK

The following legislative compliance framework was identified as being appropriate for the Shire of Wyndham-East Kimberley after consideration of the current internal and external influences.

LEGISLATIVE COMPLIANCE FRAMEWORK



The results of our review of the current legislative compliance systems and procedures against the above framework is set out in **Appendix B** and summarised on the following page.

LEGISLATIVE COMPLIANCE FRAMEWORK (CONTINUED)

APPROPRIATENESS

Presently, the Shire completes the Annual Compliance Audit Return in relation to compliance with the *Local Government Act 1995* however, no formal documented processes surround the Shire's approach to overall legislative compliance across the Organisation.

In smaller local governments, maintaining legislative compliance is heavily reliant on the knowledge, experience and commitment of the CEO and key senior staff as they act to identify and prevent breaches of legislation. As a local government grows in size and activity the capacity of the CEO and senior staff to directly influence legislative compliance diminishes. As growth occurs other controls such as dedicated policies and procedures are required to ensure legislative compliance is maintained. However, maintaining a motivated, stable, experienced and knowledgeable senior management group is still one of the most important controls.

Considering the size and operations of the Shire of Wyndham-East Kimberley and that local governments generally have an inherently low risk appetite for breaches of legislation, a documented legislative compliance strategy is considered appropriate at the Shire to help reduce the risk of legislative compliance breaches at times of key staff turnover and competing priorities.

EFFECTIVENESS

In the instances where the effectiveness was able to be assessed, the current legislative compliance control procedures and systems, although largely informal, are considered to be operating effectively.

There were compliance breaches noted within the latest Annual Compliance Audit return, as well as issues identified during the review. Where appropriate, the Executive Management undertook immediate action to rectify the breaches.

IMPROVEMENTS

Improvements to the current framework, procedures and systems for Legislative Compliance are attached at **Appendix B**, with key issues highlighted below:

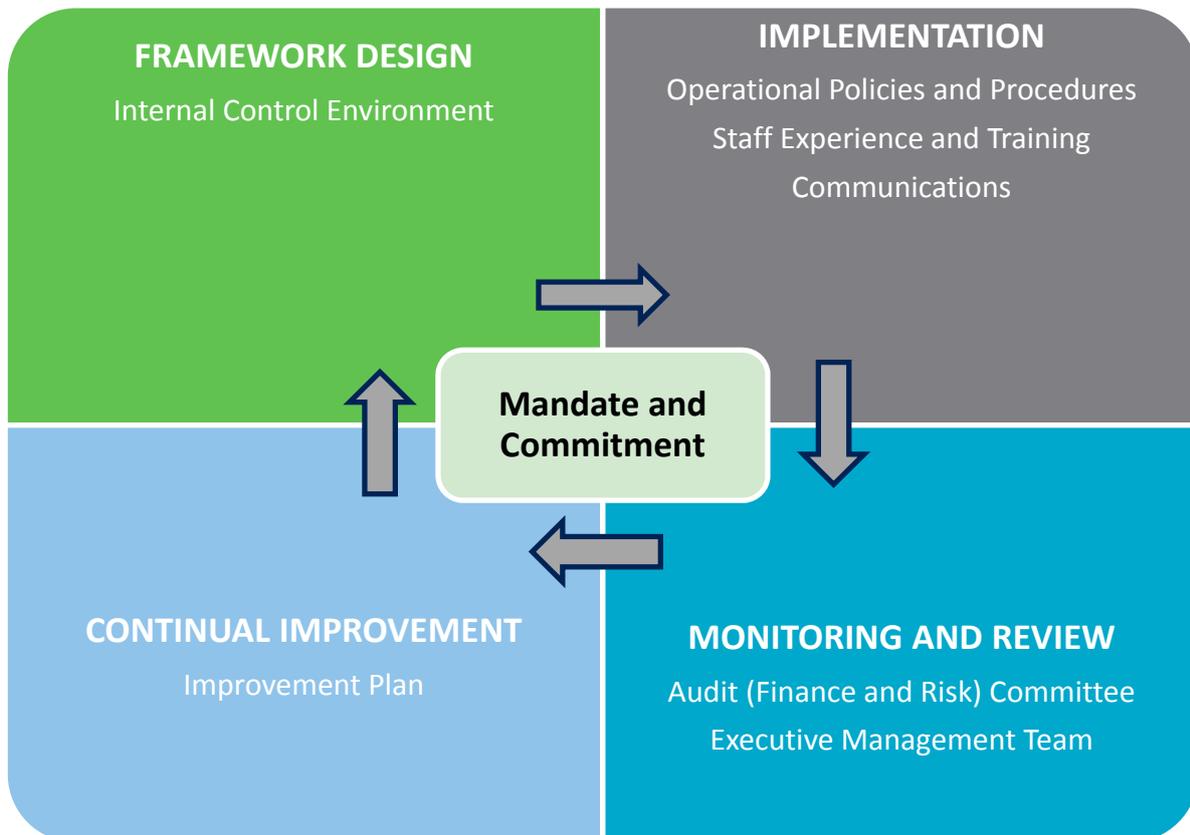
- The establishment of a Legislative Compliance strategy and framework to identify practices supporting legislative compliance throughout the organisation;
- The development of a risk based training matrix to ensure senior staff with the responsibility for preventing, identifying and reporting breaches of legislation are offered relevant training to ensure their knowledge of legislative requirements remains current;
- The code of conduct be amended to incorporate the requirement to report identified breaches of legislation to an appropriate Officer; and
- The staff induction process to include the topic of legislative compliance and draw attention to the requirements in the code of conduct.

INTERNAL CONTROL FRAMEWORK

INTERNAL CONTROL ENVIRONMENT AND FRAMEWORK

The following internal control environment and framework was identified as being appropriate for the Shire of Wyndham-East Kimberley after consideration of the current internal and external influences.

INTERNAL CONTROL ENVIRONMENT FRAMEWORK



The results of our review of the current internal control systems and procedures against the above framework is set out in **Appendix C** and summarised on the following page.

We undertook a high level review of internal controls which precluded detailed testing of all internal controls. During our review certain internal control weaknesses were noted and these are set out at **Appendix D** along with associated improvements.

INTERNAL CONTROL FRAMEWORK (CONTINUED)

APPROPRIATENESS

Considering the size, resources, operations and the context in which the Shire of Wyndham-East Kimberley currently operates, the Shire's existing internal control framework, procedures and systems require improvement to be generally considered appropriate.

Implementation of a risk based approach to internal controls is considered to be the most appropriate approach to improving the current internal controls.

EFFECTIVENESS

Whilst current internal controls generally require improvement to be considered appropriate, the controls in place are generally operating effectively, a number of weaknesses in the current internal control framework, procedures and systems have been identified by management and are being addressed.

Use of well documented operating procedures and increased reporting is essential to ensure the effectiveness of internal control systems given the current high staff turnover at the Shire.

IMPROVEMENTS

Improvements to the current framework, procedures and systems for internal controls are set out in **Appendix C**, with key recommendations summarised as follows:

- The development of an Internal Control Policy which uses a risk based approach to internal control development and assessment. Approaching the development of internal controls this way has the potential to increase the efficiency and effectiveness of controls across the organisation as controls are applied and maintained in response to an assessment of an identified risk;
- The Executive Management Team develops key financials indicators to assist in the monitoring and recognition of adverse financial trends and in assessing the risk of capital projects on future operating results and cash flows;
- The Audit (Finance and Risk) Committee meet more frequently to review identified internal control weaknesses and to consider long term financial trends and the financial impact of major projects on future operational finances;
- A documented procedure be developed to formalise communication with the Staff when policies and procedures are modified and a centralised process for access to the current policies and procedures be developed;
- Increased monitoring of internal controls through increased management reporting; and
- The review and updating of numerous policies and procedures.

As the Shire is an existing audit client, with permission, we have been able to rely on the information from our audit files to determine the status in respect of the financial control systems. Our approach was to review the last financial management review carried out in April 2014 and/or any specific internal audit work they have had performed.

In some instances, depending on the outcome of our analysis, we performed some limited additional testing however, in most instances, we have been able to draw adequate conclusions from information to hand.

MONITORING AND COMPLIANCE

Developing and implementing systems and procedures for risk management, legislative compliance and internal controls can be a time consuming and expensive with an ongoing potential to divert resources away from direct services.

After implementing these systems, it is important to maintain processes that regularly monitor and assess their effectiveness to ensure they continue to meet their intended purpose.

Over time, the relevancy of the control may change, its purpose may be forgotten, or technology may offer a more effective and efficient way to achieve the initial goal. For all these reasons, formal risk based review procedures are required to ensure the resources applied to maintaining these systems, practices and controls are used in the most efficient way.

It is suggested the Executive Management Team (EMT) review the results of the monitoring and compliance program for Risk Management, Legislative Compliance and Internal Controls at their regular meetings with summary reports presented to the Audit (Finance and Risk) Committee on a regular basis.

OTHER

BIBLIOGRAPHY

Standards Australia/Standards New Zealand. (2009). *AS/NZS ISO 31000:2009 Risk management - Principles and guidelines*.

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DOCUMENT DATE

5th February 2015

RISK MANAGEMENT FRAMEWORK REVIEW

RM 1.0 Framework Design

| No. | FRAMEWORK COMPONENTS | PURPOSE/GOAL | APPROPRIATENESS | EFFECTIVENESS | IMPROVEMENTS | MANAGEMENT COMMENTS | RESPONSIBLE OFFICER |
|--------|---|--|--|---|---|---|-----------------------------|
| RM 1.1 | Risk Management Strategy or Framework | A documented strategy and framework to support risk management policy. | No risk management strategy or framework has been developed. The appropriateness of a strategy and framework should be determined with reference to ISO 31000. | Effectiveness cannot be determined as no strategy or framework is currently documented. | That a risk management strategy and framework be developed to guide and support the implementation of risk management at the Shire of Wyndham-East Kimberley. | Agreed. Risk Management Framework and Strategy to be developed | Director Corporate Services |
| RM 1.2 | Council Policy - Risk Management Policy | To evidence the Council's commitment to incorporating risk management practices into decision making and to describe its role in the Organisation. | Council has not developed or adopted a risk management policy. | Not applicable. | That a risk management policy (including an organisational risk matrix) be developed for adoption by the Council. | While a Policy is yet to be developed, an organisational risk matrix (through Interplan) was developed and reported to the Committee back in August 2013, however this requires review. | Director Corporate Services |

RISK MANAGEMENT FRAMEWORK REVIEW (CONTINUED)

RM 2.0 Implementation

| No. | FRAMEWORK COMPONENTS | PURPOSE/GOAL | APPROPRIATENESS | EFFECTIVENESS | IMPROVEMENTS | MANAGEMENT COMMENTS | RESPONSIBLE OFFICER |
|--------|---------------------------------------|---|---|--|---|---|--------------------------------|
| RM 2.1 | Management Procedure – Safety at Work | Management procedures designed to minimise the risk of work based injury or death. | Currently included as part of the Induction booklet. The procedure appears appropriate for the Shire of Wyndham-East Kimberley. | The procedure appears effective in so far as incidents/accidents and hazards are recorded. | No further action. | Agreed. | Chief Executive Officer |
| RM 2.2 | Insurance Strategy or Policy | A policy to provide guidance to Officers as to the management of risk through insurance. | No documented policy in existence. | Effectiveness is unable to be determined in the absence of a documented policy. | That an Insurance Strategy and Policy be developed to provide clarity on issues such as the level of self-insurance, the adequacy of cover and the basis of the valuation of the insured assets. | Agreed. To be developed as part of the 2015-16 insurance review process. | Director Corporate Services |
| RM 2.3 | Risk Management Working Group | A working group to progress the implementation of risk management across the organisation and to monitor risk management practices. | No working group currently in place with no Risk Management Policy or framework available | Unable to assess in the absence of a risk management policy or framework. | That a working group be established and maintained to progress and oversee the implementation of the proposed Risk Management Strategy and Framework. | Suggest that the Terms of Reference for the Leadership Team be modified to incorporate risk management. | Director Community Development |
| RM 2.4 | Staff Induction | To ensure new staff are alert to their obligations under risk management, OSH risks and the expectation they report breaches of controls and other risk related incidences. | The topic of risk management is not included within the induction process. | Our review established that although OSH Induction is currently undertaken evidence of the inductions are not always recorded within the personnel file. | That long term employees be the subject of a re-induction process to ensure they are aware of changes to risk management and OSH risks procedures since their initial induction. That records of inductions are maintained within staff personnel files. | Agreed. | Chief Executive Officer |

RISK MANAGEMENT FRAMEWORK REVIEW (CONTINUED)

RM 2.0 Implementation

| No. | FRAMEWORK COMPONENTS | PURPOSE/GOAL | APPROPRIATENESS | EFFECTIVENESS | IMPROVEMENTS | MANAGEMENT COMMENTS | RESPONSIBLE OFFICER |
|--------|--|--|---|---|---|---|-----------------------------|
| RM 2.5 | OSH Committee | A working committee has been established to implement OSH strategy and procedures. | A risk based assessment of OSH issues is not included within committee minutes. | Currently a documented risk based prioritisation of OSH is not undertaken. | That a risk based assessment of OSH issues be undertaken by the working committee and included within minutes to enable prioritisation of risk treatments. | Confirmed that the hazard and incident register is reviewed by the OSH Committee and it is considered as an appropriate record. | Chief Executive Officer |
| RM 2.6 | Business Continuity Plan | To plan for the prevention, response and recovery from events that may threaten the capacity of the Shire of Wyndham-East Kimberley to continue to provide services and good governance to the District. | No Business Continuity Plan currently exists. | The effectiveness of a plan is unable to be determined. | That an effective documented Business Continuity Plan be developed including relevant disaster recovery plans. That, once adopted, the Plan's effectiveness is regularly tested. | ICT component of a Business Continuity Plan is scheduled to commence in the coming months. Will need to ensure that it incorporates all other areas also. | Director Corporate Services |
| RM 2.7 | Local Emergency Management Plan 2014 Draft | A plan is prepared in accordance with the requirements of Emergency Management Act 2005 [s.41(4)] and State Emergency Management Policy 2.5 | Local Emergency Management Arrangements have been developed. It is unclear whether these have been finalised or reviewed. | The arrangements have not been reviewed in accordance with Part 5 of the arrangements to confirm their effectiveness. | That the status of the plan be clarified and its effectiveness be tested. | Agreed. | Director Infrastructure |

RISK MANAGEMENT FRAMEWORK REVIEW (CONTINUED)

RM 2.0 Implementation

| No. | FRAMEWORK COMPONENTS | PURPOSE/GOAL | APPROPRIATENESS | EFFECTIVENESS | IMPROVEMENTS | MANAGEMENT COMMENTS | RESPONSIBLE OFFICER |
|--------|---|---|---|---|--|--|-----------------------------|
| RM 2.8 | Records Disaster Management Plan | A plan prepared to minimise the risk of loss of records in the event of a disaster. | The plan does not identify or treat any risks. Risk assessments within the plan should be undertaken in accordance with the Shire's overall Risk Management strategy or framework (to be developed). Backups of electronic records are currently held at the bank which is considered to be appropriate. | The review recorded instances were not all recorded in the records management system and filed appropriately. | That the Plan be amended to: <ul style="list-style-type: none"> ○ Consider risks in accordance with the proposed Risk Management Policy and the associated Strategy and Framework. ○ Provide for the timely electronic storing of all records. ○ Require electronic records to be routinely backed up and stored at sufficiently remote geographic location to reduce the risk of the impact of a common disaster event. ○ Require routine testing to ensure currency and completeness of restored data backups. | While backups do currently take place, this is not reflected in the plan, which will require review to incorporate the improvements mentioned. | Director Corporate Services |
| RM 2.9 | Council Policies and Work instructions relating to Occupational Health and Safety | To provide a risk based approach to ensuring occupational health and Safety of all staff, volunteers, contractors and visitors on Shire assets. | With 17 different Council Policies covering different aspects of Occupational Health and Safety the risk of conflicting policies exist. The policies have not been reviewed since 2008 and do not take a risk based approach to OSH. | Our review noted, a number of incidents have been recorded in the incident/accident register. We were unable to determine if any incidents/accidents have remained unreported or how many incidents were preventable. | That one overarching OSH policy be developed to provide a clear Council policy on utilisation of a risk based approach to Occupational Health and Safety. Detailed procedures should then be developed and constantly reviewed to cover the many areas of Occupational Health and Safety. | Agreed. | Chief Executive Officer |

RISK MANAGEMENT FRAMEWORK REVIEW (CONTINUED)

RM 2.0 Implementation

| No. | FRAMEWORK COMPONENTS | PURPOSE/GOAL | APPROPRIATENESS | EFFECTIVENESS | IMPROVEMENTS | MANAGEMENT COMMENTS | RESPONSIBLE OFFICER |
|---------|--|---|---|--|--|---------------------|-------------------------|
| RM 2.10 | Council Policy OHS4 - Occupational Safety and Health Reporting | To ensure all accidents and/or injuries to Council employees are reported as soon as possible after the accident/incident occurs. | The procedure appears generally appropriate. We note, the procedure does not include a number of items which we have detailed in the improvements column. | We were unable to determine if any incidents/accidents have remained unreported. | That the procedure be amended to: <ul style="list-style-type: none"> ○ Consider the issue of liability acknowledgment; ○ Provide clarity as to who contractors, temporary personnel, service personnel and volunteers should report incidents or hazards to; ○ Implement controls to ensure procedure is followed at all times, in particular ensuring relevant evidence is obtained on a timely basis; and ○ Require the recording of incidents/accidents in the incident/accident register | Agreed. | Chief Executive Officer |
| RM 2.11 | Council Policy OSH7 Emergency Evacuation Procedures. | To ensure that access to and egress from workplaces are kept free from obstruction at all times and that employees are familiar with emergency evacuation procedures. | The policy does not require the routine testing and review of emergency evacuation procedures. | The effectiveness of the policy was not tested. | That the policy be reviewed to utilise a risk based approach and require the routine testing and practice of emergency evacuation procedures | Agreed. | Chief Executive Officer |

RISK MANAGEMENT FRAMEWORK REVIEW (CONTINUED)

RM 2.0 Implementation

| No. | FRAMEWORK COMPONENTS | PURPOSE/GOAL | APPROPRIATENESS | EFFECTIVENESS | IMPROVEMENTS | MANAGEMENT COMMENTS | RESPONSIBLE OFFICER |
|---------|------------------------|---|--|--|--|--|--------------------------------|
| RM 2.12 | Cyclone Procedures | To ensure procedures to be applied when a cyclone information bulletin has been issued. | No cyclone procedures were available. | Effectiveness was unable to be determined. | That documented procedures be developed for when a cyclone information bulletin has been issued for the district. | Agreed. | Director Infrastructure |
| RM 2.13 | Events risk assessment | To require a risk assessment to be undertaken as part of the hosting of community events on Shire property. | The requirement for events to be the subject to a risk assessment prior to approval appears appropriate. | The use of a standardised risk management plan for completion by event hosts and then reviewed by senior officers would be more effective and efficient. | That a standardised risk management plan for completion by event hosts and review by senior officers be developed. | <p>The standard risk management plan is presently completed by Shire officers to determine the risk rating of the proposed event; it is agreed that this process will be reviewed as part of the overall review of the Event Application Process.</p> <p>It was also considered that a register of expected risks should be established for particular locations i.e. events adjoining waterways, etc.</p> | Director Community Development |

RISK MANAGEMENT FRAMEWORK REVIEW (CONTINUED)

RM 2.0 Implementation

| No. | FRAMEWORK COMPONENTS | PURPOSE/GOAL | APPROPRIATENESS | EFFECTIVENESS | IMPROVEMENTS | MANAGEMENT COMMENTS | RESPONSIBLE OFFICER |
|---------|-------------------------|---|--|---|--|---|-------------------------|
| RM 2.14 | Asset Management Policy | Policy is to ensure the Shire has sufficient structure, systems, processes, resources and commitment to deliver asset service outcomes. | The Policy does not provide for a risk based approach to asset management decisions. | Not considered effective as asset management plans were not available for review. | That a review of the asset management policy be undertaken to provide a risk based approach to asset management. | The Shire does have an adopted Asset Management Plan. The plan is aligned with the WA Department of Local Government Asset Management Framework and the IPWEA International Infrastructure Management Manual. Asset Management Plans for all classes of asset are included in it. The Shire has not proposed to develop individual plans for each class of asset. The Policy and Plan are currently under review and can be amended to provide a risk based approach. | Director Infrastructure |

RISK MANAGEMENT FRAMEWORK REVIEW (CONTINUED)

RM 2.0 Implementation

| No. | FRAMEWORK COMPONENTS | PURPOSE/GOAL | APPROPRIATENESS | EFFECTIVENESS | IMPROVEMENTS | MANAGEMENT COMMENTS | RESPONSIBLE OFFICER |
|---------|-----------------------------------|--|--|---|---|--|-----------------------------|
| RM 2.15 | Asset Management Risk Assessment | Inclusion of a risk assessment undertaken as part of development and maintenance of the Shire of Wyndham-East Kimberley Asset Management Plans | Management does not consider the Asset Management Risk assessment to be appropriate and is currently reviewing the Plan. | The effectiveness was unable to be determined. | That an asset management risk assessments be undertaken in accordance with the risk management strategy/framework (to be developed). Treatment plans should be monitored to ensure risks are reduced to a 'medium' level. | The Plan is currently under review and can be amended to incorporate risk assessments | Director Infrastructure |
| RM 2.16 | Workforce Risk Assessment | Inclusion of a risk assessment undertaken as part of the development and maintenance of the Shire of Wyndham-East Kimberley Workforce Plan. | Management does not consider the Workforce Plan risk assessment to be appropriate and is currently reviewing the Plan. | The effectiveness was unable to be determined. | That a workforce plan risk assessment be undertaken in accordance with the risk management strategy/framework (to be developed). Treatment plans should be monitored to ensure risks are reduced to a 'medium' level. | Agreed. | Chief Executive Officer |
| RM 2.17 | Project Specific Risk Assessments | A risk assessment is undertaken as part of a major project brief. | Project specific risk assessments are not undertaken for all major projects. | The effectiveness was unable to be determined. | That procedures be developed to ensure risk assessments are undertaken in accordance with risk strategy and framework (to be developed) prior to their approval. | Agreed. | Chief Executive Officer |
| RM 2.18 | Entity Risk Register | A risk management tool to record the risk management processes for the overall organisation. | The organisation wide risk register held within the corporate software appears appropriate. | The effectiveness of the entity risk register was not able to be determined as register has not been updated routinely. | That the status of the entity risk register be documented in the Risk Management Strategy and Framework (to be developed). That the register be routinely maintained and monitored. | The organisation utilised Interplan to capture the strategic, operational and project risks. This requires review. | Director Corporate Services |

RISK MANAGEMENT FRAMEWORK REVIEW (CONTINUED)

RM 2.0 Implementation

| No. | FRAMEWORK COMPONENTS | PURPOSE/GOAL | APPROPRIATENESS | EFFECTIVENESS | IMPROVEMENTS | MANAGEMENT COMMENTS | RESPONSIBLE OFFICER |
|---------|---|---|--|---|--|---------------------|-------------------------|
| RM 2.19 | Occupational Safety and Health (OSH) Register | To maintain a hazard based register of OSH matters. | An appropriate register of OSH hazards and incidents containing Hazards, Accidents and Incidents has been maintained since March 2014. No record of actions taken to prevent reoccurrence is included. | The register appears effective and is up to date. | That the current register include actions taken to reduce future risks to an acceptable level. | Agreed. | Chief Executive Officer |

RISK MANAGEMENT FRAMEWORK REVIEW (CONTINUED)

RM 3.0 Monitoring and review

| No. | FRAMEWORK COMPONENTS | PURPOSE/GOAL | APPROPRIATENESS | EFFECTIVENESS | IMPROVEMENTS | MANAGEMENT COMMENTS | RESPONSIBLE OFFICER |
|--------|-----------------------------------|--|--|--|---|--|-----------------------------|
| RM 3.1 | Audit(Finance and Risk) Committee | An Audit Committee is required by the Local Government (Audit) Regulations 1996, and its composition and role is prescribed. | The Audit (Finance and Risk) Committee does not currently receive reports of identified high and extreme risks. | Our review was unable to assess the effectiveness of the Committee's role in monitoring documented risk. | That the Committee receive bi-annual reports containing information on extreme and high risk ratings in accordance with the proposed Risk Management Strategy and Framework. | Agreed. | Director Corporate Services |
| RM 3.2 | Executive Management Team (EMT) | An Executive Management Team charged with implementation of Council policies. | Key operational risks are not documented or rated as no risk management framework or strategy exists. | Unable to assess in the absence of a risk management policy or framework. | That risks are regularly documented and monitored by the EMT with consideration of key operational risks included within the minutes. | Risk Management will be included as a standing item on the agenda. | Chief Executive Officer |
| RM 3.3 | Council Agendas and Minutes | Key risks impacting on decisions are disclosed to the Council at the time staff recommendations are made. | At present risks are not formally disclosed under a separate heading. | Unable to assess effectiveness. | That a separate heading relating to risk be included within Council agenda items to draw attention to the risks associated with the decision. | Agreed. | Chief Executive Officer |
| RM 3.4 | OSH Committee | Working Committee established to implement OSH strategy and procedures. | An OSH committee is in place. The OSH Committee does not minute any formal risk assessments or review to ensure risks have been appropriately treated. | Unable to assess effectiveness as no record available of treatment of identified OSH risks. | That the OSH Committee minute the review of the Hazards/Accidents/Incidents register to determine if identified risks have been adequately treated in accordance with a risk management strategy and framework (to be developed). | Agreed. | Chief Executive Officer |

RISK MANAGEMENT FRAMEWORK REVIEW (CONTINUED)

RM 3.0 Monitoring and review

| No. | FRAMEWORK COMPONENTS | PURPOSE/GOAL | APPROPRIATENESS | EFFECTIVENESS | IMPROVEMENTS | MANAGEMENT COMMENTS | RESPONSIBLE OFFICER |
|--------|-----------------------|---|--|-------------------|---|---------------------|-----------------------------|
| RM 3.5 | Monitoring Compliance | To ensure policies relating to risk management are adhered to by the organisation and their effectiveness is monitored. | No routine monitoring currently occurring. | Unable to assess. | That the risk management strategy and framework (to be developed) contain practices for routinely monitoring and reporting risks. | Agreed. | Director Corporate Services |

RISK MANAGEMENT FRAMEWORK REVIEW (CONTINUED)

RM 4.0 Continuous Improvement

| No. | FRAMEWORK COMPONENTS | PURPOSE/GOAL | APPROPRIATENESS | EFFECTIVENESS | IMPROVEMENTS | MANAGEMENT COMMENTS | RESPONSIBLE OFFICER |
|--------|--|--|-----------------|--|--|---------------------|-----------------------------|
| RM 4.1 | A program developed to implement improvements in risk management practices and to guide the process of implementation. | No improvement plan currently in place. An improvement plan has been developed as part of this review. | Not applicable. | That the improvement plan be adopted to progress the risk management strategy and framework (to be developed). | A program developed to implement improvements in risk management practices and to guide the process of implementation. | Agreed. | Director Corporate Services |

APPENDIX B

LEGISLATIVE COMPLIANCE FRAMEWORK REVIEW

LC 1.0 Framework Design

| No. | FRAMEWORK COMPONENTS | PURPOSE/GOAL | APPROPRIATENESS | EFFECTIVENESS | IMPROVEMENTS | MANAGEMENT COMMENTS | RESPONSIBLE OFFICER |
|--------|---|--|--|--|---|--|-------------------------|
| LC 1.1 | Management Framework - Legislative Compliance In Action | To establish the Legislative Compliance Framework, Risk Register, systems and controls and detail various practices to support legislative compliance. | No formal legislative compliance framework exists. | The effectiveness of legislative compliance is currently highly dependent on the experience of the CEO and other Senior Staff. | A Legislative Compliance strategy and framework be developed to support legislative compliance. | Agreed. Have commenced the development of a compliance calendar to assist, however still need to develop a strategy and framework. | Chief Executive Officer |

APPENDIX B (CONTINUED)

LEGISLATIVE COMPLIANCE FRAMEWORK REVIEW

LC 2.0 Implementation

| No. | FRAMEWORK COMPONENTS | PURPOSE/GOAL | APPROPRIATENESS | EFFECTIVENESS | IMPROVEMENTS | MANAGEMENT COMMENTS | RESPONSIBLE OFFICER |
|--------|-----------------------------|--|---|---|---|---|-------------------------|
| LC 2.1 | Staff Training | To ensure the staff have access to ongoing and appropriate training in legislative requirements relevant to their role. | Staff training is currently undertaken in the absence of a strategic training policy and is impacted by budget constraints. Ad hoc training limits effectiveness and can be impacted by changes in senior management. | A formal training strategy would reduce the risk of training being impacted by changes in senior staff and add effectiveness. | That a risk based training matrix be developed identifying and addressing training needs as part of the workforce plan. | Agreed. | Chief Executive Officer |
| LC 2.2 | Staff Experience | To ensure staff engaged at a senior level and in technical roles have an understanding of the legislative requirements relevant to their role. | Current position descriptions for relevant senior roles contain qualification requirements relevant to the role. | Staff recruitment and retention limitation occasionally result in staff appointments who have less than desirable qualifications or experience. | That actions continue to address staff recruitment issues with the goal of improving the effectiveness of recruiting appropriately qualified and experienced staff. | Agreed. | Chief Executive Officer |
| LC 2.3 | Staff Access to Information | To ensure staff have timely access to new legislation (or changes) as they occur. | There are no procedures in place to ensure staff are advised of legislation changes. Reliance is placed on the notification of senior officers by professional and local government associations. | Given experience level of the current senior staff the practice appears to be effective. | That membership to relevant professional and local government associations be maintained. | Weekly copies of changes from the State Law Publisher, Information Bulletin are now reviewed at EMT meetings. | Chief Executive Officer |

APPENDIX B (CONTINUED)

LEGISLATIVE COMPLIANCE FRAMEWORK REVIEW

LC 2.0 Implementation

| No. | FRAMEWORK COMPONENTS | PURPOSE/GOAL | APPROPRIATENESS | EFFECTIVENESS | IMPROVEMENTS | MANAGEMENT COMMENTS | RESPONSIBLE OFFICER |
|--------|--|---|---|---|---|--|-----------------------------|
| LC 2.4 | Management Procedure –Statutory Environment in Council agendas | To provide Councillors with relevant legislative information to inform their decision making process. | The documentation of the relevant statutory environment in Council agenda items appears appropriate. | The current procedures appears to be effective with no Council decisions noted as non-compliant. | No further action. | Agreed. | Chief Executive Officer |
| LC 2.5 | Council Policy RM1 - Records Management | To provide the principles for the management of Records by Councillors and Staff. | The procedure is outdated and requires review. The policy does not require the central management and control of records and does not define what constitutes a 'record'. | The policy is not considered effective as records are not centrally scanned, stored or managed. Potential for vital records to be not stored appropriately. | That the procedure be amended to: <ul style="list-style-type: none"> • Provide for the appropriate central recording of records. • Provide for the provision of appropriate vital record storage facilities. • Provide for the maintenance and backup of all electronic records and electronic copies of all physical records. • Require the induction of all Councillors and Staff with regards to records management. | Agreed. | Director Corporate Services |
| LC 2.6 | Council Policy - Significant Accounting Policies | To provide policy in the recording and reporting of financial transactions and accounting judgements and estimates. | Policy appears appropriate and up to date. | Policy appears effective with no issues identified by external auditors. | No further action. | Agreed. Will undertake an annual review as part of the budget process. | Director Corporate Services |

APPENDIX B (CONTINUED)

LEGISLATIVE COMPLIANCE FRAMEWORK REVIEW

LC 2.0 Implementation

| No. | FRAMEWORK COMPONENTS | PURPOSE/GOAL | APPROPRIATENESS | EFFECTIVENESS | IMPROVEMENTS | MANAGEMENT COMMENTS | RESPONSIBLE OFFICER |
|---------|--|---|---|--|--|--|-----------------------------|
| LC 2.7 | Management Procedure - Compliance Audit Return | Management Procedures designed to guide staff on the completion of the annual compliance audit return. | Whilst procedures are not currently documented, procedures appear appropriate. | From staff representations received, procedures appear effective. | No further action. | Procedure / Work Instruction will be developed. | Chief Executive Officer |
| LC 2.8 | Council Policy IT1 - Information Technology | Provide guidelines on use of email provided for employees of the Shire of Wyndham-East Kimberley | Policy appears appropriate however requires review and update to ensure its currency and alignment to records policy. | From staff representations the Policy appears effective. | Review Policy to ensure its currency and alignment to the Records Policy | Agreed. | Director Corporate Services |
| LC 2.9 | Executive Management Team | An Executive Management Team charged with implementation of Council policies. | Legislative compliance is discussed in meetings however it is not included within minutes. | After a review of the minutes, the Group appears to be effectively considering legislative compliance issues which are then identified for action. | No further action. | Agreed. | Chief Executive Officer |
| LC 2.10 | Communications | To ensure staff, contractors and regular volunteers are aware of their obligation to report breaches of legislation to the appropriate Officer. | Obligation to report legislative breaches not included within Code of Conduct. No code of conduct or induction for regular contractors or volunteers. | To ensure staff, contractors and regular volunteers are aware of their obligation to report breaches of legislation to the appropriate Officer. | That an obligation to report legislative breaches be included within the Code of Conduct. That a condensed code of conduct/ induction be developed for regular contractors and volunteers. | The Code of Conduct will be reviewed to incorporate this requirement, along with developing a new condensed version. | Chief Executive Officer |

APPENDIX B (CONTINUED)

LEGISLATIVE COMPLIANCE FRAMEWORK REVIEW (CONTINUED)

LC 3.0 Monitoring and Review

| No. | FRAMEWORK COMPONENTS | PURPOSE/GOAL | APPROPRIATENESS | EFFECTIVENESS | IMPROVEMENTS | MANAGEMENT COMMENTS | RESPONSIBLE OFFICER |
|--------|---------------------------------|---|--|--|---|---|--|
| LC 3.1 | Audit and Risk Committee | An Audit Committee is required by the Local Government (Audit) Regulations 1996, and its composition and role is prescribed. | The compliance audit return is approved by the Audit (Finance and Risk) Committee annually. No other reporting of legislative compliance was identified. | Considered effective for the Local Government Act 1995. Unable to be assessed for other Legislation. | That a management framework (to be developed) considers reporting of breaches of other legislation to the Committee. | Agreed. Will incorporate other legislation also. | Director Corporate Services and Director Community Development |
| LC 3.2 | Legislative Compliance Register | A risk management tool used to record legislative compliance breaches across the Organisation. | No register currently exists. | Not applicable. | That a concise legislative compliance register be developed to enable the monitoring of legislative breaches and associated controls. | Agreed. | Chief Executive Officer |
| LC 3.3 | Annual Compliance Audit Return | An annual compliance audit return is adopted by the Audit (Finance and Risk) Committee in relation to Compliance with the <i>Local Government Act 1995</i> . | The return appears appropriate. | The return appears effective for the Local Government Act 1995. | No further action. | Agreed. | Chief Executive Officer |
| LC 3.4 | Executive Management Team (EMT) | EMT establishes senior management leadership in relation to legislative compliance practices, monitors progress of the implementation and the effectiveness of the associated controls and systems. | No legislative compliance issues appear in EMT meetings minutes reviewed. | Unable to assess effectiveness. | That legislative compliance issues be raised and documented. | Some items are raised and discussed however will incorporate this as a standing item on the agenda. | Chief Executive Officer |

APPENDIX B (CONTINUED)

LEGISLATIVE COMPLIANCE FRAMEWORK REVIEW (CONTINUED)

LC 4.0 Monitoring and Review

| No. | FRAMEWORK COMPONENTS | PURPOSE/GOAL | APPROPRIATENESS | EFFECTIVENESS | IMPROVEMENTS | MANAGEMENT COMMENTS | RESPONSIBLE OFFICER |
|--------|----------------------|--|--|---|---|--|-----------------------------|
| LC 4.1 | Complaints Handling | To ensure a process exists to track complaints from the public and staff regarding legislative compliance. | A Complaints Form was available for the airport operations and appears appropriate. No documented procedures were available to determine the process to track and handle complaints from the public and staff. | In the absence of any documented procedures the effectiveness of complaints handling was not able to be determined. | That documented procedures be developed and implemented to process track and report complaints received by the Shire. | At the December 2014 Council Meeting, resolved that a Complaints Policy is to be developed with supporting Management Procedure to be developed. | Director Corporate Services |

APPENDIX B (CONTINUED)

LEGISLATIVE COMPLIANCE FRAMEWORK REVIEW (CONTINUED)

LC 5.0 Continual Improvement of Legislative Compliance

| No. | FRAMEWORK COMPONENTS | PURPOSE/GOAL | APPROPRIATENESS | EFFECTIVENESS | IMPROVEMENTS | MANAGEMENT COMMENTS | RESPONSIBLE OFFICER |
|--------|-----------------------------|---|---|-----------------|--|---------------------|-------------------------|
| LC 5.1 | Ongoing Improvement Program | A plan developed to guide improvements in legislative compliance practices and to support the legislative compliance framework. | No improvement plan currently in place. | Not applicable. | That the improvement plan contained within this report be undertaken in support of the legislative compliance framework (to be developed). | Agreed. | Chief Executive Officer |

APPENDIX C

INTERNAL CONTROLS ENVIRONMENT AND FRAMEWORK REVIEW

IC 1.0 Internal Control Environment

| No. | FRAMEWORK COMPONENTS | PURPOSE/GOAL | APPROPRIATENESS | EFFECTIVENESS | IMPROVEMENTS | MANAGEMENT COMMENTS | RESPONSIBLE OFFICER |
|--------|---|---|--|--|--|---|-----------------------------|
| IC 1.1 | Council Policy Internal Controls Policy | To evidence the Councils commitment to Internal Controls and their importance to the Organisation. | No policy for internal controls exists. | Not applicable. | That a policy be developed reflecting Council's commitment to risk based internal controls throughout the organisation. | Agreed. | Director Corporate Services |
| IC 1.2 | Code of Conduct for Elected Members and Staff | To provide elected members and staff with consistent guidelines for an acceptable standard of professional conduct. | Two codes of conduct exist both last reviewed in 2009. Council Policy HR02 relates to staff and Council Policy MC01 applying to Councillors and staff. Having two Codes of Conduct relating to staff is not considered appropriate as conflict may exist between the two codes. Neither policy requires the reporting of noted possible breaches of Internal Controls. | The effectiveness of the Code of Conduct was unable to be determined due to the potential conflict between the policies. | That a single Code of Conduct be developed which applies to Councillors and staff and requires the reporting of any noted potential breaches of internal controls. | Single Code of Conduct needs to be reviewed to incorporate this item. | Chief Executive Officer |

APPENDIX C (CONTINUED)

INTERNAL CONTROLS ENVIRONMENT AND FRAMEWORK REVIEW (CONTINUED)

IC 2.0 Implementation

| No. | FRAMEWORK COMPONENTS | PURPOSE/GOAL | APPROPRIATENESS | EFFECTIVENESS | IMPROVEMENTS | MANAGEMENT COMMENTS | RESPONSIBLE OFFICER |
|--------|---|---|---|--|--|--|-----------------------------|
| IC 2.1 | Communication of modifications | To ensure staff are notified of changes to internal controls and have access to documented procedures. | Current executive practices are that new and modified policies and procedures approved by the EMT are communicated to staff appropriately. A documented procedure should be developed to ensure staff are advised of changes and the latest version is available with earlier versions retracted. | From representations by staff, it appears staff are aware of the latest policies and procedures and are able to access the latest version. | That a documented procedure be developed to communicate to staff changes in policies and procedures are available to be accessed. That all current policies and procedures to be in one central location accessible to all relevant staff. | Agreed. Looking to potentially utilise DocAssembler as the product to ensure all policies can be consolidated and sourced in one location with appropriate version controls. | Chief Executive Officer |
| IC 2.2 | Staff Training | To ensure the staff have access to ongoing training in internal controls and attend appropriate training sessions. | Refer to LC 2.1 | Refer to LC 2.1 | Refer to LC 2.1 | Agreed. | Chief Executive Officer |
| IC 2.3 | Experienced Staff | To ensure all senior staff have an understanding of the inherent risks internal controls are addressing associated with, and relevant to, their role. | Refer to LC 2.2 | Refer to LC 2.2 | Refer to LC 2.2 | Agreed. | Chief Executive Officer |
| IC 2.4 | Council Policy IT1 Shire Email Facility | Provide guidelines on use of email provided for employees. | The policy was adopted in 2004 and is outdated requiring review. | The effectiveness was not tested. | That IT policies be updated and collated into one IT policy covering new technology. | Agreed. | Director Corporate Services |

APPENDIX C (CONTINUED)

INTERNAL CONTROLS ENVIRONMENT AND FRAMEWORK REVIEW (CONTINUED)

IC 2.0 Implementation

| No. | FRAMEWORK COMPONENTS | PURPOSE/GOAL | APPROPRIATENESS | EFFECTIVENESS | IMPROVEMENTS | MANAGEMENT COMMENTS | RESPONSIBLE OFFICER |
|--------|--|--|--|---|---|---------------------|-----------------------------|
| IC 2.5 | Council Policy IT2 Shire Internet Access | Provide guidelines on use of Internet access provided for employees. | The policy was adopted in 2004 and is outdated requiring review. | The effectiveness was not tested. | Refer IC 1.6 | Agreed. | Director Corporate Services |
| IC 2.6 | Council Policy IT3 Shire Internet Access | To ensure Council has a complete record of software purchased and can register, track and upgrade software. | The policy was adopted in 2004 and is outdated requiring review. | The effectiveness was not tested. | Refer IC 1.6 | Agreed. | Director Corporate Services |
| IC 2.7 | Council Policy OSH1 Occupational Safety and Health | This policy recognises that the safety and health of all employees within the Shire is the responsibility of Council and all employees. | The policy does not provide a risk based approach for employee safety and health. | The effectiveness was not tested. | That the policy be reviewed to provide a risk based approach to Occupational Safety and Health. | Agreed. | Chief Executive Officer |
| IC 2.8 | Council Policy OSH2 Occupational Safety and Health | This policy defines the members and functions of the OSH Committee. | The policy is generally appropriate though does not define the requirement for the Chairperson to be a Shire management representative. | The policy appears effective based on the minutes of the committee meetings | That the policy be amended to clarify the appointment of the Shire management representative as Chairperson of the Committee. | Agreed. | Chief Executive Officer |
| IC 2.9 | Council Policy OSH4 Occupational Safety and Health Reporting. | To ensure that all accidents and/or injuries to Council employees are reported to the appropriate supervisor/manager as soon as possible after the accident/incident occurs. | The policy is considered appropriate. Noted there is no requirement to maintain a register of accidents/incidents or the summary reporting of these to Council | Recent reported incidents have been recorded in a register indicating the policy is effective in recording accidents/incidents. | That the policy be amended to require the recording of any accident/incidents in a register and the annual reporting of accident/incidents numbers to the Audit (Finance and Risk) Committee. | Agreed. | Chief Executive Officer |

APPENDIX C (CONTINUED)

INTERNAL CONTROLS ENVIRONMENT AND FRAMEWORK REVIEW (CONTINUED)

IC 2.0 Implementation

| No. | FRAMEWORK COMPONENTS | PURPOSE/GOAL | APPROPRIATENESS | EFFECTIVENESS | IMPROVEMENTS | MANAGEMENT COMMENTS | RESPONSIBLE OFFICER |
|---------|--|--|---|---|---|---------------------|-------------------------|
| IC 2.10 | Council Policy OSH5 Duty of Care to visitors or contractors. | To ensure that a sufficient duty of care is displayed to contractors and visitors in accordance with standard safety guidelines. | Whilst the procedures and guidelines are considered largely appropriate the definition of who they apply to and who is required to implement them is unclear. | The policy is not considered effective as it is not routinely enforced. | That the policy be reviewed to provide additional clarity. | Agreed. | Chief Executive Officer |
| IC 2.11 | Council Policies OSH 8 to 17. | Various specific OSH policies relating to specific issues. | The policies are procedural in nature and should be covered by an overarching risk based OSH Policy. | The effectiveness of the policies were not tested. | That all OSH policies be reviewed and, as far as possible, be covered by one risk based OSH Policy with specific OSH issues addressed by management procedures or strategies. | Agreed. | Chief Executive Officer |
| IC 2.12 | Council Policy HR19 Risk Identification and assessment. | To assist Council and Employees by providing a mechanism to identify and quantify possible OS&H risks. | The policy appears largely appropriate. No definition of hazard probability and severity is provided for the risk assessment matrix. | The effectiveness of the policy was not tested. | That the policy be amended to provide context sensitive definitions of hazard probability and severity aligned to an overall organisational risk assessment framework. | Agreed. | Chief Executive Officer |
| IC 2.13 | Council Policy MC 18 Elected Members Training | To ensure that Elected Members have the opportunity to participate in relevant training and development opportunities. | The policy appears appropriate though requires review and updating having last been reviewed in 2009. | The effectiveness of the policy was not tested | That the policy be reviewed. | Agreed. | Chief Executive Officer |

APPENDIX C (CONTINUED)

INTERNAL CONTROLS ENVIRONMENT AND FRAMEWORK REVIEW (CONTINUED)

IC 2.0 Implementation

| No. | FRAMEWORK COMPONENTS | PURPOSE/GOAL | APPROPRIATENESS | EFFECTIVENESS | IMPROVEMENTS | MANAGEMENT COMMENTS | RESPONSIBLE OFFICER |
|---------|--|---|--|--|--|---|--------------------------------|
| IC 2.14 | Council Policy COM-3580 Community Services Policy | The policy and associated procedures are designed to provide guidance on circumstances under which Council will develop and operate community services. | The policy does not acknowledge the strategic guidance provided by the Strategic Community Plan and requires review. | The effectiveness has not been determined. | That the Community Services Policy be reviewed to acknowledge the guidance of the Strategic Community Plan. | The Community Services Policy to be reviewed in conjunction with the review of all Council Policies | Director Community Development |
| IC 2.15 | Council Policy COM-3581 Community Facilities Policy | To provide guidance in the management and operations of Shire community facilities and equipment. | The policy does not provide for the operation and maintenance of the facilities on a risk based approach. | The effectiveness has not been determined. | That the Community Facilities Policy be reviewed and provide for a risk based approach aligned to the Strategic Community Plan. | The Community Facilities Policy to be reviewed in conjunction with the review of all Council Policies | Director Community Development |
| IC 2.16 | Council Policy COM-3582 Annual Community Grants Scheme | The objective of the Annual Community Grants Scheme is to provide consistent, equitable and accessible funding opportunities for local community based organisations for the purposes of community development activities, events and projects. | The policy seeks to allocate subsequent years budget funds to community grants. This is should be an annual budgetary consideration and not set by Council policy. Where grants are utilised for the upgrade or renewal of Shire assets these works should be undertaken by the Shire in accordance with standard purchasing procedures. | The effectiveness has not been determined. | That the policy be reviewed and amended to allow for the level of the allocation of the Community Grants Pool to be part of the annual budgetary allocations. Whilst allocation of funding for community facilities may be provided from the grants pool, works undertaken on Shire assets should remain under the responsibility and control of the Shire | The Annual Community Grants Scheme Policy to be reviewed in conjunction with the review of all Council Policies | Director Community Development |

APPENDIX C (CONTINUED)

INTERNAL CONTROLS ENVIRONMENT AND FRAMEWORK REVIEW (CONTINUED)

IC 2.0 Implementation

| No. | FRAMEWORK COMPONENTS | PURPOSE/GOAL | APPROPRIATENESS | EFFECTIVENESS | IMPROVEMENTS | MANAGEMENT COMMENTS | RESPONSIBLE OFFICER |
|---------|---|--|---|--|---|--|-----------------------------|
| IC 2.17 | Council Policy F20 – Non Current Asset Capitalisation and Depreciation Control. | To ensure legislative compliance in accordance with Australian Accounting Standards and provide guidelines for financial management of Non-Current Assets for the Shire of Wyndham East Kimberley. | The policy appropriately states the residual value of assets should be assessed each year in accordance with AASB 116. The policy also defines the estimated useful life and residual value of each asset subclass which conflicts with the requirement to assess this each year. | The profit on disposal of assets for the year ended 30 June 2014 was \$409,258 indicating the policy is not effective. | That the policy be reviewed to ensure it aligns to the requirement of AASB 116 for the annual assessment of remaining useful life and residual value. | Agreed. | Director Corporate Services |
| IC 2.18 | Council Policy FIN – 3200 Strategic Rating Policy. | The purpose of this Policy is to outline the Council's principles and methodology when exercising the Council's discretionary powers to determine the level and structure of rates levied under the Local Government Act 1995. | The policy is considered appropriate. We note the stipulation of rates in the dollar and minimum rates within the policy which does not align to the requirement for these to be adopted annually by absolute majority. | The policy is considered effective, providing the strategic basis of rating within 2014/15 budget. | That the policy be amended to remove the stipulation of rates in the dollar and minimum rates from the policy. | Do not agree. Advice from the Department of Local Government contradicts this recommendation. Shire prefers to retain the rates in the dollar and minimum rates from the policy to ensure that it completely captures the Policy and the objects and reasons for differential rates within one document, rather than creating two differing documents. | Director Corporate Services |

APPENDIX C (CONTINUED)

INTERNAL CONTROLS ENVIRONMENT AND FRAMEWORK REVIEW (CONTINUED)

IC 2.0 Implementation

| No. | FRAMEWORK COMPONENTS | PURPOSE/GOAL | APPROPRIATENESS | EFFECTIVENESS | IMPROVEMENTS | MANAGEMENT COMMENTS | RESPONSIBLE OFFICER |
|---------|---|--|---|--|---|---------------------|-----------------------------|
| IC 2.19 | Council Policy FIN 3204 Purchasing Policy | To provide clear policy controls relating to the purchasing of goods or services for the Shire. | The current policy requires revision and updating including improvements to clarify the procurement practices when using WALGA preferred suppliers, or otherwise. | From testing performed and representations of executives we noted purchases are being undertaken before the issuing of appropriately authorised purchase orders. | That the purchasing policy and associated control procedures be reviewed to clarify procurement practices when using WALGA preferred suppliers. | Agreed. | Director Corporate Services |
| IC 2.20 | Motor Vehicle Policy AP/OPS-460 | To ensure motor vehicles are provided for operational (priority) and salary package (secondary) purposes | Policy covers salary packaging arrangements and deals with operational rather than policy issues. | The effectiveness of the policy was not determined as it is covered by individual salary packaging arrangements. | That consideration be given to revoking the policy and management of fleet be part of the salary packaging contracts and management control procedures. | Agreed. | Director Infrastructure |

APPENDIX C (CONTINUED)

INTERNAL CONTROLS ENVIRONMENT AND FRAMEWORK REVIEW (CONTINUED)

IC 3.0 Monitoring and Review

| No. | FRAMEWORK COMPONENTS | PURPOSE/GOAL | APPROPRIATENESS | EFFECTIVENESS | IMPROVEMENTS | MANAGEMENT COMMENTS | RESPONSIBLE OFFICER |
|--------|---------------------------|--|---|--|--|--|-----------------------------|
| IC 3.1 | Audit Committee | An Audit Committee is required by the Local Government (Audit) Regulations 1996, and its composition and role is prescribed. | No routine internal audit reporting of appropriateness of internal controls is apparent. In light of a recent financial shock it would be appropriate for the Committee to meet more frequently and broaden its current remit. | Recent events in relation to a financial shock gives rise to concerns that past monitoring practices of the source and application of funds and lifecycle analysis of ongoing costs associated with projects has not been effective. | That the Audit (Finance and Risk) Committee meet more frequently to review identified internal control weaknesses and to consider long term financial trends, forecasts and the financial impact of major projects that have a consequential ongoing operational impact. | The Long Term Financial Plan will essentially drive this improvement, which will require the Terms of Reference for the Committee to be amended. | Director Corporate Services |
| IC 3.2 | Ordinary Council Meetings | The adoption of the Monthly Statement of Financial Activity and list of accounts as required by legislation. | The monitoring by the Council seems appropriate. | The monitoring of monthly process appears effective. | No further action. | Agreed. | Chief Executive Officer |
| IC 3.3 | Executive Management Team | Executive Management Team monitoring of performance against budgets. | Currently EMT monitors performance against budgets. | Past monitoring has not been effective in all circumstances, see comments in IC 3.1 | That the EMT develop key financial indicators to assist the team monitor and recognise adverse trends in the operational finances including assessing the risk presented by capital projects on future operating results and cash flows. | Have discussed what these indicators and reports may be. At this stage, Directors and Managers, plus other responsible officers are provided management reports to monitor performance. Will look at establishing this at the EMT level. | Director Corporate Services |

APPENDIX C (CONTINUED)

INTERNAL CONTROLS ENVIRONMENT AND FRAMEWORK REVIEW (CONTINUED)

IC 3.0 Monitoring and Review

| No. | FRAMEWORK COMPONENTS | PURPOSE/GOAL | APPROPRIATENESS | EFFECTIVENESS | IMPROVEMENTS | MANAGEMENT COMMENTS | RESPONSIBLE OFFICER |
|--------|---|--|---|---|---|---------------------|-----------------------------|
| IC 3.4 | Monitoring | To ensure policies and other controls relating to internal controls are adhered to within the organisation and their effectiveness is monitored. | No routine monitoring of internal controls is currently documented. | Internal control weaknesses were noted during the review and are detailed at Appendix D . | That a process for documented routine monitoring of financial and non-financial internal controls be established. | Agreed. | Director Corporate Services |
| IC 3.5 | Internal Controls Executive Management Team | A management group to maintain internal controls across the Shire and monitor adherence to internal controls practices. | Internal control issues are raised within EMT meetings. No specific monitoring. | Subject to IC 3.3 Internal controls issues appear to be raised effectively within meetings. Internal control weaknesses were noted during the review and are detailed at Appendix D . | That EMT continue to monitor internal control issues and record consideration of any breaches of controls in their minutes. | Agreed | Chief Executive Officer |

APPENDIX C (CONTINUED)

INTERNAL CONTROLS ENVIRONMENT AND FRAMEWORK REVIEW (CONTINUED)

IC 4.0 Continual Improvement

| No. | FRAMEWORK COMPONENTS | PURPOSE/GOAL | APPROPRIATENESS | EFFECTIVENESS | IMPROVEMENTS | MANAGEMENT COMMENTS | RESPONSIBLE OFFICER |
|--------|-----------------------------|---|--|---|---|---------------------|-----------------------------|
| IC 4.1 | Ongoing Improvement Program | A program developed to plan and implement improvements in internal controls practices and to guide the process of implementation. | No documented program was available. Ad hoc improvements currently being undertaken. | The effectiveness is not able to be determined. Certain internal control weaknesses were identified and detailed in Appendix D | That a documented program to implement improvements to internal controls be established as part of the wider risk management process. | Agreed. | Director Corporate Services |

INTERNAL CONTROLS REVIEW

A detailed examination and testing of all internal controls at the Shire is beyond the scope of this review however, at the time of conducting the review of the internal control environment as detailed in the previous pages, certain internal control weaknesses were noted and are detailed below.

IC 5.0 Internal Control Weaknesses noted.

| PROCESS | | | | MANAGEMENT | | | |
|---------|--|--|--|---|---|--|--|
| No. | CONTROL | PURPOSE OF CONTROL | IDENTIFIED CONTROL | APPROPRIATENESS | EFFECTIVENESS | IMPROVEMENTS | COMMENTS |
| IC 5.1 | Off-site Receipting and Cash Reconciliations | To ensure all payments received at all receipting points outside the Shire office are receipted and reconciled to payments received. | Receipting at the Recreation Centre is undertaken using the booking system. | Control procedures do not appear to be appropriate. | The effectiveness is not able to be determined. | Daily reconciliation of receipts to payments received be undertaken and signed by someone independent of their preparation. That a sign requesting customers obtain a receipt for all payments made be displayed at all receipting points. | Procedure / Work Instruction being developed to address this issue |
| IC 5.2 | Stock Control – Recreation Centre | To ensure payment is received and receipted for all stock sold at the Recreation Centre. | Monthly stock counts are undertaken. | Control procedures do not appear to be appropriate. | The effectiveness is not able to be determined. | That routine stock takes be undertaken and reconciled to stock sales receipts. | Process being reviewed to determine an effective procedure to undertake stock control |
| IC 5.3 | Tender Register | To ensure compliance with statutory requirements surrounding the maintenance of attender register. | A previous staff member was assigned responsibility to ensure the register was maintained. | Control procedures appear to be appropriate. A routine review of the register would improve the controls. | The controls were found to be ineffective with the tender register being non-compliant with legislative requirements. | That a routine documented review (3 monthly) of the tender register be undertaken by a senior officer. | Agreed, and is currently being implemented. |
| IC 5.4 | Segregation of duties | Segregation of various roles to minimise the risk of fraud. | Restriction of access within accounting software. | At times controls do not appear to have been applied with officers having access to more than one system. | No fraud detected to date. | That system controls be implemented to ensure staff do not have cross access to minimise the risk of fraud. | Difficult to achieve with a small workforce. Controls are generally in place at the checking stages. |

APPENDIX E (CONTINUED)

IC 5.0 Internal Control Weaknesses noted.

| PROCESS | | | | | | MANAGEMENT | |
|---------|---------------------------|--|---|---|--|--|---|
| No. | CONTROL | PURPOSE OF CONTROL | IDENTIFIED CONTROL | APPROPRIATENESS | EFFECTIVENESS | IMPROVEMENTS | COMMENTS |
| IC 5.5 | Electronic Fund Transfers | Control over access to ABA files when transferring funds electronically. | Restriction of access to ABA files by staff involved in the transfer of funds electronically. | Control procedures do not appear to be appropriate. | No fraud detected to date. | That system controls be implemented to ensure staff do not have access to ABA files to minimise the risk of fraud. | A new process has since been implemented whereby the ABA file in the online banking system can be checked against the initial creditor payment summary to ensure that the banking details of the suppliers have not been amended. |
| IC 5.6 | Purchasing Policy | To ensure transparency and value for money when purchasing. | Purchasing Policy and legislative requirements | Control procedures appear to be appropriate with the exception of the matters raised earlier. | The controls do not appear to be effective as they are not followed in all circumstances. Anecdotal and other evidence was obtained of purchases being effected prior to purchase orders being raised. | That staff with purchasing authority be trained on the requirements of the purchasing policy and controls be implemented to ensure their compliance. | Controls are currently in place to report any recurrent non-compliance to EMT and this is checked during each pay run. WALGA has conducted training sessions on the procurement policy (albeit it requires review) to ensure that responsible officers are aware of their responsibilities. |

OPERATIONAL GUIDELINES

The following is an extract from the Department of Local Government and Communities Operational Guidelines (Audit in Local Government number 09 September 2013)

RISK MANAGEMENT

The Internal control and risk management systems and programs are a key expression of a local government's attitude to effective controls. Good audit committee practices in monitoring internal control and risk management programs typically include:

- *Reviewing whether the local government has an effective risk management system and that material operating risks to the local government are appropriately considered.*
- *Reviewing whether the local government has a current and effective business continuity plan (including disaster recovery) which is tested from time to time.*
- *Assessing 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*
 - *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.*
- *Obtaining regular risk reports, 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.*
- *Assessing the adequacy of local government processes to manage insurable risks and ensure the adequacy of insurance cover, and if applicable, the level of self-insurance.*
- *Reviewing the effectiveness of the local government's internal control system with management and the internal and external auditors.*
- *Assessing 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.*
- *Assessing 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.*
- *Should the need arise, meeting periodically with key management, internal and external auditors, and compliance staff, to understand and discuss any changes in the local government's control environment.*
- *Ascertaining 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.*

OPERATIONAL GUIDELINES (Continued)

LEGISLATIVE COMPLIANCE

‘The compliance programs of a local government are a strong indication of attitude towards meeting legislative requirements. Audit committee practices in regard to monitoring compliance programs typically include:

- (a) Monitoring compliance with legislation and regulations.*
- (b) Reviewing the annual Compliance Audit Return and reporting to Council the results of that review.*
- (c) Staying informed about how management is monitoring the effectiveness of its compliance and making recommendations for change as necessary.*
- (d) Reviewing whether the local government has procedures for it to receive, retain and treat complaints, including confidential and anonymous employee complaints.*
- (e) Obtaining assurance that adverse trends are identified and review management’s plans to deal with these.*
- (f) Reviewing management disclosures in financial reports of the effect of significant compliance issues.*
- (g) Reviewing whether the internal and / or external auditors have regard to compliance and ethics risks in the development of their audit plan and in the conduct of audit projects, and report compliance and ethics issues to the audit committee.*
- (h) Considering the internal auditor’s role in assessing compliance and ethics risks in their plan.*
- (i) Monitoring the local government’s compliance frameworks dealing with relevant external legislation and regulatory requirements.*
- (j) Complying with legislative and regulatory requirements imposed on audit committee members, including not misusing their position to gain an advantage for themselves or another or to cause detriment to the local government and disclosing conflicts of interest.’*

INTERNAL CONTROLS

‘Internal controls are systems of policies and procedures that safeguard assets, ensure accurate and reliable financial reporting, promote compliance with laws and regulations and achieve effective and efficient operations.

These systems not only relate to accounting and reporting but also include communication processes both internally and externally, staff management and error handling.’¹

Operational Guidelines prepared by the Department of Local Government and Communities (Audit in Local Government number 09 September 2013) provide the background to Internal Controls in the context of this review as follows:

‘Internal control is a key component of a sound governance framework, in addition to leadership, long-term planning, compliance, resource allocation, accountability and transparency. Strategies to maintain sound internal controls are based on risk analysis of the internal operations of a local government.

¹ Internal controls for mot-for-profit organisations, CPA Australia, 2011, p 3.

OPERATIONAL GUIDELINES (Continued)

An effective and transparent internal control environment is built on the following key areas:

- (a) integrity and ethics.*
- (b) policies and delegated authority.*
- (c) levels of responsibilities and authorities.*
- (d) audit practices.*
- (e) information system access and security.*
- (f) management operating style.*
- (g) human resource management and practices*

Internal control systems involve policies and procedures that safeguard assets, ensure accurate and reliable financial reporting, promote compliance with legislation and achieve effective and efficient operations and may vary depending on the size and nature of the local government.

Aspects of an effective control framework will include:

- (a) delegation of authority.*
- (b) documented policies and procedures.*
- (c) trained and qualified employees.*
- (d) system controls.*
- (e) effective policy and process review.*
- (f) regular internal audits.*
- (g) documentation of risk identification and assessment.*
- (h) regular liaison with auditor and legal advisors.*

The following are examples of controls that are typically reviewed:

- (a) separation of roles and functions, processing and authorisation;*
- (b) control of approval of documents, letters and financial records;*
- (c) comparison of internal data with other or external sources of information;*
- (d) limit of direct physical access to assets and records;*
- (e) control of computer applications and information system standards;*
- (f) limit access to make changes in data files and systems;*
- (g) regular maintenance and review of financial control accounts and trial balances;*
- (h) comparison and analysis of financial results with budgeted amounts;*
- (i) the arithmetical accuracy and content of records;*
- (j) report, review and approval of financial payments and reconciliations;*
- (k) comparison of the result of physical cash and inventory counts with accounting records.'*



Government of **Western Australia**
Department of **Local Government and Communities**

Local Government Operational Guidelines

Number 09 – Revised September 2013

Audit in Local Government

The appointment, function
and responsibilities of
Audit Committees

1. Introduction

The *Local Government Act 1995* (the Act) requires that all local governments establish an audit committee. An audit committee plays a key role in assisting a local government to fulfil its governance and oversight responsibilities in relation to financial reporting, internal control structure, risk management systems, legislative compliance, ethical accountability and the internal and external audit functions.

The purpose of this guideline is to assist local governments to establish and operate an effective audit committee. Clear and comprehensive terms of reference, setting out the committee's roles and responsibilities, are essential and a model terms of reference for an audit committee is provided with this guideline. Matters such as the governing legislation, membership, primary roles and responsibilities of the committee and ancillary functions are also addressed. Guidance is provided to the committee as it approaches its task of appointing an external auditor through provision of a minimum standard audit specification and as it forms an opinion of the local government's internal audit requirements.

2. Audit Requirements, Committees and Functions

The relevant parts of the Act and regulations that relate to audit requirements, audit committees and their functions are listed below.

Financial Management

In relation to financial management under Part 6 of the Act, a local government is to –

- a) prepare and adopt an annual budget in the form and manner prescribed (section 6.2). A copy of the budget is to be sent to the Department within 30 days of adoption.
- b) prepare an annual financial report and such other financial reports as prescribed. The accounts of the local government and annual financial report are to be submitted to the auditor for audit by 30 September (section 6.4).
- c) have a municipal fund and a separate and distinct trust fund (section 6.6).
- d) establish and maintain reserve funds for the holding of monies set aside for future use (section 6.11).

Audit Requirements for Local Governments

Part 7 of the Act and the *Local Government (Audit) Regulations 1996* (the Regulations) address the situation of audit. In relation to the duties of the local government with respect to audits –

- a) the local government is to do everything in its power to –
 - i. assist the auditor to conduct an audit and carry out his or her other duties under the Act; and

- ii. ensure that audits are conducted successfully and expeditiously;
- b) a local government is to meet with its auditor at least once in every year;
- c) a local government is to examine the report of the auditor and is to –
 - i. determine if any matters raised require action to be taken by the local government; and
 - ii. ensure that appropriate action is taken in respect of those matters;
- d) a local government is to –
 - i. prepare a report on any actions taken in respect of any matters raised in the report of the auditor; and
 - ii. forward a copy of that report to the Minister by the end of the next financial year, or six months after the last report prepared by the auditor is received by the local government, whichever is the latest in time.
- e) the only powers and duties that can be delegated to a committee are any of the powers and duties of the local government under Part 7 of the Act; that is, those relating to audit. The committee cannot on-delegate the powers and duties delegated to it;
- f) an audit committee with a member who is a person that is not an elected member can be delegated powers and duties referred to in (e); and
- g) a decision of the committee is to be made by simple majority.

Audit Committee Functions

The Regulations state that an audit committee –

Establishment of the Audit Committee

The Act and Regulations provide that:

In relation to the establishment of an audit committee –

- a) each local government is to establish an audit committee consisting of three or more persons to exercise the powers and discharge the duties conferred on it;
- b) members of the committee are to be appointed by an absolute majority decision of Council. At least three of the members, and the majority of the members, are to be elected members;
- c) the Chief Executive Officer (CEO) is not to be a member of the committee and may not nominate a person to be a member or have a person to represent him or her as a member of the committee;
- d) an employee is not to be a member of the committee;
- (a) is to provide guidance and assistance to the local government –
 - (i) as to the carrying out of its functions in relation to audits carried out under Part 7 of the Act;
 - (ii) as to the development of a process to be used to select and appoint a person to be an auditor;
- (b) may provide guidance and assistance to the local government as to –
 - (i) matters to be audited;
 - (ii) the scope of audits;
 - (iii) its functions under Part 6 of the Act;
 - (iv) the carrying out of its functions relating to other audits and other matters related to financial management;
- (c) is to review a report given to it by the CEO under regulation 17(3) (the CEO's report) and is to –
 - (i) report to the council the results of that review;
 - (ii) give a copy of the CEO's report to the council;

- (d) review the annual Compliance Audit Return and report to the council the results of that review, and
- (e) consider the CEO's biennial reviews of the appropriateness and effectiveness of the local government's systems and procedures in regard to risk management, internal control and legislative compliance and report to the council the results of those reviews.

3. Operation of Audit Committees

Role and Responsibilities

The role of the audit committee is to support Council in fulfilling its governance and oversight responsibilities in relation to financial reporting, internal control structure, risk management systems, internal and external audit functions and ethical accountability.

The audit committee should critically examine the audit and management reports provided by the external auditor. The committee would then determine if matters raised in the reports require action to be taken by the local government and ensure that appropriate action is implemented.

A further role for the audit committee would be to receive and authorise the report relating to the audit prepared by the CEO that is to be sent to the Minister.

This report would outline any actions the local government has taken or intends to take in relation to the matters identified by the auditor.

While a formal internal audit function could be considered to be an operational function and therefore the responsibility of the CEO, it is desirable for an internal auditor to have a direct line of communication to the Audit Committee.

The Audit Committee needs to form an opinion of the local government's internal audit requirements and recommend a course of action that ensures that any internal audit processes adopted are appropriate, accountable and transparent. The role of the external auditor in this regard can be established at the time of appointment.

Please note that an audit committee (or any other committee) cannot be given a management task where the Act and Regulations make the CEO specifically responsible. Where the local government is assigned the function through the legislation, the audit committee may have a role unless the function has been delegated to the CEO by the Council.

The deliberations and recommendations of the committee must be independent and autonomous. Therefore, the Act prohibits the CEO being a member of the committee. However, it is essential that the CEO be given every opportunity to provide his/her expert advice to the committee as he/she does with full Council and other committees.

A model terms of reference is attached as Appendix 1 to assist local governments to define an appropriate role for its audit committee. When considering the model, local governments need to remember it is a guide and they can delete or modify any matters they believe not applicable.

It is important to note that the legislation gives the audit committee a specific role in appointing the auditor. It is to recommend to the Council who should be appointed as the auditor. Attached as Appendix 2 is a model 'Minimum Standard Audit Specification' that local governments can use when developing a process to be used to select and appoint a person to be the auditor.

Local governments can amend the document to suit their individual requirements. Any scope adopted must meet, as a minimum, the legislative requirements, as outlined in the Act and the Regulations.

The legislation specifies that a local government is required to meet with its auditor at least once in every year. The term "local government" in this context means the Council. If Council so resolved via a formal delegation, a meeting between the audit committee and the auditor would satisfy this requirement.

It is acknowledged that the requirement to meet at least once per year may incur a significant financial burden for the more remote local governments. In such circumstances the meeting can be conducted by telephone or video conference. The Council or audit committee should resolve how the meeting with the auditor will be conducted and for the record of the meeting to show that the auditor was involved and the matters discussed. It would be inappropriate for Council representatives to meet with the auditor in their offices unless they were members of the Audit Committee or a significant majority of the members are present.

The committee may need to liaise regularly with the external auditor to discuss the audit plan, results of the audit and implementation of any recommendations for action emerging from the audit. How communication and liaison between auditor and committee is to occur should be addressed in the agreement of appointment.

Advice from the auditor may address issues such as –

- (i) an assessment of accounting procedures;
- (ii) an assessment of internal controls;
- (iii) an assessment of risk;
- (iv) compliance with the Act and associated regulations;
- (v) compliance with Council policies;
- (vi) performance assessments on the efficiency and effectiveness of operations;
- (vii) processes of the internal audit;
- (viii) outcomes of the external audit prior to issue of management and audit reports; and
- (ix) changes to accounting standards and legislation and the impact on the local government.

Membership

The Act requires that an audit committee is to consist of a minimum of 3 members and in that situation all must be council members. Where a committee consists of more than 3 members then a majority of those members must be council members. Local governments may decide to appoint a committee involving only elected members or they may appoint one or more persons who are external to the Council. If a Council considers it appropriate, the whole Council can be appointed to the audit committee.

If the local government wishes to appoint one or more persons other than elected members to the committee, which is recommended, it should ensure that they have the requisite knowledge and skills to provide benefit to the committee.

Operation of the Committee

Irrespective of the membership of the committee, all legislative requirements relating to committee meetings such as advertising meeting dates, notice of meeting and keeping minutes of meetings need to be complied with.

The legislation prevents a meeting fee being paid to an external person but it is permissible for a payment to be made as a reimbursement of expenses, commensurate with the expertise and knowledge such people bring to the committee. The Council will need to determine whether payment will be offered and the level of that reimbursement payment.

Members of the committee should be encouraged to attend appropriate courses to keep them up to date with legislation, accounting and other relevant issues.

Other Responsibilities

Local governments are required by legislation to complete a statutory compliance return (Compliance Audit Return or CAR) annually and have the return adopted by Council. The return is a checklist of a local government's compliance with the requirements of the Act and its Regulations, concentrating on areas of compliance considered "high risk."

The Audit Committee is to review the annual CAR and report to the Council the results of that review, prior to adoption of the return by Council. After adoption, the return is to be signed by the Mayor or President and the CEO prior to it being forwarded to the Department.

The Audit Committee is to consider the CEO's biennial reviews (see Regulation 17.) of the appropriateness and effectiveness of the local government's systems and procedures in regard to risk management, internal control and legislative compliance and report to the council the results of those reviews.

Attached as Appendix 3 is information to assist in determining what falls within the terms 'risk management,' 'internal control' and 'legislative compliance.'

The audit committee could also consider proposals from the CEO as to whether the compliance audit, and the biennial reviews of risk management, internal control and legislative compliance, are undertaken internally or an external party is contracted to undertake the task. In the case of an external party the audit committee would have responsibility to receive the review report from the CEO and make recommendations on it to full Council.

4. The External Audit

Appointment of the Auditor

The Act and Regulations provide that –

- a) on the recommendation of the audit committee a local government is to from time to time appoint, by absolute majority, a person to be its auditor;
- b) the local government may appoint one or more persons as its auditor;
- c) the local government's auditor is to be a person who is –
 - a. a registered company auditor; or
 - b. an auditor approved by the Minister;
- d) a person may not be appointed as a local government auditor if that person is –
 - a. a councillor or employee of the local government;
 - b. in debt to the local government for more than \$5,000;
 - c. a councillor or employee of a regional local government in which the local government is a participant;
 - d. a member of an incorporated association formed by the local government; or
 - e. a class of persons as prescribed in the Regulations;
- e) an auditor is not to be appointed for more than five years; and
- f) the appointment of a person as an auditor is to be made by agreement in writing and is to include –
 - i. the objectives of the audit;
 - ii. the scope of the audit;
 - iii. a plan for the audit;
 - iv. details of the remuneration and expenses to be paid to the auditor; and
 - v. the method to be used by the local government to communicate with, and supply information to, the auditor.

The committee should undertake a proper selection and appointment process as part of appointing, or reappointing an auditor. If reappointment is being considered, the process should include the review of key issues as in i. to v. above.

It is important to realise that the Act specifies that it is a named person(s) that is appointed as auditor, not the company, or 'the partners' of the company which employs the person. Therefore, when the audit report is received it must be signed by the person(s) appointed as the auditor; it cannot be the generic signature identifying the firm.

Conduct of the Audit

The Act and Regulations provide that –

- a) the auditor is required by 31 December next following the financial year to which the audit relates, to examine the accounts and annual financial report submitted for audit;
- b) the auditor is to form an opinion as to whether –
 - i. the accounts are properly kept; and
 - ii. the annual financial report –
 - is prepared in accordance with the financial records; and
 - represents fairly the results of the operations of the local government and its financial position at 30 June;
- c) the auditor is to prepare a report on the audit and within 30 days of completing the audit forward a copy to –
 - i. the mayor or president;
 - ii. the CEO of the local government; and
 - iii. the Minister;

- d) the report is to give the auditor's opinion on –
- i. the financial position of the local government; and
 - ii. the results of the operation of the local government;
- e) the report is to include –
- i. any material matters that indicate significant adverse trends in the financial position or the financial management practices of the local government;
 - ii. any matters indicating non-compliance with financial management requirements of the Act, Regulations and any other written law;
 - iii. details of whether information and explanations were obtained;
 - iv. a report on the conduct of the audit; and
 - v. the opinion of the auditor as to whether or not the specific financial ratios reported are supported by verifiable information and reasonable assumptions;
- f) where it is considered appropriate to do so the auditor is to prepare a management report to accompany the auditor's report;
- g) where the auditor considers that –
- i. there is any error or deficiency in an account or financial report;
 - ii. any money paid from, or due to the local government has been, or may have been misapplied; or
 - iii. there is a matter arising from the audit that needs to be addressed by the local government; details are to be included in the report to the Minister; and

- h) the auditor has a right of access at all reasonable times to such books, accounts, documents and assets of the local government as are in the opinion of the auditor necessary to allow the audit to be conducted.

Scope of the Audit

The Act and Regulations prescribe the scope of the external audit of the annual financial statements of a local government.

The scope details are going to vary between local governments but as an aid a model minimum standard audit specification is attached as Appendix 2 to this guideline. Individual local governments can amend that document to suit their particular needs.

Reporting by the Auditor

Regulations require the auditor, where appropriate, to prepare a management report to accompany the auditor's report. Although there is no legislative requirement for the auditor to prepare a management report unless he or she deems it appropriate, local government may wish to require the auditor to prepare a report on all issues identified during the audit.

The auditor, after completing the audit, is to forward a copy of his or her audit and management report to –

- the Mayor or President;
- the CEO of the local government; and
- the Minister via the Department.

It is the CEO's responsibility to ensure that the external audit report is provided to the audit committee. In considering the audit and management reports presented to the audit committee, the CEO should:

- a) examine any critical matters raised in the reports that affect the financial position of the local government; and
- b) provide comment on any critical matters raised and action proposed to be taken to address those matters.

Once Council has addressed matters raised, or accepted the CEO's planned remedial action on matters raised in the audit and management reports, the CEO should provide feedback to the Department on those matters.

Appendix 1

Model Terms of Reference – Audit Committees

Important: The following Model Terms of Reference contains clauses that may not be applicable to each local government. Local governments will need to consider each clause and only adopt those that are applicable to the roles and responsibilities and delegated powers and functions that will apply to their audit committee.

The clauses that may be considered optional have been asterisked (*).

Objectives of Audit Committees

The primary objective of the audit committee is to accept responsibility for the annual external audit and liaise with the local government's auditor so that Council can be satisfied with the performance of the local government in managing its financial affairs.

Reports from the committee will assist Council in discharging its legislative responsibilities of controlling the local government's affairs, determining the local government's policies and overseeing the allocation of the local government's finances and resources. The committee will ensure openness in the local government's financial reporting and will liaise with the CEO to ensure the effective and efficient management of the local government's financial accounting systems and compliance with legislation.

The committee is to facilitate –

- the enhancement of the credibility and objectivity of *internal and external financial reporting;

- *effective management of financial and other risks and the protection of Council assets;
- compliance with laws and regulations as well as use of best practice guidelines relative to audit, risk management, internal control and legislative compliance;
- *the coordination of the internal audit function with the external audit; and
- the provision of an effective means of communication between the external auditor, *internal auditor, the CEO and the Council.

Powers of the Audit Committee

The Audit committee is to report to Council and provide appropriate advice and recommendations on matters relevant to its term of reference. This is in order to facilitate informed decision-making by Council in relation to the legislative functions and duties of the local government that have not been delegated to the CEO.

The committee is a formally appointed committee of council and is responsible to that body. The committee does not have executive powers or authority to implement actions in areas over which the CEO has legislative responsibility and does not have any delegated financial responsibility. The committee does not have any management functions and cannot involve itself in management processes or procedures.

Membership

The committee will consist of *four members with three elected and *one external person. All members shall have full voting rights.

*External persons appointed to the

committee will have business or financial management/reporting knowledge and experience, and be conversant with financial and other reporting requirements.

*Appointment of external persons shall be made by Council by way of a public advertisement and be for a maximum term of two years. The terms of the appointment should be arranged to ensure an orderly rotation and continuity of membership despite changes to Council's elected representatives.

*Reimbursement of approved expenses will be paid to each external person who is a member of the committee.

The CEO and employees are not members of the committee.

The CEO or his/her nominee is to be available to attend meetings to provide advice and guidance to the committee.

The local government shall provide secretarial and administrative support to the committee.

Meetings

The committee shall meet at least *quarterly.

Additional meetings shall be convened at the discretion of the presiding person.

Reporting

Reports and recommendations of each committee meeting shall be presented to the next ordinary meeting of the Council.

*The committee shall report annually to the Council summarising its activities during the previous financial year.

Duties and Responsibilities

The duties and responsibilities of the committee will be –

- a) Provide guidance and assistance to Council as to the carrying out the functions of the local government in relation to audits;
- b) Develop and recommend to Council an appropriate process for the selection and appointment of a person as the local government's auditor;
- c) Develop and recommend to Council –
 - a list of those matters to be audited; and
 - the scope of the audit to be undertaken;
- d) Recommend to Council the person or persons to be appointed as auditor;
- e) Develop and recommend to Council a written agreement for the appointment of the external auditor. The agreement is to include –
 - the objectives of the audit;
 - the scope of the audit;
 - a plan of the audit;
 - details of the remuneration and expenses to be paid to the auditor; and
 - the method to be used by the local government to communicate with, and supply information to, the auditor;
- f) Meet with the auditor once in each year and provide a report to Council on the matters discussed and outcome of those discussions;
- g) Liaise with the CEO to ensure that the local government does everything in its power to –
 - assist the auditor to conduct the audit and carry out his or her other duties under the *Local Government Act 1995*; and
 - ensure that audits are conducted successfully and expeditiously;
- h) Examine the reports of the auditor after receiving a report from the CEO on the matters to –
 - determine if any matters raised require action to be taken by the local government; and
 - ensure that appropriate action is taken in respect of those matters;
- i) Review the report prepared by the CEO on any actions taken in respect of any matters raised in the report of the auditor and presenting the report to Council for adoption prior to the end of the next financial year or 6 months after the last report prepared by the auditor is received, whichever is the latest in time;
- j) Review the scope of the audit plan and program and its effectiveness;
- k) *Review the appropriateness of special internal audit assignments undertaken by internal audit at the request of Council or CEO (see reference to internal audit page 14);
- l) *Review the level of resources allocated to internal audit and the scope of its authority;
- m) *Review reports of internal audits, monitor the implementation of recommendations made by the audit and review the extent to which Council and management reacts to matters raised;
- n) *Facilitate liaison between the internal and external auditor to promote compatibility, to the extent appropriate, between their audit programs;
- o) *Review the local government's draft annual financial report, focusing on –
 - accounting policies and practices;
 - changes to accounting policies and practices;
 - the process used in making significant accounting estimates;
 - significant adjustments to the financial report (if any) arising from the audit process;

- compliance with accounting standards and other reporting requirements; and
 - significant variances from prior years;
- p) *Consider and recommend adoption of the annual financial report to Council. Review any significant changes that may arise subsequent to any such recommendation but before the annual financial report is signed;
- q) *Address issues brought to the attention of the committee, including responding to requests from Council for advice that are within the parameters of the committee's terms of reference;
- r) Seek information or obtain expert advice through the CEO on matters of concern within the scope of the committee's terms of reference following authorisation from the Council;
- s) Review the annual Compliance Audit Return and report to the council the results of that review, and
- t) Consider the CEO's biennial reviews of the appropriateness and effectiveness of the local government's systems and procedures in regard to risk management, internal control and legislative compliance, required to be provided to the committee, and report to the council the results of those reviews.

Internal Audit

Many local governments have recognised the need to improve their internal auditing processes, and have moved to either employ an internal auditor or contract out the internal audit function.

Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an

organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

The scope of an internal audit would be determined by the Audit committee, with input from the CEO, based on the size of the local government's internal operations and the level of compliance to be achieved. The role differs from that of the external auditor who is appointed by council on the recommendation of the Audit Committee, to report independently to it, through the mayor/president and the CEO, on the annual financial statements. The external auditor's primary role is to decide whether the annual financial statements of a local government are free of material misstatement.

There are certain functions of the internal audit that complement the external auditor's role. As the external auditor plans for an effective audit they need to assess and determine whether to include the scope, procedures and outcomes of the internal audit. The CEO must refer all internal audit reports to the Audit Committee for consideration.

An internal auditor's activities should typically include the following:

- (a) review of the internal control structure, monitoring the operations of the information system and internal controls and providing recommendations for improvements;
- (b) a risk assessment with the intention of minimising exposure to all forms of risk on the local government;
- (c) examination of financial and operating information that includes detailed testing of transactions, balances and procedures;

- (d) a review of the efficiency and effectiveness of operations and services including non-financial controls of a local government;
- (e) a review of compliance with management policies and directives and any other internal requirements;
- (f) review of the annual Compliance Audit Return;
- (g) assist in the CEO's biennial reviews of the appropriateness and effectiveness of the local government's systems and procedures in regard to risk management, internal control and legislative compliance; and
- (h) specific tasks requested by management.

For local government, the internal auditor should report functionally to the audit committee and administratively to the CEO. It should be remembered that pursuant to section 5.41 of the Act, the CEO is responsible for the day-to-day management of council activities including the direction of staff and implicitly the internal audit function. The CEO may choose to delegate this responsibility provided always that the delegation does not directly or indirectly interfere with the ability of the Internal Auditor to conduct an internal audit function free from interference.

A clear and properly defined reporting relationship ensures that the internal auditor is empowered to perform their role working with management. The direct reporting line to the audit committee also acts as an adequate safeguard in the event of a serious breakdown in internal controls or internal control culture at senior levels in the organisation.

While it is recognised that smaller councils may not be able to justify a

full-time internal auditor, a small size of operation does not justify forgoing internal audit altogether. If audit committee or management is of the view that the employment of an independent internal auditor either full-time or part-time is not warranted, it may request the council to have the internal audit function undertaken as necessary by an external contractor, or expand the role of its external auditor.

The external auditor or his or her professional company should only undertake internal audit functions that complement the external audit and do not cloud the objectivity and independence of the external audit. An external auditor must not audit information prepared by them or their accounting practice, as this is considered incompatible with the standard of independence.

Local governments that do not establish an internal audit process but require a review of the financial management systems and procedures, may decide to use the services of the external auditor for that purpose. Such reviews are to be undertaken every four years in accordance with regulation 5(2)(c) of the *Local Government (Financial Management) Regulations 1996*.

The review of financial management systems and procedures provides the external auditor with greater assurance of systems and procedures used to prepare the annual financial statements, and whether they provide information free of material misstatement.

Appendix 2

Model Minimum Standard Audit Specification

Important: The following Model Minimum Standard Audit Specification may be used as the basis for the calling of tenders or seeking of quotes for the appointment of an auditor. Local governments need to consider the Model to ensure that only those clauses applicable to its requirements are used. This applies, in particular, to the "Critical matters to be audited".

Introduction

This document is provided for the assistance of auditors who wish to apply for the role of auditor with the City/Town/Shire.

Auditors are required to address all of the matters outlined in the specification.

Auditors who submit an application may be asked to provide further information and/or make a presentation to the audit committee.

Objectives of the Audit

To provide an independent audit opinion of the accounts and annual financial reports of the local government for each financial year covered by the term of the audit appointment.

Term of Audit Appointment

For the financial years commencing 1 July through to 30 June..... (not more than 5 years)

Scope of the Audit

The auditor is to –

Carry out such work as is necessary to form an opinion as to whether –

- (a) the accounts are properly kept; and
- (b) the annual financial report –
 - (i) is prepared in accordance with the financial records; and
 - (ii) represents fairly the results of the operations of the local government and the financial position of the local government at 30 June in accordance with the Australian Accounting Standards, the *Local Government Act 1995* (as amended) (the Act), the *Local Government (Financial Management) Regulations 1996* (as amended) and other mandatory professional reporting requirements.

Give an opinion in his or her audit report on –

- (a) the financial position of the local government; and
- (b) the results of the operation of the local government.

Include in his or her audit report –

- (a) any material matters that indicate significant adverse trends in the financial position or the financial management practices of the local government;
- (b) any matters indicating non-compliance with financial management or control requirements of the Act, Regulations and any other written law;
- (c) details of whether information and explanations were obtained by the auditor;

- (d) a report on the conduct of the audit; and
- (e) the opinion of the auditor as to whether or not the specific financial ratios reported are supported by verifiable information and reasonable assumptions.

Audit Methodology and Approach

Other requirements of the Auditor –

- (a) The auditor is required to comply with the requirements of section 7.9 of the *Local Government Act 1995* and the *Local Government (Audit) Regulations 1996*;
- (b) An audit is to be carried out in accordance with accounting standards adopted from time to time by the Australian Government Auditing and Assurance Standards Board (AuASB);
- (c) The auditor is to provide the local government with a general outline of his/her methodology;
- (d) The auditor is to provide the local government with a plan for the audit including –
 - timing of interim audit visits;
 - final audit visit (within 30 days of being advised that the accounts and annual financial report are available for audit);
 - timing of the legislative requirement to meet with the local government and whether that meeting will be in person or by some other means;
 - the method to be used to communicate with, and provide advice and information to, the local government; and
- (e) The auditor is required to produce an audit report as required by section 7.9 of the *Local Government Act 1995* and, if considered appropriate by the auditor, a management report.

Critical Matters to be Audited

The auditor is to include in his or her application the extent to which the critical matters outlined below will be audited so as to form an opinion on the manner in which they have been maintained.

- (i) Revenue
 - Rates revenue
 - Government grants
 - User pays revenue
 - Profit on sale of non-current assets
 - Other income
- (ii) Expenditure
 - Salary and wage costs
 - Depreciation
 - Materials and contract expenditure
 - Loss on sale of non-current assets
 - Insurances
 - Bad debts
 - Other expenditure
- (iii) Current Assets
 - Bank and short term investments
 - Receivables and prepayments
 - Inventory
- (iv) Non-Current Assets
 - Property, plant, furniture and equipment
 - Infrastructure and depreciation
 - Other receivables
- (v) Liabilities (Current and non-current)
 - Creditors and accruals
 - Loan borrowings including new loans raised
 - Provision for annual and long service leave entitlements
- (vi) Reserve Funds
- (vii) Contingent Liabilities
- (viii) Capital Commitments
- (ix) Accounting Policies and Notes to the Financial Statements
- (x) Cash Flow Statement
- (xi) The financial ratios required by the *Local Government (Financial Management) Regulations 1996*

Hours, Fees and Expenditure

The auditor is to provide –

- estimate of the time to be spent on the audit;
- fees for completing the audit in accordance with this specification;
- nominated auditor(s) and registered company audit number(s); and
- experience of the nominated auditors in completing local government audits.

The auditor is to provide a fee for any additional audit requested by Council.

Terms

Conditions to be noted by auditors –

- the auditor shall not sub contract to a third party;
- the auditor shall not, and has no right to, assign the audit contract to third parties;
- the auditor shall not be engaged by the local government to undertake any financial consultancy with the local government that requires the preparation of financial information that will be the subject of the annual audit; and
- the auditor shall confirm that he or she has, and will maintain during the duration of the audit term, professional indemnity insurance covering the legal liability arising out of any neglect, default, error, or omission.

Termination of Appointment

The appointment as auditor is terminated if –

- (a) the auditor ceases to be a registered company auditor;
- (b) the auditor ceases to be an approved auditor under Section 7.5 of the *Local Government Act 1995*;
- (c) the auditor is a disqualified person under Section 7.4(2) of the *Local Government Act 1995*;
- (d) the auditor resigns by notice in writing to Council; or
- (e) Council serves notice in writing to the auditor terminating the appointment.

Appendix 3

Issues that should be considered for inclusion in the CEO's Review of Risk Management, Internal Control and Legislative Compliance

Please note: Section 7 of the Department's Western Australian Local Government Accounting Manual provides a comprehensive internal control framework related to internal control and risk management.

Risk Management

Internal control and risk management systems and programs are a key expression of a local government's attitude to effective controls. Good audit committee practices in monitoring internal control and risk management programs typically include:

- Reviewing whether the local government has an effective risk management system and that material operating risks to the local government are appropriately considered;
- Reviewing whether the local government has a current and effective business continuity plan (including disaster recovery) which is tested from time to time;
- Assessing 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;
 - 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;
- Obtaining regular risk reports, 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;
- Assessing the adequacy of local government processes to manage insurable risks and ensure the adequacy of insurance cover, and if applicable, the level of self-insurance;
- Reviewing the effectiveness of the local government's internal control system with management and the internal and external auditors;
- Assessing 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;
- Assessing 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;
- Should the need arise, meeting periodically with key management, internal and external auditors, and compliance staff, to understand and discuss any changes in the local government's control environment;
- Ascertaining 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.

Internal Control

Internal control is a key component of a sound governance framework, in addition to leadership, long-term planning, compliance, resource allocation, accountability and transparency. Strategies to maintain sound internal controls are based on risk analysis of the internal operations of a local government.

An effective and transparent internal control environment is built on the following key areas:

- integrity and ethics;
- policies and delegated authority;
- levels of responsibilities and authorities;
- audit practices;
- information system access and security;
- management operating style; and
- human resource management and practices.

Internal control systems involve policies and procedures that safeguard assets, ensure accurate and reliable financial reporting, promote compliance with legislation and achieve effective and efficient operations and may vary depending on the size and nature of the local government.

Aspects of an effective control framework will include:

- delegation of authority;
- documented policies and procedures;
- trained and qualified employees;
- system controls;
- effective policy and process review;
- regular internal audits;
- documentation of risk identification and assessment; and

- regular liaison with auditor and legal advisors.

The following are examples of controls that are typically reviewed:

- separation of roles and functions, processing and authorisation;
- control of approval of documents, letters and financial records;
- comparison of internal data with other or external sources of information;
- limit of direct physical access to assets and records;
- control of computer applications and information system standards;
- limit access to make changes in data files and systems;
- regular maintenance and review of financial control accounts and trial balances;
- comparison and analysis of financial results with budgeted amounts;
- the arithmetical accuracy and content of records;
- report, review and approval of financial payments and reconciliations; and
- comparison of the result of physical cash and inventory counts with accounting records.

Legislative Compliance

The compliance programs of a local government are a strong indication of attitude towards meeting legislative requirements. Audit committee practices in regard to monitoring compliance programs typically include:

- Monitoring compliance with legislation and regulations;
- Reviewing the annual Compliance Audit Return and reporting to Council the results of that review;
- Staying informed about how management is monitoring the

effectiveness of its compliance and making recommendations for change as necessary;

- Reviewing whether the local government has procedures for it to receive, retain and treat complaints, including confidential and anonymous employee complaints;
- Obtaining assurance that adverse trends are identified and review management's plans to deal with these;
- Reviewing management disclosures in financial reports of the effect of significant compliance issues;
- Reviewing whether the internal and/or external auditors have regard to compliance and ethics risks in the development of their audit plan and in the conduct of audit projects, and report compliance and ethics issues to the audit committee;
- Considering the internal auditor's role in assessing compliance and ethics risks in their plan;
- Monitoring the local government's compliance frameworks dealing with relevant external legislation and regulatory requirements; and
- Complying with legislative and regulatory requirements imposed on audit committee members, including not misusing their position to gain an advantage for themselves or another or to cause detriment to the local government and disclosing conflicts of interest.

These guidelines are also available on the Department's website at www.dlgc.wa.gov.au



About the Guideline series

This document and others in the series are intended as a guide to good practice and should not be taken as a compliance knowledge, understanding, observation of, and appropriate consultation on contemporary good practice in local government. Guidelines may also involve the Department's views on the intent and interpretation of relevant legislation.

All guidelines are subject to review, amendment and re-publishing as required. Therefore, comments on any aspect of the guideline are welcome. Advice of methods of improvement in the area of the guideline topic that can be reported to other local governments will be especially beneficial.

For more information about this and other guidelines, contact the Local Government Regulation and Support Branch at:

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Email: info@dlgc.wa.gov.au Website: www.dlgc.wa.gov.au

Translating and Interpreting Service (TIS) – Tel: 13 14 50

6.3 COMPLIANCE AUDIT RETURN

| | |
|----------------------------------|--|
| DATE: | 10/02/2015 |
| PROPONENT: | Shire of Wyndham East Kimberley |
| LOCATION: | N/a |
| AUTHOR: | Debbie McCallum, Governance Officer |
| REPORTING OFFICER: | Kevin Hannagan, Acting Chief Executive Officer |
| FILE NO: | CM.13.2 |
| ASSESSMENT NO: | N/a |
| DECLARATION OF INTERESTS: | N/a |

PURPOSE

The Chief Executive Officer is required to complete and submit a Compliance Audit Return to the Director General of the Department of Local Government together with a copy of the relevant minute as approved by Council at an Ordinary Council Meeting by 31 March each year.

BACKGROUND

Each local government is required to carry out a compliance audit for the period 1 January to 31 December against the requirements of the Compliance Audit Return. The return is completed online.

After the Compliance Audit Return has been presented to Council, a certified copy of the return along with the relevant section of the minutes and any additional information explaining or qualifying the compliance audit is to be submitted to the Director General of the Department of Local Government.

The Compliance Audit is one of the tools that allows Council to monitor how the organisation is functioning in regard to compliance (or otherwise) with the various legislation that pertains to local government administration and decision making.

Regulations require that upon completion of the Compliance Audit Return the return is to be:

- presented to the Council at a meeting of the Council;
- adopted by the Council; and
- recorded in the minutes of the meeting at which it is adopted.

The Compliance Audit is submitted using an online Compliance Audit Return that is prepared by the Department of Local Government.

STATUTORY IMPLICATIONS

The Department of Local Government Compliance Framework is aimed at providing transparency about the Shire's approach to compliance as well as giving the sector and the public certainty about its approach to managing complaints made against the sector (or individuals within it).

LOCAL GOVERNMENT ACT 1995

Part 7, Division 4

7.13. Regulations as to audits

- (1) Regulations may make provision —
 - (i) requiring local governments to carry out, in the prescribed manner and in a form approved by the Minister, an audit of compliance with such statutory requirements as are prescribed whether those requirements are —
 - (i) of a financial nature or not; or
 - (ii) under this Act or another written law.

LOCAL GOVERNMENT (AUDIT) REGULATIONS 1996

14. Compliance audits by local governments

- (1) A local government is to carry out a compliance audit for the period 1 January to 31 December in each year.
- (2) After carrying out a compliance audit the local government is to prepare a compliance audit return in a form approved by the Minister.
- (3A) The local government's audit committee is to review the compliance audit return and is to report to the council the results of that review.
- (3) After the audit committee has reported to the council under subregulation (3A), the compliance audit return is to be —
 - (a) presented to the council at a meeting of the council; and
 - (b) adopted by the council; and
 - (c) recorded in the minutes of the meeting at which it is adopted.

[Regulation 14 inserted in Gazette 23 Apr 1999 p. 1724-5; amended in Gazette 30 Dec 2011 p. 5580-1.]

15. Compliance audit return, certified copy of etc. to be given to Executive Director

- (1) After the compliance audit return has been presented to the council in accordance with regulation 14(3) a certified copy of the return together with —
 - (a) a copy of the relevant section of the minutes referred to in regulation 14(3)(c); and
 - (b) any additional information explaining or qualifying the compliance audit,is to be submitted to the Executive Director by 31 March next following the period to which the return relates.
- (2) In this regulation —

certified in relation to a compliance audit return means signed by —

 - (a) the mayor or president; and
 - (b) the CEO.

POLICY IMPLICATIONS

No policy implications apply in the preparation of this report.

FINANCIAL IMPLICATIONS

There are no financial implications associated with this item.

STRATEGIC IMPLICATIONS

Goal1: Strong leadership and governance that underpins a more strategic approach to community engagement, regional development and organisational sustainability.

Objective 1.4: Business innovation, efficiency and improved service

Strategy 1.4.1: Ensure legislative compliance and follow best practice principles in planning and service delivery.

COMMUNITY CONSULTATION

Community consultation is not required in relation to this item.

COMMENT

The purpose of this report is to seek endorsement from the Committee to recommend to the Council the 2014 report to enable submission to the Department of Local Government prior to 31 March 2015.

ATTACHMENTS

Attachment 1 – Completed Compliance Audit Report 2014

VOTING REQUIREMENT

Simple Majority

OFFICERS RECOMMENDATION

That the Audit (Finance and Risk) Committee recommends to the Council that it adopts the Compliance Audit Return for 2014.

COMMITTEE RESOLUTION

Minute: AC333

Moved: Cr J Moulden

Seconded: Cr B Robinson

That the Audit (Finance and Risk) Committee recommends to the Council that it adopts the Compliance Audit Return for 2014.

Carried unanimously 4/0



Wyndham-East Kimberley - Compliance Audit Return 2014

| Commercial Enterprises by Local Governments | | | | | |
|--|-----------------------------------|---|----------|----------|-----------------|
| No | Reference | Question | Response | Comments | Respondent |
| 1 | s3.59(2)(a)(b)(c) F&G Reg 7,9 | Has the local government prepared a business plan for each major trading undertaking in 2014. | N/A | | Debbie McCallum |
| 2 | s3.59(2)(a)(b)(c) F&G Reg 7,10 | Has the local government prepared a business plan for each major land transaction that was not exempt in 2014. | N/A | | Debbie McCallum |
| 3 | s3.59(2)(a)(b)(c) F&G Reg 7,10 | 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 2014. | N/A | | Debbie McCallum |
| 4 | s3.59(4) | Has the local government given Statewide public notice of each proposal to commence a major trading undertaking or enter into a major land transaction for 2014. | N/A | | Debbie McCallum |
| 5 | s3.59(5) | Did the Council, during 2014, resolve to proceed with each major land transaction or trading undertaking by absolute majority. | N/A | | Debbie McCallum |

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| Delegation of Power / Duty | | | | | | |
|-----------------------------------|--------------------------------|--|----------|----------|-----------------|--|
| No | Reference | Question | Response | Comments | Respondent | |
| 1 | s5.16, 5.17, 5.18 | Were all delegations to committees resolved by absolute majority. | Yes | | Debbie McCallum | |
| 2 | s5.16, 5.17, 5.18 | Were all delegations to committees in writing. | Yes | | Debbie McCallum | |
| 3 | s5.16, 5.17, 5.18 | Were all delegations to committees within the limits specified in section 5.17. | Yes | | Debbie McCallum | |
| 4 | s5.16, 5.17, 5.18 | Were all delegations to committees recorded in a register of delegations. | Yes | | Debbie McCallum | |
| 5 | s5.18 | Has Council reviewed delegations to its committees in the 2013/2014 financial year. | Yes | | Debbie McCallum | |
| 6 | s5.42(1),5.43 Admin Reg 18G | Did the powers and duties of the Council delegated to the CEO exclude those as listed in section 5.43 of the Act. | Yes | | Debbie McCallum | |
| 7 | s5.42(1)(2) Admin Reg 18G | Were all delegations to the CEO resolved by an absolute majority. | Yes | | Debbie McCallum | |
| 8 | s5.42(1)(2) Admin Reg 18G | Were all delegations to the CEO in writing. | Yes | | Debbie McCallum | |
| 9 | s5.44(2) | Were all delegations by the CEO to any employee in writing. | Yes | | Debbie McCallum | |
| 10 | s5.45(1)(b) | Were all decisions by the Council to amend or revoke a delegation made by absolute majority. | Yes | | Debbie McCallum | |
| 11 | s5.46(1) | Has the CEO kept a register of all delegations made under the Act to him and to other employees. | Yes | | Debbie McCallum | |
| 12 | s5.46(2) | Were all delegations made under Division 4 of Part 5 of the Act reviewed by the delegator at least once during the 2013/2014 financial year. | Yes | | Debbie McCallum | |
| 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 as required. | Yes | | Debbie McCallum | |

| Disclosure of Interest | | | | | | |
|-------------------------------|-----------|---|----------|---|-----------------|--|
| No | Reference | Question | Response | Comments | Respondent | |
| 1 | s5.67 | If a member disclosed an interest, did he/she ensure that they did not remain present to participate in any discussion or decision-making procedure relating to the matter in which the interest was disclosed (not including participation approvals granted under s5.68). | No | DLGC was made aware of this and further training has been provided to councillors by DLGC staff | Kevin Hannagan | |
| 2 | s5.68(2) | Were all decisions made under section 5.68(1), and the extent of participation allowed, recorded in the minutes of Council and Committee meetings. | Yes | | Debbie McCallum | |



| No | Reference | Question | Response | Comments | Respondent |
|----|--|---|----------|----------|-----------------|
| 3 | s5.73 | Were disclosures under section 5.65 or 5.70 recorded in the minutes of the meeting at which the disclosure was made. | Yes | | Debbie McCallum |
| 4 | s5.75(1) Admin Reg 22 Form 2 | Was a primary return lodged by all newly elected members within three months of their start day. | Yes | | Debbie McCallum |
| 5 | s5.75(1) Admin Reg 22 Form 2 | Was a primary return lodged by all newly designated employees within three months of their start day. | Yes | | Debbie McCallum |
| 6 | s5.76(1) Admin Reg 23 Form 3 | Was an annual return lodged by all continuing elected members by 31 August 2014. | Yes | | Debbie McCallum |
| 7 | s5.76(1) Admin Reg 23 Form 3 | Was an annual return lodged by all designated employees by 31 August 2014. | Yes | | Debbie McCallum |
| 8 | s5.77 | On receipt of a primary or annual return, did the CEO, (or the Mayor/ President in the case of the CEO's return) on all occasions, give written acknowledgment of having received the return. | Yes | | Debbie McCallum |
| 9 | s5.88(1)(2) Admin Reg 28 | Did the CEO keep a register of financial interests which contained the returns lodged under section 5.75 and 5.76 | Yes | | Debbie McCallum |
| 10 | s5.88(1)(2) 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 and 5.71, in the form prescribed in Administration Regulation 28. | Yes | | Debbie McCallum |
| 11 | s5.88 (3) | Has the CEO removed all returns from the register when a person ceased to be a person required to lodge a return under section 5.75 or 5.76. | Yes | | Debbie McCallum |
| 12 | s5.88(4) | Have all returns lodged under section 5.75 or 5.76 and removed from the register, been kept for a period of at least five years, after the person who lodged the return ceased to be a council member or designated employee. | Yes | | Debbie McCallum |
| 13 | s5.103 Admin Reg 34C & Rules of Conduct Reg 11 | Where an elected member or an employee disclosed an interest in a matter discussed at a Council or committee meeting where there was a reasonable belief that the impartiality of the person having the interest would be adversely affected, was it recorded in the minutes. | Yes | | Debbie McCallum |
| 14 | s5.70(2) | Where an employee had an interest in any matter in respect of which the employee provided advice or a report directly to the Council or a Committee, did that person disclose the nature of that interest when giving the advice or report. | Yes | | Debbie McCallum |



| No | Reference | Question | Response | Comments | Respondent |
|----|-------------------------|---|----------|----------|-----------------|
| 15 | s5.70(3) | Where an employee disclosed an interest under s5.70(2), did that person also disclose the extent of that interest when required to do so by the Council or a Committee. | Yes | | Debbie McCallum |
| 16 | s5.103(3) Admin Reg 34B | Has the CEO kept a register of all notifiable gifts received by Council members and employees. | Yes | | Debbie McCallum |

Disposal of Property

| No | Reference | Question | Response | Comments | Respondent |
|----|-----------|---|----------|----------|-----------------|
| 1 | s3.58(3) | Was local public notice given prior to disposal for any property not disposed of by public auction or tender (except where excluded by Section 3.58(5)). | Yes | | Debbie McCallum |
| 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 | | Debbie McCallum |

Elections

| No | Reference | Question | Response | Comments | Respondent |
|----|-------------------|--|----------|----------|-----------------|
| 1 | Elect Reg 30G (1) | Did the CEO establish and maintain an electoral gift register and ensure that all 'disclosure of gifts' forms completed by candidates 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 candidates. | Yes | | Debbie McCallum |

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 | | Debbie McCallum |
| 2 | s7.1B | Where a local government determined to delegate to its audit committee any powers or duties under Part 7 of the Act, did it do so by absolute majority. | Yes | | Debbie McCallum |
| 3 | s7.3 | Was the person(s) appointed by the local government to be its auditor, a registered company auditor. | N/A | | Debbie McCallum |
| 4 | s7.3 | Was the person(s) appointed by the local government to be its auditor, an approved auditor. | N/A | | Debbie McCallum |
| 5 | s7.3, 7.6(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 | | Debbie McCallum |



| No | Reference | Question | Response | Comments | Respondent |
|----|----------------|--|----------|-------------------------------------|----------------|
| 6 | Audit Reg 10 | Was the Auditor's report for the financial year ended 30 June 2014 received by the local government within 30 days of completion of the audit. | N/A | Report is currently being finalised | Kevin Hannagan |
| 7 | s7.9(1) | Was the Auditor's report for 2013/2014 received by the local government by 31 December 2014. | No | Report is currently being finalised | Kevin Hannagan |
| 8 | S7.12A(3), (4) | 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 by the local government, was that action undertaken. | N/A | Report is currently being finalised | Kevin Hannagan |
| 9 | S7.12A(3), (4) | 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 by the local government, was a report prepared on any actions undertaken. | N/A | Report is currently being finalised | Kevin Hannagan |
| 10 | S7.12A(3), (4) | 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 by the local government, was a copy of the report forwarded to the Minister by the end of the financial year or 6 months after the last report prepared under s7.9 was received by the local government whichever was the latest in time. | N/A | Report is currently being finalised | Kevin Hannagan |
| 11 | Audit Reg 7 | Did the agreement between the local government and its auditor include the objectives of the audit. | N/A | Agreement still in place | Kevin Hannagan |
| 12 | Audit Reg 7 | Did the agreement between the local government and its auditor include the scope of the audit. | N/A | Agreement still in place | Kevin Hannagan |
| 13 | Audit Reg 7 | Did the agreement between the local government and its auditor include a plan for the audit. | N/A | Agreement still in place | Kevin Hannagan |
| 14 | Audit Reg 7 | Did the agreement between the local government and its auditor include details of the remuneration and expenses to be paid to the auditor. | N/A | Agreement still in place | Kevin Hannagan |
| 15 | Audit Reg 7 | Did the agreement between the local government and its auditor include the method to be used by the local government to communicate with, and supply information to, the auditor. | N/A | Agreement still in place | Kevin Hannagan |



| Local Government Employees | | | | | |
|----------------------------|-------------------------------------|---|----------|---|-----------------|
| No | Reference | Question | Response | Comments | Respondent |
| 1 | Admin Reg 18C | Did the local government approve the process to be used for the selection and appointment of the CEO before the position of CEO was advertised. | Yes | | Debbie McCallum |
| 2 | s5.36(4) s5.37(3), Admin Reg 18A | Were all vacancies for the position of CEO and other designated senior employees advertised and did the advertising comply with s.5.36(4), 5.37(3) and Admin Reg 18A. | Yes | | Debbie McCallum |
| 3 | Admin Reg 18F | Was the remuneration and other benefits paid to a CEO on appointment the same remuneration and benefits advertised for the position of CEO under section 5.36(4). | N/A | Appointment to be made in 2015 | Kevin Hannagan |
| 4 | Admin Regs 18E | Did the local government ensure checks were carried out to confirm that the information in an application for employment was true (applicable to CEO only). | N/A | Appointment to be made in 2015 | Kevin Hannagan |
| 5 | s5.37(2) | Did the CEO inform council of each proposal to employ or dismiss a designated senior employee. | N/A | Designation of Senior Employees policy adopted at December 2015 OCM | Kevin Hannagan |

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| Official Conduct | | | | | |
|-------------------------|--------------|--|----------|---------------------------|-----------------|
| No | Reference | Question | Response | Comments | Respondent |
| 1 | s5.120 | Where the CEO is not the complaints officer, has the local government designated a senior employee, as defined under s5.37, to be its complaints officer. | N/A | CEO is complaints officer | Debbie McCallum |
| 2 | s5.121(1) | Has the complaints officer for the local government maintained a register of complaints which records all complaints that result in action under s5.110(6)(b) or (c). | Yes | | Debbie McCallum |
| 3 | s5.121(2)(a) | Does the complaints register maintained by the complaints officer include provision for recording of the name of the council member about whom the complaint is made. | Yes | | Debbie McCallum |
| 4 | s5.121(2)(b) | Does the complaints register maintained by the complaints officer include provision for recording the name of the person who makes the complaint. | Yes | | Debbie McCallum |
| 5 | s5.121(2)(c) | Does the complaints register maintained by the complaints officer include provision for recording a description of the minor breach that the standards panel finds has occurred. | Yes | | Debbie McCallum |
| 6 | s5.121(2)(d) | Does the complaints register maintained by the complaints officer include the provision to record details of the action taken under s5.110(6)(b) (c). | Yes | | Debbie McCallum |

| Tenders for Providing Goods and Services | | | | | |
|---|---------------------|--|----------|----------|-----------------|
| No | Reference | Question | Response | Comments | Respondent |
| 1 | s3.57 F&G Reg 11 | Did the local government invite tenders on all occasions (before entering into 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 Regulation 11(1) of the Local Government (Functions & General) Regulations (Subject to Functions and General Regulation 11(2)). | Yes | | Debbie McCallum |
| 2 | F&G Reg 12 | Did the local government comply with F&G Reg 12 when deciding to enter into multiple contracts rather than inviting tenders for a single contract. | Yes | | Debbie McCallum |
| 3 | F&G Reg 14(1) | Did the local government invite tenders via Statewide public notice. | Yes | | Debbie McCallum |
| 4 | F&G Reg 14, 15 & 16 | Did the local government's advertising and tender documentation comply with F&G Regs 14, 15 & 16. | Yes | | Debbie McCallum |



| No | Reference | Question | Response | Comments | Respondent |
|----|-----------------|---|----------|---|-----------------|
| 5 | 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 | | Debbie McCallum |
| 6 | F&G Reg 18(1) | Did the local government reject the tenders that were not submitted at the place, and within the time specified in the invitation to tender. | N/A | | Debbie McCallum |
| 7 | F&G Reg 18 (4) | In relation to the tenders that were not rejected, did the local government assess which tender to accept and which tender was most advantageous to the local government to accept, by means of written evaluation criteria. | Yes | | Debbie McCallum |
| 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. | No | Not fully compliant. Issue has been addressed and now compliant | Kevin Hannagan |
| 9 | F&G Reg 19 | Was each tenderer sent written notice advising particulars of the successful tender or advising that no tender was accepted. | Yes | | Debbie McCallum |
| 10 | F&G Reg 21 & 22 | Did the local governments's advertising and expression of interest documentation comply with the requirements of F&G Regs 21 and 22. | Yes | | Debbie McCallum |
| 11 | F&G Reg 23(1) | Did the local government reject the expressions of interest that were not submitted at the place and within the time specified in the notice. | No | Only one response submitted | Kevin Hannagan |
| 12 | 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. | N/A | Single respondent withdrew submission | Kevin Hannagan |
| 13 | F&G Reg 24 | Was each person who submitted an expression of interest, given a notice in writing in accordance with Functions & General Regulation 24. | Yes | | Debbie McCallum |
| 14 | F&G Reg 24E | Where the local government gave a regional price preference in relation to a tender process, did the local government comply with the requirements of F&G Reg 24E in relation to the preparation of a regional price preference policy (only if a policy had not been previously adopted by Council). | N/A | | Debbie McCallum |
| 15 | F&G Reg 11A | Does the local government have a current purchasing policy in relation to contracts for other persons to supply goods or services where the consideration under the contract is, or is expected to be, \$100,000 or less. | Yes | Policy requires review | Kevin Hannagan |

6.4 STANDING ITEM - SUNDRY DEBTORS

| | |
|----------------------------------|--|
| DATE: | 10 February 2015 |
| PROPONENT: | Shire of Wyndham East Kimberley |
| LOCATION: | Shire of Wyndham East Kimberley |
| AUTHOR: | Paul Tily |
| REPORTING OFFICER: | Natalie Octoman, Director Corporate Services |
| FILE NO: | FM.07.2 |
| DECLARATION OF INTERESTS: | Nil |

PURPOSE

To review the status of sundry debtors, including airport debtors, and sundry debts in legal process.

BACKGROUND

The listing of 90+ Day Sundry Debtors was provided at the Ordinary Council Meeting on a monthly basis until March 2009 when Council resolved that the 90+ days debtor list be removed from the Council Agenda as a standing item and be presented to the then Audit Committee for consideration and to make recommended actions to Council as this falls within the scope of the committee's purpose.

In line with the more strategic focus of the new Committee the report in April 2012 only included debtor balances at 90+days and over \$500.

To further progress this strategic focus this item has been changed to provide summary information regarding all sundry debts including airport landing fees administered by Avdata on the Shire's behalf. Sundry debtors in legal process have also been incorporated into this item to provide a complete picture of sundry debtors.

Further changes were recommended to the Committee at the February 2014 meeting to modify the report by remove the categories previously reported and to report sundry debtors as a whole, with airport debtors still being identified separately and that only debtors in excess of \$20,000 be provided with more detail. These changes were supported by the Committee and have been implemented in this report.

STATUTORY IMPLICATIONS

This item in a Council Meeting needs to be discussed behind closed doors under Section 5.23. (2) (e) (iii) of the *Local Government Act 1995* because the item may disclose information about the business, professional, commercial or financial affairs of a person and because the item also contained legal advice to the Council.

POLICY IMPLICATIONS

CP/FIN-3214 "Sundry Debt Collection Policy" is relevant to this item.

FINANCIAL IMPLICATIONS

Legal fees may be incurred to recover debts or revenue written off if debt recovery is considered not economically viable.

It should be noted however, that advice received from the Department of Local Government has indicated that legal fees cannot be on-charged for sundry debtors (nor can a fee be included in the fees and charges document to take this into account). The Council's CP/FIN-3214 "Sundry Debt Collection Policy" is currently undergoing review to take into account the advice received and will be presented to the May meeting for consideration.

It would be worthwhile for the Committee to consider the level of debt that would therefore be sent to legal, given that currently the Policy indicates that outstanding debts of less than \$400 are not sent given it is not economical to do so. This amount may wish to be reconsidered given that legal fees cannot be recouped.

STRATEGIC IMPLICATIONS

Strategic Community Plan 2012-2022

Goal 1: Strong leadership and governance that underpins a more strategic approach to community engagement, regional development and organisational sustainability

Objective 1.4: Business innovation, efficiency and improved service

Strategy 1.4.3: Maintain Council's long term financial viability

The costs associated with legal fees to recover debt need to be weighed up against the debt to ensure and economically viable action is being taken.

COMMUNITY CONSULTATION

Community consultation is not required in relation to this item.

COMMENT

Sundry Debtors (General) Summary – 22 January 2015

| Categories | 90 Days | | 60 Days | 30 Days | Current | Total |
|----------------|---------|---------|---------|---------|---------|---------|
| | No | \$ | \$ | \$ | \$ | \$ |
| Sundry Debtors | 47 | 217,970 | 118,438 | 106,261 | 368,496 | 811,165 |

Note: The information in the above table is from the Shire's Debtors System, the revenue is recognised when the debt is raised.

Sundry Debtors (Airport Landing Fees) Summary – 22 January 2015

| Categories | 90 Days | | 60 Days | 30 Days | Current | Total |
|-------------------|-----------|---------------|----------|----------------|----------------|----------------|
| | No | \$ | \$ | \$ | \$ | \$ |
| Kununurra Airport | 36 | 25,098 | 0 | 121,936 | 106,930 | 253,964 |
| Wyndham Airport | 3 | 2,104 | 0 | 3,830 | 2,478 | 8,412 |
| Total | 39 | 27,202 | 0 | 125,766 | 109,408 | 262,376 |

Note: The information in the above table is provided by Avdata.

ATTACHMENTS

Attachment 1 - Sundry Debtors detailed report as at 22 January 2015 (Confidential attachment provided under separate cover)

VOTING REQUIREMENT

Simple Majority

OFFICER'S RECOMMENDATION

That the Audit (Finance and Risk) Committee reports to the Council that:-

1. The actions being undertaken by the administration in regard to sundry debtors including sundry debts in legal process are sufficient and appropriate;
2. Notes that the Council's CP/FIN-3214 Sundry Debt Collection Policy is currently under review based upon advice received from the Department of Local Government in relation to the recoupment of legal fees.

COMMITTEE RESOLUTION

Minute: AC334

Moved: Cr B Robinson

Seconded: Cr J Moulden

That the Audit (Finance and Risk) Committee reports to the Council that:-

- 1. The actions being undertaken by the administration in regard to sundry debtors including sundry debts in legal process are sufficient and appropriate;**
- 2. Notes that the Council's CP/FIN-3214 Sundry Debt Collection Policy is currently under review based upon advice received from the Department of Local Government in relation to the recoupment of legal fees.**

Carried unanimously 4/0

6.5 STANDING ITEM - RATES DEBTORS

| | |
|----------------------------------|--|
| DATE: | 10 February 2015 |
| PROPONENT: | Shire of Wyndham East Kimberley |
| LOCATION: | Shire of Wyndham East Kimberley |
| AUTHOR: | Veronica Gulland, Senior Rates Officer |
| REPORTING OFFICER: | Natalie Octoman, Director Corporate Services |
| FILE NO: | FM.11.1 |
| DECLARATION OF INTERESTS: | NIL |

PURPOSE

To review the status of rates debtors and those rates debts that are in the legal process.

BACKGROUND

At the Ordinary Council Meeting, 16 October 2007, Council moved the following resolution:

Minute No. 7936

That Council direct the CEO to provide a written report to Council under confidential cover each month in regard to all debts currently in legal process.

Carried Unanimously 5/0

At the Ordinary Council Meeting, 18 March 2008, Council moved the following:

Minute No: 8148

Moved: Cr J Parker Seconded: Cr F Mills

That Council:

- 1. note the confidential report provided to it in relation to debts owed to Council and under legal action.***
- 2. direct the Executive Manager Corporate Services to provide a written report to the Audit Committee under confidential cover at each Audit Committee meeting in regard to all debts currently in legal process.***
- 3. request the Audit Committee to make recommendations to Council as required and appropriate in relation to the report provided under confidential cover regarding debts currently in legal process.***
- 4. resolve that this requirement replaces the previous requirement on the CEO to report information to Council.***

Carried Unanimously 8/0

This requirement is now fulfilled by a combination of this report and item 5.1 Standing Item – Sundry Debtors.

The Outstanding Rates Debtors over three years report has also been incorporated into the confidential attachment to this item to give a complete picture of rates debtors.

STATUTORY IMPLICATIONS

This item in a Council Meeting needs to be discussed behind closed doors under Section 5.23. (2) (e) (iii) of the *Local Government Act 1995* because the item may disclose information about the business, professional, commercial or financial affairs of a person and because the item also contained legal advice to the Council.

POLICY IMPLICATIONS

No policy implications apply in relation to this item

FINANCIAL IMPLICATIONS

Legal fees may be incurred to recover debts or revenue written off if debt recovery is considered not economically viable.

STRATEGIC IMPLICATIONS

Strategic Community Plan 2012-2022

Goal 1: Strong leadership and governance that underpins a more strategic approach to community engagement, regional development and organisational sustainability

Objective 1.4: Business innovation, efficiency and improved service

Strategy 1.4.3: Maintain Council's long term financial viability

COMMUNITY CONSULTATION

Community consultation is not required in relation to this item

COMMENT

Rates and Services Debtors Summary

| Rates & Services Levied 2014/2015 (including arrears) | Rates & Services Debt at 09 January 2015 | Overdue at 09 January 2015 |
|--|---|---------------------------------------|
| \$ 11,537,470.20 | \$2,302,341.25 | \$741,914.16 |

Rates for the financial year of 2014/15 were raised and issued on 12 September 2014. Interim rating occurs periodically throughout the year.

Comparison of rates received 2013/14 and 2014/15

| Days from Billing | | 2013/14 | | | 2014/15 | | |
|-------------------|--------------------|-------------------|------------------|---------------|-------------------|------------------|---------------|
| | | Total Outstanding | Received | % of Billing | Total Outstanding | Received | % of Billing |
| | | \$ | \$ | | \$ | \$ | |
| 0 | Notices Issued | 9,283,794 | | | 11,031,944 | | |
| 7 | | 8,836,119 | 447,675 | 4.82% | 10,535,586 | 496,358 | 4.50% |
| 14 | | 8,106,853 | 729,266 | 7.86% | 8,370,659 | 2,164,927 | 19.62% |
| 21 | Discount due date* | 5,906,296 | 2,200,557 | 23.70% | 7,539,027 | 831,632 | 7.54% |
| 28 | | 5,579,966 | 326,330 | 3.52% | 6,786,900 | 752,127 | 6.82% |
| 35 | Rates Due date | 3,235,775 | 2,344,191 | 25.25% | 4,017,509 | 2,769,391 | 25.10% |
| 42 | | 3,024,109 | 211,666 | 2.28% | 3,629,050 | 388,459 | 3.52% |
| 31 December | | 1,714,268 | 1,309,841 | 14.11% | 2,272,400 | 1,356,650 | 12.30% |
| Total | | | 7,569,526 | 81.53% | | 8,759,544 | 79.40% |

*In 2013/14 a 2.5% discount was granted. In 2014/15 no discount was granted.

Instalment Status Report at 20 January 2015

| Instalment Option | Number of Properties | % Total Properties* | Properties up to date | Properties Behind | Instalments Overdue \$ | % of Properties Overdue** |
|------------------------------|----------------------|---------------------|-----------------------|-------------------|------------------------|---------------------------|
| 2 instalments | 182 | 5.45% | 159 | 23 | 160.41 | 12.64% |
| 4 Instalments | 629 | 18.84% | 465 | 164 | 63,521.44 | 26.07% |
| All instalment payers | 811 | 24.29% | 624 | 187 | 63,681.85 | 23.06% |

*Excludes non-rateable properties

**Percentage of all instalment payers for each option

Comparison of rates debtors referred for debt collection 2013/14 and 2014/15

| | 2013/14 | | 2014/15 | |
|---------------------------|-------------------|------------------------|-------------------|------------------------|
| | Number of debtors | Total value of Debt \$ | Number of debtors | Total value of Debt \$ |
| Debts referred for NOI* | 274 | 683,868 | 59 | 438,136 |
| Debts proceeding to GPC** | 82 | 109,489 | 9 | 27,757 |

*NOI – letter sent to debtor by debt collection agency advising of intention to take legal action.

**GPC – General Procedure Claim lodged at court to be served on debtor.

ATTACHMENTS

Attachment 1 - Rates Debtors - Detailed Report (Confidential Attachment provided under separate cover)

VOTING REQUIREMENT

Simple Majority

OFFICER'S RECOMMENDATION

That the Audit (Finance and Risk) Committee reports to the Council that:

1. the actions being undertaken by the administration in regard to rates debtors, including rates debts in legal process are sufficient and appropriate;
2. it acknowledges the significant reduction in rates debts referred to legal in 2014/15 compared to 2013/14.

COMMITTEE RESOLUTION

Minute: AC335

Moved: Cr J Moulden

Seconded: Cr D Spackman

That the Audit (Finance and Risk) Committee reports to the Council that:

- 1. the actions being undertaken by the administration in regard to rates debtors, including rates debts in legal process are sufficient and appropriate;**
- 2. it acknowledges the significant reduction in rates debts referred to legal in 2014/15 compared to 2013/14.**

Carried unanimously 4/0

6.6 STANDING ITEM – LEASES

| | |
|---------------------------|--|
| DATE: | 10 February 2015 |
| PROPONENT: | Shire of Wyndham East Kimberley |
| LOCATION: | N/A |
| AUTHOR: | Natalie Octoman, Director Corporate Services |
| REPORTING OFFICER: | Natalie Octoman, Director Corporate Services |
| FILE NO: | CP.07, CP.16 |

PURPOSE

To consider the attached Confidential Lease Report as at 02 February 2015

BACKGROUND

The Shire of Wyndham East Kimberley administers over thirty five leases ranging from airport leases, community and commercial leases.

In December 2007 the Audit (Risk and Finance) Committee resolved:

Minute No. A066

***Moved: Cr Keith Wright
Seconded Cr Frederic Mills***

- 1. that the Audit Committee note that the responsibility for the management of leases and periodical contracts is that of the Executive Manager Corporate Services.***
- 2. that the Audit Committee note that the Executive Manager Corporate Services monitors the leases and coordinates the lease data base and reporting to Executive Managers, the Audit Committee and Council.***
- 3. that the Audit Committee request staff to present an updated Lease Spreadsheet certified by Executive Manager Corporate Services to each Audit Committee meeting as a standing item.***

Carried Unanimously 4/0

STATUTORY IMPLICATIONS

Local Government Act 1995
Part 5, Division 2

5.23. Meetings generally open to public

- (1) Subject to subsection (2), the following are to be open to members of the public —*
 - (a) all council meetings; and*
 - (b) all meetings of any committee to which a local government power or duty has been delegated.*
- (2) If a meeting is being held by a council or by a committee referred to in subsection (1)(b), the council or committee may close to members of the*

public the meeting, or part of the meeting, if the meeting or the part of the meeting deals with any of the following -

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

- (3) A decision to close a meeting or part of a meeting and the reason for the decision are to be recorded in the minutes of the meeting.*

POLICY IMPLICATIONS

While there are no policy implications currently, it is envisaged that a Leasing Policy is developed for the Shire in the future.

FINANCIAL IMPLICATIONS

Nil

STRATEGIC IMPLICATIONS

Strategic Community Plan 2012 - 2022

Goal 1: Strong leadership and governance that underpins a more strategic approach to community engagement, regional development and organisational sustainability.

Objective 1.4: Business innovation, efficiency and improved service

Strategy 1.4.1: Ensure legislative compliance and follow best practice principles in planning and service delivery.

Strategy 1.4.2: Improve the efficiency and productivity of Shire services.

Strategy 1.4.3: Maintain Council's long term financial viability.

COMMUNITY CONSULTATION

There is no requirement for the community to be consulted in relation to this item.

COMMENT

Leases have been the topic of some discussion over recent months given the level of involvement of staff from across the Shire in their negotiation and day to day management.

While the discussions are continuing, the update to the Audit (Finance and Risk) Committee will remain the responsibility of the Corporate Services Directorate.

The Lease Schedule attached has incorporated new information in relation to the rateability of the properties, and each affected item will be updated in the next report depending upon the outcome of the Council decision in relation to rates concessions that will be applied.

It should be noted that the "Matters Under Investigation" that were requested to be incorporated into the Lease Schedule are generally planning and compliance matters, and will not be incorporated in the Lease Schedule in future months.

ATTACHMENTS

Attachment 1- Lease Schedule (Confidential attachment provided under separate cover)

VOTING REQUIREMENT

Simple Majority

OFFICER'S RECOMMENDATION

That the Committee notes the Confidential Lease Schedule attached.

COMMITTEE RESOLUTION

Minute: AC336

Moved: Cr B Robinson

Seconded: Cr D Spackman

That the Committee notes the Confidential Lease Schedule attached.

Carried unanimously 4/0

6.7 OVERDRAFT FACILITY UPDATE

| | |
|----------------------------------|--|
| DATE: | 10 February 2015 |
| PROPONENT: | Shire of Wyndham East Kimberley |
| LOCATION: | Shire of Wyndham East Kimberley |
| AUTHOR: | Felicity Heading, Coordinator Financial Operations |
| REPORTING OFFICER: | Natalie Octoman, Director Corporate Services |
| FILE NO: | FM.03.29 |
| DECLARATION OF INTERESTS: | Nil |

PURPOSE

To provide an update to the Audit (Finance and Risk) Committee on the status of the overdraft facility approved by Council at the Special Council Meeting on 13 August 2014.

BACKGROUND

At the Special Council Meeting held on 13 August 2014 the Council passed the following resolution:

DECISION

Minute No. 10503

Moved: Cr K Wright

Seconded: Cr R Dessert

That as a result of unbudgeted liability associated with the delay in reimbursement of monies expended as a result of the flood event in February 2014 that Council:

- 1. advertise for one month, via local public notice the intention to take out a \$2.5 million bank overdraft to cover the expenditure associated with the flood event in February;*
- 2. notes that the bank overdraft will be an ongoing facility and incorporated into the annual budget for adoption;*
- 3. requires the status of the overdraft facility to be a standing item on the Audit (Finance and Risk) Committee Agenda.*

Carried 8/1

For: Cr K Wright, Cr R Dessert, Cr J Moulden, Cr D Learbuch, Cr B Robinson, Cr S Cooke, Cr G Taylor, Cr G King

Against: Cr D Spackman

STATUTORY IMPLICATIONS

Nil

POLICY IMPLICATIONS

Nil

FINANCIAL IMPLICATIONS

The \$2.5 million bank overdraft was approved by Council to assist in the day-to-day cashflow management following the WANDRRA flood event and for potential future use.

Quotes were obtained from Bankwest, Commonwealth Bank, Westpac and National Australia bank. Bankwest provided the most competitive quote overall with the following fees and charges to apply:

- Establishment fee: Waived (normally \$3,500)
- Maintenance fee: \$10 per month (\$120 per annum)
- Line of Credit Fee: \$500 charged on the last day of each quarter (\$2,000 per annum)
- Interest rate: 6.5% which will be charged only on any funds that are utilised.

Until utilised the total cost to maintain the facility will be \$2,120 per annum.

STRATEGIC IMPLICATIONS

Strategic Community Plan 2012-2022

Goal 1: Strong leadership and governance that underpins a more strategic approach to community engagement, regional development and organisational sustainability

Objective 1.4: Business innovation, efficiency and improved service

Strategy 1.4.1: Ensure legislative compliance and follow best practice principles in planning and service delivery

Strategy 1.4.3: Maintain Council's long term financial viability

COMMUNITY CONSULTATION

A public notice was issued on 21 August for one month in accordance with the requirements of the *Local Government Act 1995*.

COMMENT

The overdraft facility approved by the Council on 13 August 2014 was applied for and approved by the Shire's existing bank, Bankwest.

Due to the non-standard nature of the security being provided for the facility there was a delay in the preparation of the overdraft documents by Bankwest with the documents being received by the Shire for signing on 23 October 2014. Upon reviewing the security documents further information was sought from Bankwest regarding a particular condition that would not be able to be met from an operational perspective. Bankwest agreed to remove the condition with the amended documents returned in the week ending 28 November 2014. The executed security documents were then submitted to Bankwest on 4 December 2014. The overdraft facility was activated by Bankwest on 17 December 2014.

Cashflow to cover WANDRRA flood event expenses to date has been managed with existing funds until rates revenue has been received. Due to the deficit budget adopted for 2014/15 it is anticipated that the overdraft may be utilised towards the end of the financial year, but it should not be required prior to this time.

ATTACHMENTS

There are no attachments associated with the report.

VOTING REQUIREMENT

Simple Majority

OFFICER'S RECOMMENDATION

That the Audit (Finance and Risk) Committee reports to the Council **that:**

1. The executed security documents for the overdraft facility were submitted to Bankwest on 4 December 2014.
2. The overdraft facility was activated by Bankwest on 17 December 2014
3. The Facility has not been utilised to date.
4. There is no change to the previous advice that it is anticipated that the overdraft facility may be utilised towards the end of the 2014/15 financial year, given the adoption of a budget deficit for 2014/15.

COMMITTEE RESOLUTION

Minute: AC337

Moved: Cr J Moulden

Seconded: Cr B Robinson

That the Audit (Finance and Risk) Committee reports to the Council that:

1. **The executed security documents for the overdraft facility were submitted to Bankwest on 4 December 2014.**
2. **The overdraft facility was activated by Bankwest on 17 December 2014**
3. **The Facility has not been utilised to date.**
4. **There is no change to the previous advice that it is anticipated that the overdraft facility may be utilised towards the end of the 2014/15 financial year, given the adoption of a budget deficit for 2014/15.**

Carried unanimously 4/0

6.8 PROGRESS OF THE REQUEST FOR QUOTATION FOR ENGAGEMENT OF AUDIT SERVICES FOR THE PERIOD FROM 1 JULY 2015 TO 30 JUNE 2020

| | |
|---------------------------|--|
| DATE: | 10 February 2015 |
| PROPONENT: | Shire of Wyndham East Kimberley |
| LOCATION: | Shire of Wyndham East Kimberley |
| AUTHOR: | Natalie Octoman, Director Corporate Services |
| REPORTING OFFICER: | Natalie Octoman, Director Corporate Services |
| FILE NO: | CM.16.94 |

PURPOSE

For the Audit (Finance and Risk) Committee to note the progress on the Request for Quotation RFQ Q05 14/15 for the appointment of an auditor commencing 1 July 2015 for a period of 5 years.

BACKGROUND

In accordance with section 7.2 of the *Local Government Act 1995*, the accounts and annual financial report of a local government for each financial year are required to be audited by an auditor appointed by the local government.

UHY Haines Norton has been the Council's auditor since 2007/08 where they were awarded a 3 year contract concluding in 2009/10. Quotes were sought for a new auditor appointment and UHY Haines Norton were appointed for a further 5 years, with the current contract concluding on 30 June 2015.

At the Audit (Finance and Risk) Committee meeting on November 4, 2014 the Committee passed the following resolution:

COMMITTEE RESOLUTION

Minute: AC325

Moved: Cr B Robinson

Seconded: Cr J Moulden

That the Committee recommends to the Council that the Council:

- 1. Endorses the document "Request for Quotation for the Provision of Audit Services for the Shire of Wyndham East Kimberley" as the basis of attracting and selecting an auditor;***
- 2. Requests the "Request for Quotation for the Provision of Audit Services for the Shire of Wyndham East Kimberley" be sent to a minimum of three (3) audit firms who are members of the WALGA Preferred Supplier Contract for Audit Services (Contract No. 0411-11); and***
- 3. Requests an analysis of the quotations received to be performed by the CEO's delegate, being the Director Corporate Services and the analysis be provided***

to the February Committee Meeting with the quotations received from each firm to recommend appointment of an auditor to the Council.

Carried Unanimously 4/0

Request for Quotation Number Q05 14/15 for the Provision of Audit Services was lodged through the eQuote system on 25 November 2014 with a closing date of 12 December 2014. The Request for Quotation was sent to all vendors registered on the WALGA preferred supplier panel for audit services under contract C026_14 which includes:

- AMD Chartered Accountants
- Butler Settineri (Audit) Pty Ltd
- Deloitte
- Grant Thornton Audit Pty Ltd
- Macri Partners
- PKF Audit (WA) Pty Ltd
- UHY Haines Norton Chartered Accountants

STATUTORY IMPLICATIONS

In accordance with the *Local Government Act 1995*:-

7.2. Audit

The accounts and annual financial report of a local government for each financial year are required to be audited by an auditor appointed by the local government.

7.3. Appointment of auditors

- (1) *A local government is to, from time to time whenever such an appointment is necessary or expedient, appoint* a person, on the recommendation of the audit committee, to be its auditor.*

** Absolute majority required.*

- (2) *The local government may appoint one or more persons as its auditor.*
- (3) *The local government's auditor is to be a person who is —*
- (a) *a registered company auditor; or*
 - (b) *an approved auditor.*

7.6. Term of office of auditor

- (1) *The appointment of a local government's auditor is to have effect in respect of the audit of the accounts and annual financial report of the local government for a term of not more than 5 financial years, but an auditor is eligible for re-appointment.*

7.8. Terms of appointment of auditors

- (1) *Subject to this Part and to any regulations, the appointment of a person as auditor of a local government is to be made by agreement in writing on such terms and conditions, including the remuneration and expenses of the person to be appointed, as are agreed between that person and the local government.*

- (2) *The remuneration and expenses payable to the auditor of a local government (whether appointed by the local government or by the Departmental CEO under section 7.7) are payable by the local government.*

POLICY IMPLICATIONS

The CP/FIN-3204 Purchasing Policy provisions are relevant.

FINANCIAL IMPLICATIONS

An estimate for all audit functions has been incorporated into the 2014/15 Annual Budget however the future years will be dependent upon the quotes received.

STRATEGIC IMPLICATIONS

Goal 1: Strong leadership and governance that underpins a more strategic approach to community engagement, regional development and organisational sustainability

Objective 1.4: Business innovation, efficiency and improved service

Strategy 1.4.1 Ensure legislative compliance and follow best practice principles in planning and service delivery

Strategy 1.4.3 Maintain Council's long term financial viability

Strategy 1.4.4 Deliver cost effective and efficient corporate services

COMMUNITY CONSULTATION

Community consultation is not required in relation to this item.

COMMENT

Three responses to the request for quotation for audit services were received by the closing date of 12 December 2014.

The responses were evaluated against the compliance, qualitative and price criteria as outlined in the request for quotation. Two of the three submissions were non-conforming with the compliance criteria and were not assessed on the qualitative and price criteria. The compliance criteria required the provision of pricing in the format which was outlined in section 4.3 of the Request for Quotation. This was not provided in the non-conforming submissions.

Officers are recommending to the Committee that further clarification is sought from the suppliers of the non-conforming submissions in order to ensure that an appropriate evaluation can be made, and that each supplier is advised of the extended assessment period accordingly.

While a tender process would prevent this from occurring, a Request for Quotation process can be more flexible providing it is consistent for all parties. Upon clarification, the assessment can occur and a recommendation made to the May Committee meeting.

ATTACHMENTS

There are no attachments associated with the report.

VOTING REQUIREMENT

Simple Majority

OFFICER'S RECOMMENDATION

That the Audit (Finance and Risk) Committee recommends to the Council that it:

1. Supports seeking further clarification from the suppliers as per the requirements of the initial Request for Quotation;
2. Notes that each supplier will be advised of the extended assessment period;
3. Notes that the analysis be provided to the May Committee meeting for consideration.

COMMITTEE RESOLUTION

Minute: AC338

Moved: Cr J Moulden

Seconded: Cr D Spackman

That the Audit (Finance and Risk) Committee recommends to the Council that it:

1. **Supports seeking further clarification from the suppliers as per the requirements of the initial Request for Quotation;**
2. **Notes that each supplier will be advised of the extended assessment period;**
3. **Notes that the analysis be provided to the May Committee meeting for consideration.**

Carried unanimously 4/0

6.9 UPDATE ON RATES DEBTOR A195

| | |
|----------------------------------|---|
| DATE: | 10 February 2015 |
| PROPONENT: | Shire of Wyndham East Kimberley |
| LOCATION: | Shire of Wyndham East Kimberley |
| AUTHOR: | Veronica Gulland, Senior Rates Officer |
| REPORTING OFFICER: | Natalie Octoman, Director of Corporate Services |
| FILE NO: | FM.11.1 |
| ASSESSMENT NO: | A195 |
| DECLARATION OF INTERESTS: | Nil |

PURPOSE

To update the Audit (Finance and Risk) Committee on the status of rates debtor A195.

BACKGROUND

Rates for assessment A195 have remained unpaid since 2008/09. Debt collection processes under previous Council policy F12 – Rate Collection Policy were followed including the issue of a Property Seizure and Sale Order without success.

At the 13 May 2014 meeting the Audit (Finance and Risk) Committee passed the following resolution:

COMMITTEE RESOLUTION

Minute: AC306

Moved: Cr J Moulden

Seconded: Cr B Robinson

That the Audit (Finance and Risk) Committee recommends to Council that pursuant to Section 6.64(1)(b) of the Local Government Act 1995, that the Council:

- 1. Take possession of 23 Kabbarli Street, Wyndham (Assessment Number A195);***
- 2. Authorise the Shire's debt collectors, AMPAC, to administer the process of taking possession of the land, ensuring compliance with provisions of the Local Government Act 1995;***
- 3. Proceeds to sell 23 Kabbarli Street, Wyndham which have rates in arrears for 3 or more years and recover from the proceeds of the sale the outstanding balances which total \$14,968.99 at the time of writing this report.***

Carried Unanimously 4/0

On 30 May 2014 the Shire's debt collection agency AMPAC commenced the process of taking possession of the land. As part of this process AMPAC notified the ratepayer's bank as the mortgage holder on the property that the property was to be sold to recover outstanding rates and charges in accordance with the *Local Government Act 1995*.

STATUTORY IMPLICATIONS

Local Government Act 1995

6.69 Right to pay rates, service charges and costs, and stay proceedings

- (1) *Up to 7 days prior to the time of the actual sale of any land for non-payment of rates or service charges a person having an estate or interest in the land may pay the rates or service charges and the costs and expenses incurred to that time in proceedings relating to the proposed sale.*
- (2) *At any time after the 7 days referred to in subsection (1) but prior to the time of the actual sale of any land the local government may, upon such terms and conditions as are agreed between the parties, accept payment of the outstanding rates or service charges.*
- (3) *On payment being made under subsection (1) or (2) the proceedings relating to the proposed sale are stayed and the local government is required to make such notifications and take such measures as are prescribed in relation to the payment and the cancellation of the proposed sale.*

POLICY IMPLICATIONS

No policy implications apply in relation to this item.

FINANCIAL IMPLICATIONS

There are no financial implications in relation to this matter as all outstanding rates, service charges, penalty interest and debt collection charges will be recovered and these would also have been recovered if the sale of the property had proceeded.

STRATEGIC IMPLICATIONS

Strategic Community Plan 2012-2022

Goal 1: Strong leadership and governance that underpins a more strategic approach to community engagement, regional development and organisational sustainability

Objective 1.4: Business innovation, efficiency and improved service

Strategy 1.4.3: Maintain Council's long term financial viability

COMMUNITY CONSULTATION

The ratepayer involved in the process has been involved and the process has been clearly outlined to them.

COMMENT

On 27 June 2014 the Shire was advised by the ratepayer that they had been notified by their bank that the Shire was selling their house to recover outstanding rates. The ratepayer requested the balance of the rates outstanding.

On 4 August 2014 AMPAC advised the Shire that the ratepayer had made a submission to their superannuation fund to have their superannuation released under financial hardship provisions to allow them to pay the outstanding rates debt. Following this the Shire corresponded with the ratepayer and the Department of Human Services regarding the release of the ratepayer's superannuation funds.

At 23 October 2014 the outstanding balance including 2014/15 rates was \$24,125.29. On 24 October 2014 payment of \$23,300.00 was received from the ratepayer. With additional legal fees and interest applied the balance outstanding on 12 November was \$928.29. The ratepayer has agreed to a special payment arrangement plan of \$200.00 per month to pay off the outstanding balance plus any additional legal fees. The ratepayer has made payments totalling \$400.00 up to 31 December 2014 and the current balance outstanding at 28 January 2015 is \$535.50.

On 29 October 2014 AMPAC ceased the process to take possession of the land and all legal proceedings against the ratepayer were ceased.

The ratepayer will be monitored to ensure that they adhere to the payment arrangement for 2014/15 and if all rates are not paid when they fall due in 2015/16, legal action against the ratepayer will commence immediately.

ATTACHMENTS

There are no attachments associated with the report.

VOTING REQUIREMENT

Simple Majority

OFFICER'S RECOMMENDATION

That the Audit (Finance & Risk) Committee reports to the Council that:

1. Payment of \$23,300.00 was received for outstanding rates on Assessment A195 on 24 October 2014.
2. Legal proceedings to take possession of the land pursuant to Section 6.64(1)(b) of the *Local Government Act* 1995 were ceased on 27 October 2014 in accordance with legislative requirements.
3. The ratepayer of assessment A195 has agreed to a payment arrangement for the balance of \$928.29 and has agreed to pay this amount and any additional interest and legal fees prior to 30 June 2015.

COMMITTEE RESOLUTION

Minute: AC339

Moved: Cr J Moulden

Seconded: Cr B Robinson

That the Audit (Finance & Risk) Committee reports to the Council that:

- 1. Payment of \$23,300.00 was received for outstanding rates on Assessment A195 on 24 October 2014.**
- 2. Legal proceedings to take possession of the land pursuant to Section 6.64(1)(b) of the *Local Government Act 1995* were ceased on 27 October 2014 in accordance with legislative requirements.**
- 3. The ratepayer of assessment A195 has agreed to a payment arrangement for the balance of \$928.29 and has agreed to pay this amount and any additional interest and legal fees prior to 30 June 2015.**

Carried unanimously 4/0

COMMITTEE RESOLUTION

Minute: AC340

Moved: Cr J Moulden

Seconded: Cr B Robinson

That Council moves behind closed doors to discuss confidential items:

- 7.1 Update on Sundry Debtors**
- 7.2 Rates Update A501**
- 7.3 Minor Case Claim**
- 7.4 Update on Outstanding Rates and Charges for A7866-A7876**

Carried unanimously 4/0

4:17pm, Council moves behind closed doors.

4:07pm, Cr B Robinson leaves the meeting.

4:09pm, Cr B Robinson enters the meeting.

7. MATTERS BEHIND CLOSED DOORS

7.1 UPDATE ON SUNDRY DEBTOR 489

| | |
|----------------------------------|--|
| DATE: | 10/02/2015 |
| PROPONENT: | Shire of Wyndham East Kimberley |
| LOCATION: | Shire of Wyndham East Kimberley |
| AUTHOR: | Felicity Heading, Coordinator Financial Operations |
| REPORTING OFFICER: | Natalie Octoman, Director Corporate Services |
| FILE NO: | FM.07.2 |
| DECLARATION OF INTERESTS: | Nil |

The business of the meeting is of a confidential nature as it relates to the business affairs of a person. The item will be discussed Behind Closed Doors under Section 5.23 (2) (c) and (e) (ii) as this is a matter that affects:

- c) A contract entered into, or which may be entered into, by the local government and which relates to a matter to be discussed at the meeting.
- e) A matter that if disclosed, would reveal –
 - (ii) information that has a commercial value to a person.

PURPOSE

To update the Audit (Finance and Risk) Committee on the status of sundry debtor number 489.

VOTING REQUIREMENT

Simple Majority

COMMITTEE RESOLUTION

Minute: AC341

Moved: Cr B Robinson

Seconded: Cr D Spackman

That the Audit (Finance and Risk) Committee reports to the Council that:

- 1. A potential unfair preference claim relating to payments of \$462,678.81 made by debtor 489 to the Shire in 2011 was received by the Shire from the debtor's liquidator on 10 December 2014.**
- 2. Legal advice recommending settlement of the potential claim for the amount of \$10,000.00 was accepted on 22 December 2014.**
- 3. The settlement amount of \$10,000.00 was approved in advance by the Shire President in accordance with Section 6.8 of the *Local Government Act 1995* on 22 December 2014 and will be included as a budget amendment to the 2014/15 budget in the mid-year budget review.**
- 4. The write off of the sundry debt amount of \$102,036.19 for debtor 489 included in the 2014/15 budget is on hold pending a final report to creditors from the liquidator.**

Carried unanimously 4/0

7.2 RATES UPDATE A501

| | |
|----------------------------------|--|
| DATE: | 10/2//2015 |
| PROPONENT: | Shire of Wyndham East Kimberley |
| LOCATION: | Shire of Wyndham East Kimberley |
| AUTHOR: | Veronica Gulland, Senior Rates Officer |
| REPORTING OFFICER: | Natalie Octoman, Director Corporate Services |
| FILE NO: | FM.11.1 |
| ASSESSMENT NO: | A501 |
| DECLARATION OF INTERESTS: | Nil |

The business of the meeting is of a confidential nature as it relates to the business affairs of a person. The item will be discussed Behind Closed Doors under Section 5.23 (2) (c) and (e) (ii) as this is a matter that affects:

- c) A contract entered into, or which may be entered into, by the local government and which relates to a matter to be discussed at the meeting.
- e) A matter that if disclosed, would reveal –
 - (ii) information that has a commercial value to a person.

PURPOSE

For the Committee to consider a request from Rates Debtor A501 to write off the interest which has accrued on this account and to enter into a payment arrangement over a longer-term period and make a recommendation to the Council.

VOTING REQUIREMENT

Simple Majority

COMMITTEE RESOLUTION

Minute: AC342

Moved: Cr B Robinson

Seconded: Cr J Moulden

That the Audit (Finance and Risk) Committee recommends to the Council that:

- 1. The Council do not approve the write off of interest outstanding for the rates debtor A501;**
- 2. The Shire enters into a special payment arrangement with rates debtor A501 for a period longer than 2 years, on the condition that:**
 - a) The period does not extend beyond June 2020, being approximately 5 years;**
 - b) All future rates and service charges are paid as they fall due in order to minimise interest charges;**
 - c) The special payment arrangement is negotiated and signed by the rates debtor A501 prior to 30 April 2015;**
- 3. If the special payment arrangement is not adhered to, that the Council authorises officers to enact clause 5.1 of the lease and enter and repossess the premises, and also claim for liquidated damages.**

Carried unanimously 4/0

4:44pm, Cr D Spackman leaves the meeting due to Declaration of Interest with item 7.3, Minor Case Claim.

7.3 MINOR CASE CLAIM

| | |
|----------------------------------|--|
| DATE: | 4/02/2015 |
| PROPONENT: | Shire of Wyndham East Kimberley |
| LOCATION: | Shire of Wyndham East Kimberley |
| AUTHOR: | Natalie Octoman, Director Corporate Services |
| REPORTING OFFICER: | Natalie Octoman, Director Corporate Services |
| FILE NO: | LS.05.3 |
| DECLARATION OF INTERESTS: | Nil |

The business of the meeting is of a confidential nature as it relates to the business affairs of a person. The item will be discussed Behind Closed Doors under Section 5.23 (2) (c) and (e) (ii) as this is a matter that affects:

- c) A contract entered into, or which may be entered into, by the local government and which relates to a matter to be discussed at the meeting.
- e) A matter that if disclosed, would reveal –
 - (ii) information that has a commercial value to a person.

PURPOSE

For the Audit (Finance and Risk) Committee to note the status of a Minor Case Claim lodged against the Shire, and to recommend to the Council as to whether to continue to defend the case, or otherwise.

VOTING REQUIREMENT

Simple Majority

COMMITTEE RESOLUTION

Minute: AC343

Moved: Cr J Moulden

Seconded: Cr B Robinson

That the Audit (Finance and Risk) Committee recommends to the Council that it:

- 1. Directs the CEO, or their delegate to seek to enter into a Confidential Deed of Agreement with the Contractor which agrees to make a without prejudice payment of the amount claimed being \$2,935.32, as a full and final settlement in the matter;**
- 2. Approves sufficient provision in the Mid-Year Budget Review to allow for the settlement amount and any legal fees associated with drafting and executing the Confidential Deed of Agreement; and**
- 3. Directs the CEO, or their delegate, to provide a report to the next Audit (Finance and Risk) Committee meeting outlining the current status of the matter.**

Carried unanimously 3/0

4:45pm, Cr D Spackman returns to the meeting

The above committee resolution was amended by Council at the 24 February 2015 as per minute number 10827 (resolution appears overleaf).

COUNCIL DECISION

Minute No. 10827

Moved: Cr G Taylor

Seconded: Cr D Learbuch

That Council accepts the unconfirmed Minutes of the Audit (Finance and Risk) Committee Meeting held on 10/02/2015 with an amendment to:

Minute AC330 – to include current ratios where available

Minute AC343 – to be amended to:

That the Council:

- 1) Directs the A/CEO, or their delegate, to legally defend the Shire in the abovementioned minor case claim;**
- 2) Approves sufficient provision in the Mid- Year Budget Review to allow for associated legal fees; and**
- 3) Directs the A/CEO, or their delegate, to provide a report to the next Audit (Finance and Risk) Committee meeting outlining the current status of the matter.**

Carried 5/3

For: Cr J Moulden, Cr D Learbuch, Cr B Robinson, Cr G Taylor, Cr R Dessert

Against: Cr D Spackman, Cr G King, Cr K Wright

The amended resolution appears below:

COMMITTEE RESOLUTION

Minute: AC343

Moved: Cr J Moulden

Seconded: Cr B Robinson

That the Council:

- 1) Directs the A/CEO, or their delegate, to legally defend the Shire in the abovementioned minor case claim;**
- 2) Approves sufficient provision in the Mid- Year Budget Review to allow for associated legal fees; and**
- 3) Directs the A/CEO, or their delegate, to provide a report to the next Audit (Finance and Risk) Committee meeting outlining the current status of the matter.**

Carried unanimously 3/0

7.4 UPDATE ON OUTSTANDING RATES AND CHARGES FOR A7866-A7876

| | |
|----------------------------------|--|
| DATE: | 10/02/2015 |
| PROPONENT: | Shire of Wyndham East Kimberley |
| LOCATION: | Shire of Wyndham East Kimberley |
| AUTHOR: | Veronica Gulland, Senior Rates Officer |
| REPORTING OFFICER: | Natalie Octoman, Director Corporate Services |
| FILE NO: | FM.11.1 |
| ASSESSMENT NO: | A7866 to A7876 |
| DECLARATION OF INTERESTS: | Nil |

The business of the meeting is of a confidential nature as it relates to the business affairs of a person. The item will be discussed Behind Closed Doors under Section 5.23 (2) (c) and (e) (ii) as this is a matter that affects:

- c) A contract entered into, or which may be entered into, by the local government and which relates to a matter to be discussed at the meeting.
- e) A matter that if disclosed, would reveal –
 - (ii) information that has a commercial value to a person.

PURPOSE

For the Audit (Finance and Risk) Committee to request that the Council consider an extension of time for the outstanding rates and charges to be paid in full for assessments A7866 through to A7876.

VOTING REQUIREMENT

Simple Majority

COMMITTEE RESOLUTION

Minute: AC344

Moved: Cr B Robinson

Seconded: Cr D Spackman

That the Audit (Finance and Risk) Committee recommends to the Council that it:

- 1. Accepts the ratepayer's request for an extension of time subject to the following conditions:**
 - a. The that ratepayer notifies the Shire if and when they are advised that their loan application is successful and that the ratepayer pays all outstanding rates and service charges on all assessments with 30 days of receipt of the funds;**
 - b. That the extended time be limited to a period of 90 days after the date of the request of 4 February 2015;**
 - c. That the ratepayer signs a revised special payment arrangement form prior to 6 March 2015;**
 - d. That the ratepayer is advised that is the conditions outlined above are not adhered to, that debt collection processes will commence immediately as allowed under Council Policy CP FIN – 3212 Rates and Charges Debt Collection Policy.**

Carried unanimously 4/0

COMMITTEE RESOLUTION

Minute: AC345

Moved: Cr J Moulden

Seconded: Cr B Robinson

That Council moves out from behind closed doors.

Carried unanimously 4/0

4:47pm, Council moves out from behind closed doors.

8. DATE OF NEXT MEETING

12 May 2015

9. CLOSURE

The chairperson declares the meeting closed at 4:47pm.