



ATTACHMENTS

Audit and Risk Management Committee Meeting – 3 March 2022

- 5(1) Minutes Audit and Risk Management Committee Meeting – 9 February 2022
- 6.1(1) Annual Financial Statements 2020/21
- 6.1(2) Audit Opinion 2020/21
- 6.1(3) Report on Significant Finding 2020/21 Audit
- 6.2(1) 2021 Compliance Audit Return
- 6.2(2) Letter OAG – 2020-21 Annual Financial Audit Report Delay
- 6.3(1) Confidential AMD Internal Audit Proposal
- 6.3(2) Confidential AMD Internal Audit List of Modules



**AUDIT AND RISK MANAGEMENT COMMITTEE MEETING
MINUTES**

held on

Wednesday 9 February 2022

Commencing at 5.34pm

Shire of Donnybrook Balingup Council Chambers, Donnybrook

A handwritten signature in black ink, appearing to read "Ben Rose".

Ben Rose
Chief Executive Officer

14 February 2022

Disclaimer

Please note: These minutes are yet to be confirmed as a true record of proceedings

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SHIRE OF DONNYBROOK BALINGUP
AUDIT AND RISK MANAGEMENT COMMITTEE MINUTES

held at the Council Chambers
9 February 2022 at 5.34pm

1 DECLARATION OF OPENING

Chairperson – Acknowledgment of Country

The Chairperson acknowledged the traditional custodians of the land, the Wardandi People of the Noongar Nation, paying respects to Elders, past and present and emerging.

The Chairperson declared the meeting open at 5:34pm and welcomed the members of the Committee and guests in the public gallery.

2 ATTENDANCE

MEMBERS PRESENT

COUNCILLORS	STAFF
Cr Leanne Wringe (Shire President) Cr Chaz Newman Cr Chris Smith	Mr Kim Dolzadelli – Director Corporate Community
EXTERNAL MEMBERS	GUESTS
Mr Ian Telfer – Chairperson	Mr Shane Sercombe Mr Simon McInnes Ms Lisa Glover Mr Peter Gubler

2.1 APOLOGIES

Ms Carly Anderson – External Member
Mr Ben Rose – Chief Executive Officer

2.2 APPROVED LEAVE OF ABSENCE

Nil.

3 ANNOUNCEMENTS FROM CHAIRPERSON

The Chairperson noted a request from the Director of Corporate and Community Services to be able to table 2 new documents at the meeting.

The first document being “Tabled Document 1” – updated version of the Audit Concluding Memorandum, which was received at 2:35pm 9 February 2014 from the Assistant Director, Financial Audit Office of the Auditor General. It was noted that the change to the document was on Page 8 with the addition of the Note regarding “Discontinued Operations”.

The second document being “Tabled Document 2” copy of email from the Auditor General of Western Australia titled “2020-21 Annual Financial Audit Report Delay for Shire of Donnybrook Balingup”.

The Chairperson asked members if there was a mover to accept the Tabled documents.

Committee Resolution:

Committee Resolution

That the Audit and Risk Management Committee receive and note the two tabled documents being:

- **Tabled Document 1 – updated version of the Audit Concluding Memorandum,**
- **Tabled Document 2 – copy of email from the Auditor General of Western Australia titled “2020-21 Annual Financial Audit Report Delay for Shire of Donnybrook Balingup”.**

Moved Cr Leanne Wringe Seconded Cr Chris Smith

The Chairperson invited members of the Public Gallery to ask questions

Mr Sercombe handed a typed document containing questions to members of the Committee and Director of Corporate and Community.

Question: Shane Sercombe

- “In ongoing responses to items identified in red as having ‘Significant’ risk the shire continues to raise the lack of available resources. Would the Audit and Risk Committee consider helping to address this by formally requesting that council prioritise its resources to assist the administration address these ‘significant’ risks?”

Attachment 6.2

AUDIT REG. 17 REVIEW 2018 (Status Update - OCTOBER 2021)

Ref	Issue	Risk Rating	Update	Status
Internal Controls				
3.2.1	Procurement and Contract Management Currently no formal contract management framework in place resulting in an inconsistent approach implemented by those responsible for contract management.	Significant	The development of a framework would need to take into account the Performance Audits by the OAG released in May 2020 with regard to contract extensions and variations. Action on progressing this item is currently restricted due to current governance resources being allocated to implementing new legislation and operations resources being occupied on projects. External resources will be required to undertake this review in the future. On hold pending allocation of additional resources.	ONGOING
3.2.2	General Journals General Journals are not currently being independently reviewed and supporting documentation is not being retained with journal records.	Significant	All general Journals are reviewed by the EMCC and supporting information attached.	COMPLETED
Information Technology (IT)				
3.2.3	We identified various enhancements and improvement recommendations in relation to the Shire's IT.	Moderate	The review highlighted the lack of policies and strategies concerning IT systems and security. To implement these recommendations would require a comprehensive review of IT with dedicated project funding and also additional FTE employees to implement and maintain the recommended activities. This project is on hold pending the allocation of the additional financial resources.	ONGOING
4.2.3	Internal Audit Function Currently no formal internal audit function in place.	Moderate	To be reviewed by DCC as part of 2021-22 Budget. \$15k included in 2021-22 Budget.	ONGOING

Response: Chairperson

As Chairperson of the Audit and Risk Management I will request the Chief Executive Officer provide an update on the matter you have raised and provide advice to the Audit and Risk Management Committee.

Question: Shane Sercombe

- **“The Department of Local Government Audit Committee best practice states -“**

*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.

https://www.dlgsc.wa.gov.au/docs/default-source/local-government/operational-guidelines/operational-guideline-9-the-appointment-function-and-responsibilities-of-audit-committeess.pdf?sfvrsn=77bf5a06_1audit

“If those requirements have not been met would the resolutions made by the Audit and Risk Committee since the LG elections in October be invalid?”

Response: Director Corporate and Community Services:

No, they would not be invalid. You are referencing a best practice guide not legislative requirement.

A public Expression of Interest for interested person to become a member of the Audit and Risk Committee has been advertised with the closing date being Friday 11 February 2022.

Question: Shane Sercombe

- In the email response as per below the OAG stated:

“The result of the annual audit and the auditor report was discussed in the exit meeting with the Shire of Donnybrook –Balingup last Thursday 10 December 2020. Both the President and the Audit Chair were invited to this meeting and we normally welcome other councillors to attend those meetings.”

“Has the Audit committee and council been invited the 2021 Audit Exit Meeting?”

From: Mahmoud Salahat [REDACTED]
Sent: Tuesday, December 15, 2020 5:18 pm
To: Shane Sercombe; Ian Telfer
Cc: Stuart Fraser; Narrell Lethorn; andrew.borrett@[REDACTED]; Renuka Venkatraman; Tim Partridge
Subject: RE: Audit Concerns

Hi Shane,

This response might be late but unfortunately I am out of the office on leave this afternoon.

The result of the annual audit and the auditor report was discussed in the exit meeting with the Shire of Donnybrook –Balingup last Thursday 10 December 2020. Both the President and the Audit Chair were invited to this meeting and we normally welcome other councillors to attend those meetings. However, I would be happy to attend the next Audit Committee meeting and respond to any queries associated with the annual audit and the auditor report.

If you have further enquiries, please do not hesitate to me

Regards

Mahmoud Salahat
Assistant Director, Financial Audit
Office of the Auditor General for Western Australia

Response: Director Corporate and Community Services:

All Councillors have been formally invited to attend the Audit Exit meeting.

Question: Shane Sercombe

New Questions:

- Has the CEO received the Annual Financial Report?
- In Page 5 of the Audit Concluding Memorandum the Auditor states:

Depreciation and amortisation

- Reviewed depreciation policy for the various asset classes and assessed the reasonableness of rates used.
 - Documented and tested key financial controls around the calculation of depreciation/amortisation.
 - Performed depreciation recalculations based on our sampling approach.
-

The Shires response:

Management response:

1. The Shire's Operating Surplus Ratio is being adversely impacted by non-cash depreciation charges. A preliminary review of Depreciation Rates has been undertaken and points to a potential over calculation of depreciation as does the fact that Road Infrastructure Assets are not disaggregated therefore residual values cannot be put in place where appropriate.

Why are these two statements conflicting?

Potential Reduction in Depreciation	\$2,329,814
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- After four finance Managers in four years is it likely that they have all over calculated the shires \$5.7m p/a depreciation by \$2.3m?

Response: Director Corporate and Community Services:

The Audited Annual Financial report has not yet been signed off by the Auditor General of Western Australia, this is expected to occur within the next few weeks.

The two statements referred to with respect to depreciation the views stated in the Audit Concluding Memorandum are based upon current treatment of Depreciation of Assets.

The management response refers to a change in the methodology and introduction of residual values.

The Director went into a detailed explanation of the reason as to why Residual Values, particularly on Road Assets, had potential to greatly reduce the amount of annual depreciation.

Question: Shane Sercombe

- **Page 3 of the Audit Concluding Memorandum the Auditor states:**

In addition, we noted the following matter to be reported in accordance with Reg 10(3) of the Local Government (Audit) Regulations 1996:

- There is a significant adverse trend in the financial position of the Shire as the Operating Surplus Ratio has been below the industry benchmark for the past 3 years.
- Non-compliance with Part 6 of the Local Government Act 1995, the Local Government (Financial Management) Regulations 1996 or applicable financial controls of any other written law as there were instances where manual accounting entries had been prepared and posted without any evidence of review by a second officer. Accounting journals can represent significant adjustments to previously approved accounting transactions, and therefore should be appropriately reviewed and approved.
- The Shire has not reported the Asset Renewal Funding Ratio for 2021, 2020 or 2019 in the annual financial report as required by section 50(1) of the Local Government (Financial Management) Regulations 1996, as the Shire's adopted long term financial plan does not include the required information to calculate the ratio.
- **What policy can the Audit Committee recommend be ^{WP}updated to prevent accounting entries being posted without review?**
- **With the shire publicly raising awareness of Asset Management would the Audit Committee recommend the Long-term Financial Plan be reviewed by council prior to council budget preparations?**

Response: Director Corporate and Community Services:

As noted in the Agenda papers the Director of Corporate and Community has personally reviewed the 1148 general journals processed in the 2020/21 Financial Year and has

found a total of 6 that had no evidence of review by a senior staff member. This equates to a failure rate in the process of 0.52% with compliance standing at 99.48%. The 6 journals were also checked for legitimacy and supporting documentation with no adverse findings.

Staff appreciate the importance and significance of the process and will continue to strive for 100% compliance. There is no need for a "Policy to updated" as this is an administrative procedural matter.

An Item is being presented to Council at its February Ordinary Council meeting to, in part,:

"Requests the Chief Executive Officer present the 2021-22 reviews of the Long Term Financial Plan and the Rating Strategy to Council for consideration at the next Ordinary Council Meeting post-adoption of the Corporate Business Plan"

If Council resolves the above Officers will present the Long Term Financial Plan to Council for consideration prior to Budget Deliberations.

Question: Simon McInnes:

At the last meeting of the Audit and Risk Committee meeting I asked the following yet there still appears to be no response:

Question: Simon McInnes

In the attachment to the minutes of the meeting of 14 October 2021 under the section 3.2.1 "Procurement and Contract Management", page 3 of attachment 6.2 it states:

"Currently no formal contract management framework in place resulting in an inconsistent approach implemented by those responsible for contract management."

Noting that the status of this Item remains unchanged as "Ongoing" and that the Risk Rating is "Significant I would ask that the Audit and Risk Management Committee make recommendation to Council to ensure appropriate funds can be allocated to resolve this issue.

Response: Chairperson

As Chairperson of the Audit and Risk Management I will request the Chief Executive Officer provide an update on the matter you have raised and provide advice to the Audit and Risk Management Committee.

4 DECLARATION OF INTEREST

Division 6: Sub-Division 1 of the *Local Government Act 1995*. Care should be taken by all Committee Members to ensure that a financial/impartiality interest is declared and that they refrain from voting on any matter, which is considered to come within the ambit of the *Act*.

Nil

5 CONFIRMATION OF MINUTES

Minutes of the Audit and Risk Management Committee meeting held 7 December 2022 are attached (Attachment 5(1)).

Executive Recommendation

That the Minutes of the Audit and Risk Management Committee Meeting held 7 December 2021 be confirmed as a true and correct record.

COMMITTEE RESOLUTION

Moved Cr Chris Smith

Seconded Cr Chaz Newman

That the Minutes of the Audit and Risk Management Committee Meeting held 7 December 2022 be confirmed as a true and correct record.

Carried 4/0

6 REPORTS OF OFFICERS

6.1 ANNUAL FINANCIAL AUDIT 2020/21 - AUDIT CONCLUDING MEMORANDUM

Location	Shire of Donnybrook Balingup
Applicant	Shire of Donnybrook Balingup
File Reference	FNC 02A
Author	Kim Dolzadelli, Director Corporate and Community
Responsible Manager	Kim Dolzadelli, Director Corporate and Community
Attachments	Moore Australia – Audit Concluding Memorandum
Voting Requirements	Simple Majority

Executive Recommendation

That the Audit and Risk Management Committee receive and review the Audit Concluding Memorandum for the year ending 30 June 2021.

COMMITTEE RESOLUTION

Moved Cr Leanne Wringe

Seconded Cr Chaz Newman

That the Audit and Risk Management Committee:

- a) Receive the Audit Concluding Memorandum,
- b) Having reviewed the Audit Concluding Memorandum requests the Chief Executive Officer to report back to the committee in relation to Item 4.1 “Internal Controls Relevant to Audit”, and
- c) Supports the management responses as contained within the Agenda.

Carried 4/0

STRATEGIC ALIGNMENT

The following outcomes from the Corporate Business Plan relate to this proposal:

Outcome	4.2	A respected, professional and trusted organisation
Strategy	4.2.1	Effective and efficient operations and service provision
Action	4.2.1.3	Monitor and measure organisational performance

EXECUTIVE SUMMARY

Moore Australia was engaged by the Office of Auditor General (OAG) Western Australia to perform an audit of the Shire of Donnybrook Balingup (the Shire)’s annual financial report for the year ended 30 June 2021.

The key purpose of the memorandum is to communicate the results of the audit with those charged with governance.

Moore Australia has requested management and the Audit Committee to review this document to ensure that:

- the Shire concurs with the matters raised, and
- there are no further significant considerations or matters that could impact the audit and the financial report.

BACKGROUND

The attached Audit Concluding Memorandum is marked as “CONFIDENTIAL” however the Director of Corporate and Community Services has sought and gained consent from Moore Australia to allow the document being attached to this Agenda as a non-confidential item, consent was obtained on 4 February 2022.

The Audit Concluding Memorandum will form the basis of discussions for the Audit Exit meeting.

The following matters contained within the Memorandum to be reported in accordance with Reg 10(3) of the Local Government (Audit) Regulations 1996:

1. There is a significant adverse trend in the financial position of the Shire as the Operating Surplus Ratio has been below the industry benchmark for the past 3 years.
2. Non-compliance with Part 6 of the Local Government Act 1995, the Local Government (Financial Management) Regulations 1996 or applicable financial controls of any other written law as there were instances where manual accounting entries had been prepared and posted without any evidence of review by a second officer. Accounting journals can represent significant adjustments to previously approved accounting transactions, and therefore should be appropriately reviewed and approved.
3. The Shire has not reported the Asset Renewal Funding Ratio for 2021, 2020 or 2019 in the annual financial report as required by section 50(1) of the Local Government (Financial Management) Regulations 1996, as the Shire’s adopted long term financial plan does not include the required information to calculate the ratio.

Management response:

1. The Shire’s Operating Surplus Ratio is being adversely impacted by non-cash depreciation charges. A preliminary review of Depreciation Rates has been undertaken and points to a potential over calculation of depreciation as does the fact that Road Infrastructure Assets are not disaggregated therefore residual values cannot be put in place where appropriate.

Staff will continue to review this issue and implement appropriate actions.

The below table (2019/2020) shows the potential for reduction in depreciation charges which would have a significant impact on this Ratio; note this does not yet include Buildings:

Non-Current Assets - Depreciation			
Local Government	Property, Plant and Equipment and Infrastructure	Depn	Rate of Depn
Shire of Donnybrook	\$166,302,974	\$5,529,704	3.33%
Shire of Bridgetown-Greenbushes	\$204,667,616	\$3,570,493	1.74%
Shire of Capel	\$175,007,654	\$4,546,874	2.60%
Shire of Nannup	\$108,930,057	\$1,557,445	1.43%
Average Rate of Depreciation			2.27%
Average Rate of Depreciation Excluding Donnybrook			1.92%

Shire of Donnybrook	Average Rate of Depreciation Applied	\$3,782,344
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Potential Reduction in Depreciation	\$1,747,360
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Shire of Donnybrook	Average Rate of Depreciation Ex Donnybrook Applied	\$3,199,890
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Potential Reduction in Depreciation	\$2,329,814
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2. Management acknowledges this finding and notes that the above recommendation is already in operational practice.

The Director of Corporate and Community has personally reviewed the 1148 general journals processed in the 2020/21 Financial Year and has found a total of 6 that had no evidence of review by a senior staff member. This equates to a failure rate in the process of 0.52% with compliance standing at 99.48%. The 6 journals were also checked for legitimacy and supporting documentation with no adverse findings.

Staff appreciate the importance and significance of the process and will continue to strive for 100% compliance.

3. The current Long Term Financial Plan (LTFP) does not categorise Capital expenditure into type; that being New, Upgrade or Renewal, for this ratio to be calculated the Renewal component needs to be itemized in the LTFP.

Staff will be reviewing the LTFP and ensuring that all Capital expenditure is categorised such that this Ratio can be calculated into the future.

FINANCIAL IMPLICATIONS

Nil

POLICY COMPLIANCE

Not Applicable.

STATUTORY COMPLIANCE

Local Government Act 1995 Part – 7 Audit

Local Government (Audit) Regulations 1996

16. Functions of audit committee

An audit committee has the following functions —

- (a) to guide and assist the local government in carrying out —
 - (i) its functions under Part 6 of the Act; and*
 - (ii) its functions relating to other audits and other matters related to financial management;**
- (b) to guide and assist the local government in carrying out the local government's functions in relation to audits conducted under Part 7 of the Act;*
- (c) to review a report given to it by the CEO under regulation 17(3) (the **CEO's report**) and is to —
 - (i) report to the council the results of that review; and*
 - (ii) give a copy of the CEO's report to the council;**
- (d) to monitor and advise the CEO when the CEO is carrying out functions in relation to a review under —
 - (i) regulation 17(1); and*
 - (ii) the Local Government (Financial Management) Regulations 1996 regulation 5(2)(c);**
- (e) to support the auditor of the local government to conduct an audit and carry out the auditor's other duties under the Act in respect of the local government;*
- (f) to oversee the implementation of any action that the local government —
 - (i) is required to take by section 7.12A(3); and*
 - (ii) has stated it has taken or intends to take in a report prepared under section 7.12A(4)(a); and*
 - (iii) has accepted should be taken following receipt of a report of a review conducted under regulation 17(1); and**

- (iv) has accepted should be taken following receipt of a report of a review conducted under the Local Government (Financial Management) Regulations 1996 regulation 5(2)(c);*
- (g) to perform any other function conferred on the audit committee by these regulations or another written law.*

CONSULTATION

Not Applicable.

OFFICER CONCLUSION

The matters raised in the Audit Concluding Memorandum have been considered by Council officers and actions are to be put in place addressing issues raised.

7 CLOSURE

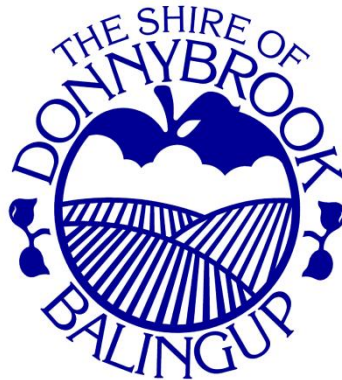
The Chairperson to declare the meeting closed at 6:54pm.



ATTACHMENTS

Audit and Risk Management Committee Meeting 9 February 2022

- 5(1) Minutes Audit and Risk Management Committee Meeting - 7 December 2021
- 6.1(1) Audit Concluding Memorandum



**AUDIT AND RISK MANAGEMENT COMMITTEE MEETING
AGENDA**

To be held on
Tuesday 7 December 2021

Commencing at 5.00pm

Shire of Donnybrook Balingup Council Chambers, Donnybrook

A handwritten signature in black ink, appearing to read 'BGR' followed by a flourish.

**Ben Rose
Chief Executive Officer**

2 December 2021

Disclaimer

Please note the items and recommendations in this document are not final and are subject to change or withdrawal.

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SHIRE OF DONNYBROOK BALINGUP
AUDIT AND RISK MANAGEMENT COMMITTEE AGENDA

To be held at the Council Chambers
7 December 2021 at 5.00pm

1 DECLARATION OF OPENING

Chairperson – Acknowledgment of Country

The Chairperson acknowledged the traditional custodians of the land, the Wardandi People of the Noongar Nation, paying respects to Elders, past and present and emerging.

The Chairperson declared the meeting open at 5:01pm and welcomed the members of the Committee and guests in the public gallery.

2 ATTENDANCE

MEMBERS PRESENT

COUNCILLORS	STAFF
Cr Leanne Wringe (Shire President) Cr Chaz Newman Cr Chris Smith	Mr Kim Dolzadelli – Director Corporate Community
EXTERNAL MEMBERS	GUESTS
Mr Ian Telfer – Chairperson	Mr Shane Sercombe Mr Simon McInnes Ms Lisa Glover

2.1 APOLOGIES

Mr Ben Rose – Chief Executive Officer
Ms Carly Anderson

2.2 APPROVED LEAVE OF ABSENCE

Nil.

3 ANNOUNCEMENTS FROM CHAIRPERSON

Nil.

4 DECLARATION OF INTEREST

Division 6: Sub-Division 1 of the *Local Government Act 1995*. Care should be taken by all Committee Members to ensure that a financial/impartiality interest is declared and that they refrain from voting on any matter, which is considered to come within the ambit of the *Act*.

Nil.

5 CONFIRMATION OF MINUTES

Minutes of the Audit and Risk Management Committee meeting held **14 October 2021** are attached (Attachment 5(1)).

EXECUTIVE RECOMMENDATION

That the Minutes of the Audit and Risk Management Committee Meeting held 14 October 2021 be confirmed as a true and correct record.

Moved Cr Chaz Newman

Seconded Cr Leanne Wringe (Shire President)

6 REPORTS OF OFFICERS

6.1 INTERIM AUDIT RESULTS FOR THE YEAR ENDING 30 JUNE 2021

Location	Shire of Donnybrook Balingup
Applicant	Shire of Donnybrook Balingup
File Reference	FNC 02A
Author	Kim Dolzadelli, Director Corporate and Community
Responsible Manager	Kim Dolzadelli, Director Corporate and Community
Attachments	Office of the Auditor General – Interim Audit Opinion
Voting Requirements	Simple Majority

Executive Recommendation

That the Audit and Risk Management Committee receive and note the Interim Audit results for the year ending 30 June 2021.

Moved Cr Leanne Wringe Seconded Cr Chris Smith

STRATEGIC ALIGNMENT

The following outcomes from the Corporate Business Plan relate to this proposal:

Outcome	4.2	A respected, professional and trusted organisation
Strategy	4.2.1	Effective and efficient operations and service provision
Action	4.2.1.3	Monitor and measure organisational performance

EXECUTIVE SUMMARY

The Officer of the Auditor General (OAG) provided the Interim Audit results for the year ending 30 June 2021 on 10 November 2021. Moore Australia were the appointed contractors on behalf of the OAG.

No matters were raised as a result of the Interim Audit undertaken by the OAG.

BACKGROUND

The ARMC Charter adopted in October 2020, outlines that the Committee shall meet as often as it determines. In addition, the Committee Chairperson (or presiding person) may call such additional meetings as may be necessary to address any matters referred to the Committee or in respect of matters that the Committee wishes to pursue.

The Interim Audit is a standard legislated process under the Local Government (Audit) Regulations 1996.

FINANCIAL IMPLICATIONS

The annual audit costs estimated by the OAG for the Shire of Donnybrook Balingup are \$30k (includes Interim and Annual Audit).

POLICY COMPLIANCE

Not Applicable.

STATUTORY COMPLIANCE

Local Government Act 1995 Part – 7 Audit

Local Government (Audit) Regulations 1996

16. *Functions of audit committee*

An audit committee has the following functions —

- (a) to guide and assist the local government in carrying out —
 - (i) its functions under Part 6 of the Act; and*
 - (ii) its functions relating to other audits and other matters related to financial management;**
- (b) to guide and assist the local government in carrying out the local government's functions in relation to audits conducted under Part 7 of the Act;*
- (c) to review a report given to it by the CEO under regulation 17(3) (the **CEO's report**) and is to —
 - (i) report to the council the results of that review; and*
 - (ii) give a copy of the CEO's report to the council;**
- (d) to monitor and advise the CEO when the CEO is carrying out functions in relation to a review under —
 - (i) regulation 17(1); and*
 - (ii) the Local Government (Financial Management) Regulations 1996 regulation 5(2)(c);**
- (e) to support the auditor of the local government to conduct an audit and carry out the auditor's other duties under the Act in respect of the local government;*
- (f) to oversee the implementation of any action that the local government —
 - (i) is required to take by section 7.12A(3); and*
 - (ii) has stated it has taken or intends to take in a report prepared under section 7.12A(4)(a); and*
 - (iii) has accepted should be taken following receipt of a report of a review conducted under regulation 17(1); and*
 - (iv) has accepted should be taken following receipt of a report of a review conducted under the Local Government (Financial Management) Regulations 1996 regulation 5(2)(c);**

- (g) *to perform any other function conferred on the audit committee by these regulations or another written law.*

CONSULTATION

Not Applicable.

OFFICER CONCLUSION

The Interim Audit of the Shire's finances, conducted by Moore Australia for the OAG, has identified no issues for closer consideration; however, the Interim Audit process is not designed to identify all internal control deficiencies that may require management attention. The full Annual Report will interrogate the Shire's financial management processes in more detail.

COMMITTEE RESOLUTION

Moved Cr Leanne Wringle Seconded Cr Chris Smith

That the Audit and Risk Management Committee receive and note the Interim Audit results for the year ending 30 June 2021.

Carried 4/0

6.2 INTERNAL AUDIT

Location	Shire of Donnybrook Balingup
Applicant	Shire of Donnybrook Balingup
File Reference	FNC 02A
Author	Kim Dolzadelli, Director Corporate and Community
Responsible Manager	Kim Dolzadelli, Director Corporate and Community
Attachments	Internal Audit - Request for Quotation
Voting Requirements	Simple Majority

Executive Recommendation

That the Audit and Risk Management Committee notes that a Request for Expression of Interest for Internal Audit functions will be prepared by Officers to encompass the following requirements:

- 1. To be undertaken in accordance with the Institute of Internal Auditors Code of Ethics;**
- 2. To be undertaken in accordance with the Internal Auditors Professional Practices Framework; and**
- 3. The broad scope of the Internal Audit program will include, at least, the following items with componentized costings:**

- a. Information technology;
- b. Security and emergency procedures including accident / incident reporting;
- c. Vehicle fleet management;
- d. Lease management (where Local Government Lessor);
- e. Service contract management;
- f. FBT/GST review;
- g. Assessment of attractive asset control – i.e., phones, tablets and fraud awareness;
- h. Compliance (Local Government Act and local laws);
- i. Asset management (capital expenditure, asset control, depreciation schedules and preventative maintenance programs);
- j. Insurance management;
- k. Stock control; and
- l. Policy and procedure maintenance.

4. The Final Scope for the Internal Audit program will be reviewed at the Audit and Risk Management Committee and recommendations made to Council at the February 2022.

STRATEGIC ALIGNMENT

The following outcomes from the Corporate Business Plan relate to this proposal:

Outcome	4.2	A respected, professional and trusted organisation
Strategy	4.2.1	Effective and efficient operations and service provision
Action	4.2.1.3	Monitor and measure organisational performance

EXECUTIVE SUMMARY

Council has included a provision of \$15,000 in the 2021/22 Budget for the completion of an Internal Audit to be completed before 30 June 2022.

The role of an internal auditor is to operate as an independent appraisal function, for the review of operations and effectiveness of systems and controls, as a service to both Audit Committees and management.

The Institute of Internal Auditors Code of Ethics states:

"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 /he effectiveness of risk management, control and governance processes."

The Institute of Internal Auditors Professional Practices Framework identifies three broad categories in respect to Internal Audit as follows:

- Risk Management

"The internal audit activity should assist the organisation by identifying and evaluating significant exposures to risk and contributing to the improvement of risk management and control systems".

- Controls

"The internal audit activity should assist the organisation in maintaining effective controls by evaluating their effectiveness and efficiency and by promoting continuous improvement."

- Governance

"The Internal audit activity should assess and make appropriate recommendations for Improving the governance process in its accomplishment of the following objectives:

- *Promoting appropriate ethics and values within the organisation;*
- *Ensuring effective organisational performance management and accountability;*
- *Effectively communicating risk and control Information to appropriate areas of the organisation; and*
- *Effectively coordinating the activities of and communicating information among the Board, external and internal auditors and management."*

Broad Scope

Broad scope for the Internal Audit will include the following:

- Information technology;
- Security and emergency procedures including accident / incident reporting;
- Vehicle fleet management;
- Lease Management (where Local Government Lessor);
- Service contract management;
- FBT/GST review;
- Assessment of attractive asset control – i.e. phones, tablets and fraud awareness;
- Compliance (Local Government Act and local laws);
- Asset Management (Capital Expenditure, Asset Control, Depreciation Schedules and Preventative Maintenance programs);
- Insurance Management;
- Stock Control; and
- Policy and Procedure Maintenance

The Internal Audit is to be in addition to the requirement for the Chief Executive Officer to undertake the following reviews in the 2021/22 financial Year:

1. Local Government (Audit) Regulations 1996,

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 the matters referred to in subregulation (1)(a), (b) and (c), but each of those matters is to be the subject of a review not less than once in every 3 financial years.*
- (3) *The CEO is to report to the audit committee the results of that review*

2. Local Government (Financial Management) Regulations 1996

5. CEO's duties as to financial management

- (2) *The CEO is to —*
 - (c) *undertake reviews of the appropriateness and effectiveness of the financial management systems and procedures of the local government regularly (and not less than once in every 3 financial years) and report to the local government the results of those reviews.*

BACKGROUND

Council has included a provision of \$15,000 in the 2021/22 Budget for the completion of an Internal Audit to be completed before 30 June 2022.

FINANCIAL IMPLICATIONS

The 2021/22 Budget has provision of \$15,000 for the undertaking of an Internal Audit.

POLICY COMPLIANCE

Not Applicable.

STATUTORY COMPLIANCE

Local Government Act 1995 Part – 7 Audit

Local Government (Audit) Regulations 1996

16. **Functions of audit committee**

An audit committee has the following functions —

- (a) *to guide and assist the local government in carrying out —*
 - (i) *its functions under Part 6 of the Act; and*
 - (ii) *its functions relating to other audits and other matters related to financial management;*
- (b) *to guide and assist the local government in carrying out the local government's functions in relation to audits conducted under Part 7 of the Act;*
- (c) *to review a report given to it by the CEO under regulation 17(3) (the **CEO's report**) and is to —*
 - (i) *report to the council the results of that review; and*
 - (ii) *give a copy of the CEO's report to the council;*
- (d) *to monitor and advise the CEO when the CEO is carrying out functions in relation to a review under —*
 - (i) **regulation 17(1); and**
 - (ii) **the Local Government (Financial Management) Regulations 1996 regulation 5(2)(c);**
- (e) *to support the auditor of the local government to conduct an audit and carry out the auditor's other duties under the Act in respect of the local government;*
- (f) *to oversee the implementation of any action that the local government —*
 - (i) *is required to take by section 7.12A(3); and*
 - (ii) *has stated it has taken or intends to take in a report prepared under section 7.12A(4)(a); and*
 - (iii) *has accepted should be taken following receipt of a report of a review conducted under regulation 17(1); and*
 - (iv) *has accepted should be taken following receipt of a report of a review conducted under the Local Government (Financial Management) Regulations 1996 regulation 5(2)(c);*
- (g) *to perform any other function conferred on the audit committee by these regulations or another written law.*

CONSULTATION

Not Applicable.

OFFICER CONCLUSION

The Internal Audit function is to operate as an independent appraisal function, for the review of operations and effectiveness of systems and controls, as a service to both Audit Committees and management.

COMMITTEE RESOLUTION

Moved Cr Chris Smith Seconded Cr Chaz Newman

That the Audit and Risk Management Committee notes that a Request for Expression of Interest for Internal Audit functions will be prepared by Officers to encompass the following requirements:

- 1. To be undertaken in accordance with the Institute of Internal Auditors Code of Ethics;**
- 2. To be undertaken in accordance with the Internal Auditors Professional Practices Framework; and**
- 3. The broad scope of the Internal Audit program will include, at least, the following items with componentized costings:**
 - a. Information technology;**
 - b. Security and emergency procedures including accident / incident reporting;**
 - c. Vehicle fleet management;**
 - d. Lease management (where Local Government Lessor);**
 - e. Service contract management;**
 - f. FBT/GST review;**
 - g. Assessment of attractive asset control – i.e., phones, tablets and fraud awareness;**
 - h. Compliance (Local Government Act and local laws);**
 - i. Asset management (capital expenditure, asset control, depreciation schedules and preventative maintenance programs);**
 - j. Insurance management;**
 - k. Stock control; and**
 - l. Policy and procedure maintenance.**

The Final Scope for the Internal Audit program will be reviewed at the Audit and Risk Management Committee and recommendations made to Council at the February 2022.

Carried 4/0

The Chairperson provided opportunity for visitors to ask questions at the meeting:

Question: Lisa Glover

The attached Letter from OAG has the word “Attach” in the bottom left hand corner. Why is there no attachment.

Response: Director Corporate and Community Services:

It is my believe that had there been any attachment word “Attach” would have been followed by the attachment name.

There was no attachment received.

Question: Simon McInnes

In the attachment to the minutes of the meeting of 14 October 2021 under the section 3.2.1 “Procurement and Contract Management”, page 3 of attachment 6.2 it states:

“Currently no formal contract management framework in place resulting in an inconsistent approach implemented by those responsible for contract management.”

Noting that the status of this Item remains unchanged as “Ongoing” and that the Risk Rating is “Significant I would ask that the Audit and Risk Management Committee make recommendation to Council to ensure appropriate funds can be allocated to resolve this issue.

Response: Chairperson took the question on notice.

Follow-up Response: Circulated by Director Corporate and Community on behalf of the Chairperson

17 December 2021 – also circulated to all members of the Audit and Risk Management Committee.

“Dear Mr McInnes,

I wish to convey the following response from the Chairperson, Mr Ian Telfer, of the Audit and Risk Management Committee.

I refer to your query at the Audit and Risk Committee meeting held 7 December 2021 which in essence was the following:

“In the attachment to the minutes of the meeting of 14 October 2021 under the section 3.2.1 “Procurement and Contract Management”, page 3 of attachment 6.2 it states:

“Currently no formal contract management framework in place resulting in an inconsistent approach implemented by those responsible for contract management.”

Noting that the status of this Item remains unchanged as “Ongoing” and that the Risk Rating is “Significant I would ask that the Audit and Risk Management Committee make recommendation to Council to ensure appropriate funds can be allocated to resolve this issue.”

As Chairperson of the Audit and Risk Management I will request the Chief Executive Officer provide an update on the matter you have raised and provide advice to the Audit and Risk Management Committee.

Kind Regards

Kim Dolzadelli
Director Corporate and Community”

Question: Simon McInnes:

The Shire needs to make people aware of when to expect the completion of Annual Financial Audit.

Response: it is expected that the Annual Financial Audit will be signed off by the Office of the Auditor General before Christmas 2021.

Question: Shane Sercombe

The attached Letter from OAG has the word “Attach” in the bottom left hand corner.

Why is there no attachment.

Response: Director Corporate and Community Services:

It is my believe that had there been any attachment word “Attach” would have been followed by the attachment name.

There was no attachment received.

Question: Shane Sercombe

In Agenda item 6.2 under “Statutory Compliance” point 16(c) there has been no report given by the Chief Executive Officer.

Response: Director Corporate and Community Services:

The report referred to is a report prepared in accordance with the Local Government (Audit) Regulations 1996, regulation 17 “CEO to review certain systems and procedures” not the Interim Audit which is the subject of the item.

The Statutory Compliance referred to in Agenda item 6.2 is with respect to the “Functions of Audit Committee”

Question: Shane Sercombe

I refer to an email that I have sent to committee members from the Office of the Auditor General regarding meeting members of Community regarding Annual Financial Audit and Audit report, can this happen.

Response: Chairperson taken on notice

Follow up Response: Director Corporate and Community Services

17 December 2021 – also circulated to all members of the Audit and Risk Management Committee and guests present at the meeting.

“Dear Mr McInnes,

I wish to convey the following response from the Chairperson, Mr Ian Telfer, of the Audit and Risk Management Committee.

I refer to your query at the Audit and Risk Committee meeting held 7 December 2021 which in essence was the following:

“In the attachment to the minutes of the meeting of 14 October 2021 under the section 3.2.1 “Procurement and Contract Management”, page 3 of attachment 6.2 it states:

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As Chairperson of the Audit and Risk Management I will request the Chief Executive Officer provide an update on the matter you have raised and provide advice to the Audit and Risk Management Committee.

Kind Regards

Kim Dolzadelli
Director Corporate and Community”

7 CLOSURE

The Chairperson to declare the meeting closed at 6:08pm.

AUDIT CONCLUDING MEMORANDUM

Shire of Donnybrook Balingup

Year ended 30 June 2021



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CONFIDENTIAL

1. Executive Summary

Introduction

Moore Australia has been engaged by the Office of Auditor General (OAG) Western Australia to perform an audit of the Shire of Donnybrook Balingup (the Shire)'s annual financial report for the year ended 30 June 2021.

The key purposes of this memorandum is to communicate the results of the audit with those charged with governance.

We request management and the Audit Committee to review this document to ensure that

- the Shire concurs with the matters raised, and
- there are no further significant considerations or matters that could impact the audit and the financial report.

This document is strictly confidential and although it has been made available to management and those charged with governance to facilitate discussions, it may not be taken as altering our responsibilities to the Shire arising under our audit contract with OAG.

The contents of this document should not be disclosed to third parties without our prior written consent.

Audit Status and Report

We are pleased to advise that we have completed our audit of the Shire's financial report for the year ended 30 June 2021.

We will recommend to the OAG to issue an unmodified opinion on the audit of the Shire's financial report.

In addition, we noted the following matter to be reported in accordance with Reg 10(3) of the Local Government (Audit) Regulations 1996:

- There is a significant adverse trend in the financial position of the Shire as the Operating Surplus Ratio has been below the industry benchmark for the past 3 years.
- Non-compliance with Part 6 of the Local Government Act 1995, the Local Government (Financial Management) Regulations 1996 or applicable financial controls of any other written law as there were instances where manual accounting entries had been prepared and posted without any evidence of review by a second officer. Accounting journals can represent significant adjustments to previously approved accounting transactions, and therefore should be appropriately reviewed and approved.
- The Shire has not reported the Asset Renewal Funding Ratio for 2021, 2020 or 2019 in the annual financial report as required by section 50(1) of the Local Government (Financial Management) Regulations 1996, as the Shire's adopted long term financial plan does not include the required information to calculate the ratio.

Key Audit Risks or Focus Areas

We identified key audit risks or audit focus areas as part of our risk assessment procedures undertaken throughout the audit.

We are pleased to advise we have satisfactorily completed our audit procedures designed to address those risks and met our audit objectives. The identified key audit risks and results of the relevant procedures performed are detailed in Section 2 of this memorandum.

Summary of Audit Differences

We did not identify any non-trivial uncorrected audit differences.

Internal Controls Relevant to Audit

We identified one deficiency in internal controls during the final audit as detailed in Section 4 of this memorandum. There was no matters noted during our interim audit.

1. Executive Summary

Other Key Matters

We confirm we have no issues with other keys matters relating to our independence as auditor of the Shire, irregularities and illegal acts, non-compliance with laws and regulations, appropriateness of accounting policies and liaison with management.

CONFIDENTIAL

2. Key Audit Risks and Focus Areas

As part of our risk assessment, we identified key audit risks based on our extensive knowledge of the Shire, the industry and issues faced by regional local governments. This risk assessment process is designed to ensure that we focus our audit work on the areas of highest risk.

This risk assessment and our responses have been updated throughout the engagement to ensure that all areas of material risk are addressed by our audit.

Set out below is an overview of what we have identified as the key audit risks and focus areas for the audit of the Shire's financial report for the year ended 30 June 2021. The table below also includes our audit procedures performed to address these risks together with the outcomes.

RISK AREAS	AUDIT PROCEDURES TO ADDRESS RISK	CONCLUSIONS
PROPERTY, PLANT AND EQUIPMENT AND INFRASTRUCTURE		
<p>There is a significant industry risk given the nature of assets held and judgement applied in determining fair values as well as depreciation expense.</p> <p>As at 30 June 2021, the Shire reported a total property, plant and equipment and infrastructure of \$165.4mil. No revaluation of assets were carried out during the year ended 30 June 2021.</p>	<p>Property, Plant and Equipment and Infrastructure</p> <ul style="list-style-type: none"> Documented and tested key financial controls around Property, Plant and Equipment and Infrastructure balances. Assessed accounting policies associated with fair value assessments and ensured they were in accordance with accounting standards. Substantively tested samples of asset additions and disposals. Reviewed the application of amendments to Local Government (Financial Management) Regulations 16 and 17A. Reviewed management's impairment assessment against the Shire's circumstances. Reviewed fair value disclosures to ensure in accordance with AASB13 requirements. <p>Depreciation and amortisation</p> <ul style="list-style-type: none"> Reviewed depreciation policy for the various asset classes and assessed the reasonableness of rates used. Documented and tested key financial controls around the calculation of depreciation/amortisation. Performed depreciation recalculations based on our sampling approach. 	<p>Based on work performed, we are satisfied that the Shire's property, plant and equipment and infrastructure are fairly stated and disclosed in the 2021 financial report.</p>

2. Key Audit Risks and Focus Areas

RISK AREAS	AUDIT PROCEDURES TO ADDRESS RISK	CONCLUSIONS										
REVENUE												
<p>The Shire's main sources of revenue are:</p> <ul style="list-style-type: none"> • government grants; • rates; and • Other fee for service revenue streams. <p>Given the variety of revenue streams, there is a risk that revenue may not be recognised in accordance with AASB 15 and AASB 1058.</p> <p>For the year ended 30 June 2021, the Shire has recognised:</p> <table border="1"> <tr> <td>Rates</td> <td>\$5.1mil</td> </tr> <tr> <td>Operating grants, subsidies and contributions</td> <td>\$5.9mil</td> </tr> <tr> <td>Non- Operating grants, subsidies and contributions</td> <td>\$5.1mil</td> </tr> <tr> <td>Fees and Charges</td> <td>\$3.1mil</td> </tr> <tr> <td>Contract Liabilities</td> <td>\$2.4mil</td> </tr> </table>	Rates	\$5.1mil	Operating grants, subsidies and contributions	\$5.9mil	Non- Operating grants, subsidies and contributions	\$5.1mil	Fees and Charges	\$3.1mil	Contract Liabilities	\$2.4mil	<p>We reviewed the Shire's assessment of revenue recognition with respect to the recognition requirements of AASB 15 and AASB 1058.</p> <p>Given the nature of local government grants, we substantively tested this revenue to third party documentation such as funding agreements & invoices and vouch receipt of funds in accordance with our established sampling methodology.</p> <p>We also tested the recognition of contract liabilities to ensure proper accounting with AASB 15 and AASB 1058.</p> <p>For rates, and fees & charges, we documented and performed walkthroughs of the key financial controls. We also performed substantive tests of details utilising our sampling methodology. In addition, we performed analytical review to obtain the required level of assurance.</p> <p>We also reviewed the design and implementation of controls of all other main sources of revenue.</p> <p>We have considered the nature, complexity and materiality of the revenue transactions to assess the risk of fraud in revenue recognition.</p>	<p>Based on work performed, we are satisfied that the Shire's revenue is fairly stated and disclosed in the 2021 financial report.</p>
Rates	\$5.1mil											
Operating grants, subsidies and contributions	\$5.9mil											
Non- Operating grants, subsidies and contributions	\$5.1mil											
Fees and Charges	\$3.1mil											
Contract Liabilities	\$2.4mil											
EMPLOYEE BENEFIT PROVISIONS												
<p>Provisions for annual leave and long service leave involves a degree of management estimation and uncertainty in their calculation in respect of inflation rates, discount factors, timing and probabilities of settlement. There is risk that these liabilities may not be captured completely and recognised in accordance with AASB 119: Employee Benefits.</p> <p>As at 30 June 2021, the Shire reported a total provision of \$898k.</p>	<p>We documented and tested key audit controls and performed walkthroughs of the systems with a view to rely on the internal controls.</p> <p>We performed substantive test of details utilising our sampling methodology as well as year end analytical review to obtain the required level of audit assurance.</p> <p>We also reviewed employee benefit provisions to ensure they are consistent with the payroll records and calculated in accordance with AASB119.</p>	<p>Based on work performed, we are satisfied that the Shire's employee benefit provisions are fairly stated and disclosed in the 2021 financial report.</p>										
LEASES												
<p>The Shire recognised right of use assets and corresponding lease liabilities pertaining to its operating leases as at 30 June 2020. There is a risk that the assets and liabilities are not properly accounted for if there are new leases entered, old leases expired and changes to existing lease terms during the financial year.</p> <p>As at 30 June 2021, the Shire reported a total right of use assets and lease liabilities of \$66k and \$67k respectively.</p>	<p>We reviewed the supporting documents to ensure both assets and liabilities are properly accounted for in accordance with AASB 16.</p> <p>We reviewed the workings for the initial take up of new leases, the removal of expired leases and the recalculation arising from changes to existing lease terms during the year.</p> <p>We also completed depreciation recalculations and testing of lease liability payments based on our sampling approach.</p> <p>We also reviewed the adequacy of the required disclosures in the financial report.</p>	<p>Based on work performed, we are satisfied that the Shire's right of use assets and corresponding lease liabilities are fairly stated and disclosed in the 2021 financial report.</p>										

2. Key Audit Risks and Focus Areas

RISK AREAS	AUDIT PROCEDURES TO ADDRESS RISK	CONCLUSIONS						
EXPENDITURE								
<p>Expenditure forms a large part of a local government's operations. This takes the form of both operating and capital.</p> <p>For the year ended 30 June 2021, the Shire has recognised:</p> <table border="1"> <tr> <td>Employee costs</td> <td>\$7.8mil</td> </tr> <tr> <td>Materials and contracts</td> <td>\$4.1mil</td> </tr> <tr> <td>Depreciation</td> <td>\$5.7mil</td> </tr> </table>	Employee costs	\$7.8mil	Materials and contracts	\$4.1mil	Depreciation	\$5.7mil	<p>For the testing of expenditure, we performed walkthroughs of the systems and tested key financial controls with a view to rely on internal controls.</p> <p>We performed substantive test of details based on our sampling methodology as well as year-end analytical review to obtain the required level of assurance.</p> <p>We paid particular attention to the cost allocation methodology associated with administration allocations, Public Works Overheads and Plant Operating Costs to ensure these are properly allocated as they impacted the split between operational and capital expenditure.</p> <p>Specific attention was also paid to credit cards and changes to creditors' details, particularly in light of recent history in the industry.</p>	<p>Based on work performed, we are satisfied that the Shire's expenditure is fairly stated and disclosed in the 2021 financial report.</p>
Employee costs	\$7.8mil							
Materials and contracts	\$4.1mil							
Depreciation	\$5.7mil							
MANAGEMENT OVERRIDE OF CONTROLS								
<p>Management is involved in the day to day operations and monitoring of the business, which gives them the ability to manipulate accounting records and manipulate financial disclosures by overriding controls in place. Due to the unpredictable way in which such override could occur, this leads to potential fraud risk.</p>	<p>The following procedures had been performed:</p> <ul style="list-style-type: none"> Reviewed journal entries and other adjustments for evidence of possible material misstatements due to fraud; Reviewed accounting estimates and application of accounting policies for evidence of bias or aggressive accounting practices; and For significant or unusual transactions, evaluated the business rationale (or the lack thereof) for evidence of fraudulent financial reporting or misappropriation of assets. 	<p>Based on work performed, we have not identified any instances of management override of controls.</p>						
RELATED PARTY DISCLOSURE								
<p>The Shire has disclosed the following related party transactions for the year ended 30 June 2021:</p> <table border="1"> <tr> <td>Elected Members Remuneration</td> <td>\$114k</td> </tr> <tr> <td>KMP Compensation</td> <td>\$613k</td> </tr> <tr> <td>Transactions with related parties</td> <td>\$41k</td> </tr> </table>	Elected Members Remuneration	\$114k	KMP Compensation	\$613k	Transactions with related parties	\$41k	<p>We reviewed the processes to ensure the required disclosures were adequately addressed and a robust system is in place. We also ensured related party transactions are at arms' length basis.</p> <p>We also remained alert for any undisclosed related party relationships/transactions whilst performing other audit procedures.</p>	<p>Based on work performed, we are satisfied that related party transactions are properly disclosed and</p>
Elected Members Remuneration	\$114k							
KMP Compensation	\$613k							
Transactions with related parties	\$41k							

2. Key Audit Risks and Focus Areas

RISK AREAS	AUDIT PROCEDURES TO ADDRESS RISK	CONCLUSIONS
IT GENERAL CONTROLS		
<p>The Shire uses Synergy Soft as the key accounting package for its financial reporting purposes.</p> <p>The integrity of financial information relies on the security, integrity and reliability of an organisation's information technology environment.</p>	<p>We assessed the Information Technology General Controls (ITGC) environment to determine the extent to which financial information can be relied upon.</p> <p>We conducted a high level ITGC review, including the assessment of the key controls relating to:</p> <ul style="list-style-type: none"> • System Security; • Technology Framework; • Service Management, Operations and Change Control; • Security Governance and Reporting; and • Security Training. 	<p>As a result of the review, no further testing was required to enable us to rely upon the financial management information generated by the system.</p>
SIGNIFICANT ADVERSE TRENDS		
<p>Statutory reporting of any material matters that indicate significant adverse trends in the financial position of the Shire relating to the requirements of Local Government (Audit) Regulation 10(3)(a).</p>	<p>We used the statutory ratios disclosed and compared them against our criteria and previously reported ratios. We also assessed how the ratios impact the operations of the Shire.</p>	<p>Based on work performed, we noted a significant adverse trend in the financial position of the Shire as the Operating Surplus ratio has been below the industry benchmark for the past 3 years.</p>

3. Summary of Audit Differences

We are required by the auditing standards to communicate all unadjusted differences (other than clearly trivial) that we noted during the audit.

There were no unadjusted differences noted during the audit.

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4. Internal Controls Relevant to Audit

As part of our planned audit approach, we have evaluated the Shire's system of internal controls primarily to enable us to determine the appropriate nature and extent of our procedures.

This, however, does not constitute a comprehensive review. Accordingly, the Audit Committee may wish to discuss with management any matters they may have raised with respect to particular systems, which may necessitate a more comprehensive review.

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.

The following matter was identified during the final audit:

FINDING	RECOMMENDATION
GENERAL JOURNAL REVIEW	
<p>During the audit period there were instances where manual accounting entries had been prepared and posted without any evidence of review by a second officer.</p> <p>Accounting journals can represent significant adjustments to previously approved accounting transactions.</p>	<p>Journals should be appropriately reviewed and approved.</p>

5. Other Key Matters

In accordance with Auditing Standards, we are required to communicate a number of matters with those charged with governance which is covered in the table below.

Matters Considered	Outcome
Ethics and Independence	<p>We have obtained independence declarations from all staff engaged in the audit.</p> <p>We confirmed that to the best of our knowledge, we met the relevant ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (the Code) that are relevant to our audit of the financial report.</p> <p>We have further considered the safeguards the Moore Australia network has in place and we are not aware of any services being provided that would compromise our independence as external auditor.</p>
Fraud and Compliance with Laws and Regulations	<p>We have enquired with management regarding the existence of fraud and/or non-compliance with laws and regulations. We have also reviewed the general ledger and minutes for evidence of these.</p> <p>Based on confirmation obtained from management and the work performed, we are confident that the risk of fraud in relation to financial reporting and non-compliance with laws and regulations is low and have not identified any reportable matters for your attention.</p>
Appropriateness of Accounting Policies	<p>Based on the work performed, we are satisfied that accounting policies used for the preparation of financial report are acceptable financial reporting framework and in accordance with the requirements of the Act, the Regulations and, to the extent that they are not inconsistent with the Act, Australian Accounting Standards.</p>
Appropriateness of the Use of Going Concern Basis of Accounting	<p>Based on the audit evidence obtained up to the date of our auditor's report, we are not aware of material uncertainty exists related to events or conditions that may cast significant doubt on the Shire's ability to continue as a going concern.</p>
Liaison with Management	<p>We had no disagreements with management about significant audit, accounting or disclosures matters.</p> <p>There were no difficulties encountered in dealing with management related to the performance of the audit.</p>

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HELPING YOU THRIVE IN A CHANGING WORLD



AUDIT CONCLUDING MEMORANDUM

Shire of Donnybrook Balingup

Year ended 30 June 2021

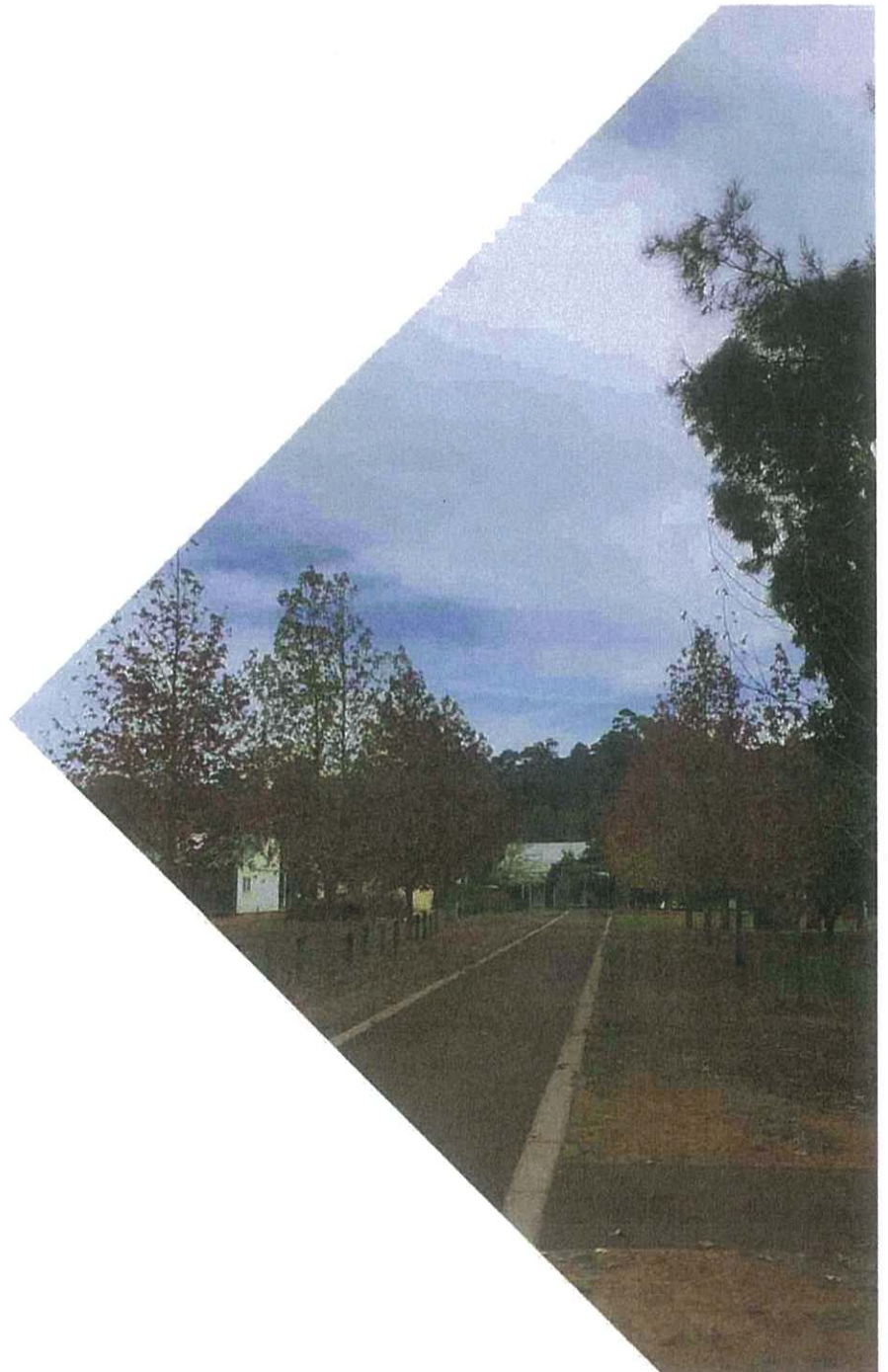


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1. Executive Summary

Introduction

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The key purposes of this memorandum is to communicate the results of the audit with those charged with governance.

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- there are no further significant considerations or matters that could impact the audit and the financial report.

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We are pleased to advise that we have completed our audit of the Shire's financial report for the year ended 30 June 2021.

We will recommend to the OAG to issue an unmodified opinion on the audit of the Shire's financial report.

In addition, we noted the following matter to be reported in accordance with Reg 10(3) of the Local Government (Audit) Regulations 1996:

- There is a significant adverse trend in the financial position of the Shire as the Operating Surplus Ratio has been below the industry benchmark for the past 3 years.
- Non-compliance with Part 6 of the Local Government Act 1995, the Local Government (Financial Management) Regulations 1996 or applicable financial controls of any other written law as there were instances where manual accounting entries had been prepared and posted without any evidence of review by a second officer. Accounting journals can represent significant adjustments to previously approved accounting transactions, and therefore should be appropriately reviewed and approved.
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Key Audit Risks or Focus Areas

We identified key audit risks or audit focus areas as part of our risk assessment procedures undertaken throughout the audit.

We are pleased to advise we have satisfactorily completed our audit procedures designed to address those risks and met our audit objectives. The identified key audit risks and results of the relevant procedures performed are detailed in Section 2 of this memorandum.

Summary of Audit Differences

We did not identify any non-trivial uncorrected audit differences.

Internal Controls Relevant to Audit

We identified one deficiency in internal controls during the final audit as detailed in Section 4 of this memorandum. There was no matters noted during our interim audit.

1. Executive Summary

Other Key Matters

We confirm we have no issues with other key matters relating to our independence as auditor of the Shire, irregularities and illegal acts, non-compliance with laws and regulations, appropriateness of accounting policies and liaison with management.

2. Key Audit Risks and Focus Areas

As part of our risk assessment, we identified key audit risks based on our extensive knowledge of the Shire, the industry and issues faced by regional local governments. This risk assessment process is designed to ensure that we focus our audit work on the areas of highest risk.

This risk assessment and our responses have been updated throughout the engagement to ensure that all areas of material risk are addressed by our audit.

Set out below is an overview of what we have identified as the key audit risks and focus areas for the audit of the Shire's financial report for the year ended 30 June 2021. The table below also includes our audit procedures performed to address these risks together with the outcomes.

RISK AREAS	AUDIT PROCEDURES TO ADDRESS RISK	CONCLUSIONS
PROPERTY, PLANT AND EQUIPMENT AND INFRASTRUCTURE		
<p>There is a significant industry risk given the nature of assets held and judgement applied in determining fair values as well as depreciation expense.</p> <p>As at 30 June 2021, the Shire reported a total property, plant and equipment and infrastructure of \$165.4mil. No revaluation of assets were carried out during the year ended 30 June 2021.</p>	<p>Property, Plant and Equipment and Infrastructure</p> <ul style="list-style-type: none"> Documented and tested key financial controls around Property, Plant and Equipment and Infrastructure balances. Assessed accounting policies associated with fair value assessments and ensured they were in accordance with accounting standards. Substantively tested samples of asset additions and disposals. Reviewed the application of amendments to Local Government (Financial Management) Regulations 16 and 17A. Reviewed management's impairment assessment against the Shire's circumstances. Reviewed fair value disclosures to ensure in accordance with AASB13 requirements. <p>Depreciation and amortisation</p> <ul style="list-style-type: none"> Reviewed depreciation policy for the various asset classes and assessed the reasonableness of rates used. Documented and tested key financial controls around the calculation of depreciation/amortisation. Performed depreciation recalculations based on our sampling approach. 	<p>Based on work performed, we are satisfied that the Shire's property, plant and equipment and infrastructure are fairly stated and disclosed in the 2021 financial report.</p>

2. Key Audit Risks and Focus Areas

RISK AREAS	AUDIT PROCEDURES TO ADDRESS RISK	CONCLUSIONS										
REVENUE												
<p>The Shire's main sources of revenue are:</p> <ul style="list-style-type: none"> • government grants; • rates; and • Other fee for service revenue streams. <p>Given the variety of revenue streams, there is a risk that revenue may not be recognised in accordance with AASB 15 and AASB 1058.</p> <p>For the year ended 30 June 2021, the Shire has recognised:</p> <table border="1"> <tr> <td>Rates</td> <td>\$5.1mil</td> </tr> <tr> <td>Operating grants, subsidies and contributions</td> <td>\$5.9mil</td> </tr> <tr> <td>Non- Operating grants, subsidies and contributions</td> <td>\$5.1mil</td> </tr> <tr> <td>Fees and Charges</td> <td>\$3.1mil</td> </tr> <tr> <td>Contract Liabilities</td> <td>\$2.4mil</td> </tr> </table>	Rates	\$5.1mil	Operating grants, subsidies and contributions	\$5.9mil	Non- Operating grants, subsidies and contributions	\$5.1mil	Fees and Charges	\$3.1mil	Contract Liabilities	\$2.4mil	<p>We reviewed the Shire's assessment of revenue recognition with respect to the recognition requirements of AASB 15 and AASB 1058.</p> <p>Given the nature of local government grants, we substantively tested this revenue to third party documentation such as funding agreements & invoices and vouch receipt of funds in accordance with our established sampling methodology.</p> <p>We also tested the recognition of contract liabilities to ensure proper accounting with AASB 15 and AASB 1058.</p> <p>For rates, and fees & charges, we documented and performed walkthroughs of the key financial controls. We also performed substantive tests of details utilising our sampling methodology. In addition, we performed analytical review to obtain the required level of assurance.</p> <p>We also reviewed the design and implementation of controls of all other main sources of revenue.</p> <p>We have considered the nature, complexity and materiality of the revenue transactions to assess the risk of fraud in revenue recognition.</p>	<p>Based on work performed, we are satisfied that the Shire's revenue is fairly stated and disclosed in the 2021 financial report.</p>
Rates	\$5.1mil											
Operating grants, subsidies and contributions	\$5.9mil											
Non- Operating grants, subsidies and contributions	\$5.1mil											
Fees and Charges	\$3.1mil											
Contract Liabilities	\$2.4mil											
EMPLOYEE BENEFIT PROVISIONS												
<p>Provisions for annual leave and long service leave involves a degree of management estimation and uncertainty in their calculation in respect of inflation rates, discount factors, timing and probabilities of settlement. There is risk that these liabilities may not be captured completely and recognised in accordance with AASB 119: Employee Benefits.</p> <p>As at 30 June 2021, the Shire reported a total provision of \$898k.</p>	<p>We documented and tested key audit controls and performed walkthroughs of the systems with a view to rely on the internal controls.</p> <p>We performed substantive test of details utilising our sampling methodology as well as year end analytical review to obtain the required level of audit assurance.</p> <p>We also reviewed employee benefit provisions to ensure they are consistent with the payroll records and calculated in accordance with AASB119.</p>	<p>Based on work performed, we are satisfied that the Shire's employee benefit provisions are fairly stated and disclosed in the 2021 financial report.</p>										
LEASES												
<p>The Shire recognised right of use assets and corresponding lease liabilities pertaining to its operating leases as at 30 June 2020. There is a risk that the assets and liabilities are not properly accounted for if there are new leases entered, old leases expired and changes to existing lease terms during the financial year.</p> <p>As at 30 June 2021, the Shire reported a total right of use assets and lease liabilities of \$66k and \$67k respectively.</p>	<p>We reviewed the supporting documents to ensure both assets and liabilities are properly accounted for in accordance with AASB 16.</p> <p>We reviewed the workings for the initial take up of new leases, the removal of expired leases and the recalculation arising from changes to existing lease terms during the year.</p> <p>We also completed depreciation recalculations and testing of lease liability payments based on our sampling approach.</p> <p>We also reviewed the adequacy of the required disclosures in the financial report.</p>	<p>Based on work performed, we are satisfied that the Shire's right of use assets and corresponding lease liabilities are fairly stated and disclosed in the 2021 financial report.</p>										

2. Key Audit Risks and Focus Areas

RISK AREAS	AUDIT PROCEDURES TO ADDRESS RISK	CONCLUSIONS						
EXPENDITURE								
<p>Expenditure forms a large part of a local government's operations. This takes the form of both operating and capital.</p> <p>For the year ended 30 June 2021, the Shire has recognised:</p> <table border="1"> <tr> <td>Employee costs</td> <td>\$7.8mil</td> </tr> <tr> <td>Materials and contracts</td> <td>\$4.1mil</td> </tr> <tr> <td>Depreciation</td> <td>\$5.7mil</td> </tr> </table>	Employee costs	\$7.8mil	Materials and contracts	\$4.1mil	Depreciation	\$5.7mil	<p>For the testing of expenditure, we performed walkthroughs of the systems and tested key financial controls with a view to rely on internal controls.</p> <p>We performed substantive test of details based on our sampling methodology as well as year-end analytical review to obtain the required level of assurance.</p> <p>We paid particular attention to the cost allocation methodology associated with administration allocations, Public Works Overheads and Plant Operating Costs to ensure these are properly allocated as they impacted the split between operational and capital expenditure.</p> <p>Specific attention was also paid to credit cards and changes to creditors' details, particularly in light of recent history in the industry.</p>	<p>Based on work performed, we are satisfied that the Shire's expenditure is fairly stated and disclosed in the 2021 financial report.</p>
Employee costs	\$7.8mil							
Materials and contracts	\$4.1mil							
Depreciation	\$5.7mil							
MANAGEMENT OVERRIDE OF CONTROLS								
<p>Management is involved in the day to day operations and monitoring of the business, which gives them the ability to manipulate accounting records and manipulate financial disclosures by overriding controls in place. Due to the unpredictable way in which such override could occur, this leads to potential fraud risk.</p>	<p>The following procedures had been performed:</p> <ul style="list-style-type: none"> Reviewed journal entries and other adjustments for evidence of possible material misstatements due to fraud; Reviewed accounting estimates and application of accounting policies for evidence of bias or aggressive accounting practices; and For significant or unusual transactions, evaluated the business rationale (or the lack thereof) for evidence of fraudulent financial reporting or misappropriation of assets. 	<p>Based on work performed, we have not identified any instances of management override of controls.</p>						
RELATED PARTY DISCLOSURE								
<p>The Shire has disclosed the following related party transactions for the year ended 30 June 2021:</p> <table border="1"> <tr> <td>Elected Members Remuneration</td> <td>\$114k</td> </tr> <tr> <td>KMP Compensation</td> <td>\$613k</td> </tr> <tr> <td>Transactions with related parties</td> <td>\$41k</td> </tr> </table>	Elected Members Remuneration	\$114k	KMP Compensation	\$613k	Transactions with related parties	\$41k	<p>We reviewed the processes to ensure the required disclosures were adequately addressed and a robust system is in place. We also ensured related party transactions are at arms' length basis.</p> <p>We also remained alert for any undisclosed related party relationships/transactions whilst performing other audit procedures.</p>	<p>Based on work performed, we are satisfied that related party transactions are properly disclosed and at arms' length basis.</p>
Elected Members Remuneration	\$114k							
KMP Compensation	\$613k							
Transactions with related parties	\$41k							

2. Key Audit Risks and Focus Areas

RISK AREAS	AUDIT PROCEDURES TO ADDRESS RISK	CONCLUSIONS
DISCONTINUED OPERATION		
<p>The Shire discontinued operational management of the Tuia Lodge aged care home during the year ended 30 June 2021. As a result, additional disclosures are required to be made in the Shire's financial report.</p> <p>There is risk that the financial impact of the discontinued operation is not accounted for in accordance with AASB 5: Non-current Assets Held for Sale and Discontinued Operations.</p>	<p>We reviewed the calculations of the financial impact of the discontinued operation and checked the disclosures were made in accordance with AASB 5.</p>	<p>Based on work performed, we are satisfied that the discontinued operation is fairly stated and disclosed in the 2021 financial report.</p>
IT GENERAL CONTROLS		
<p>The Shire uses Synergy Soft as the key accounting package for its financial reporting purposes.</p> <p>The integrity of financial information relies on the security, integrity and reliability of an organisation's information technology environment.</p>	<p>We assessed the Information Technology General Controls (ITGC) environment to determine the extent to be which financial information can be relied upon.</p> <p>We conducted a high level ITGC review, including the assessment of the key controls relating to:</p> <ul style="list-style-type: none"> • System Security; • Technology Framework; • Service Management, Operations and Change Control; • Security Governance and Reporting; and • Security Training. 	<p>As a result of the review, no further testing was required to enable us to rely upon the financial management information generated by the system.</p>
SIGNIFICANT ADVERSE TRENDS		
<p>Statutory reporting of any material matters that indicate significant adverse trends in the financial position of the Shire relating to the requirements of Local Government (Audit) Regulation 10(3)(a).</p>	<p>We used the statutory ratios disclosed and compared them against our criteria and previously reported ratios. We also assessed how the ratios impact the operations of the Shire.</p>	<p>Based on work performed, we noted a significant adverse trend in the financial position of the Shire as the Operating Surplus ratio has been below the industry benchmark for the past 3 years.</p>

3. Summary of Audit Differences

We are required by the auditing standards to communicate all unadjusted differences (other than clearly trivial) that we noted during the audit.

There were no unadjusted differences noted during the audit.

4. Internal Controls Relevant to Audit

As part of our planned audit approach, we have evaluated the Shire's system of internal controls primarily to enable us to determine the appropriate nature and extent of our procedures.

This, however, does not constitute a comprehensive review. Accordingly, the Audit Committee may wish to discuss with management any matters they may have raised with respect to particular systems, which may necessitate a more comprehensive review.

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.

The following matter was identified during the final audit:

FINDING	RECOMMENDATION
GENERAL JOURNAL REVIEW	
<p>During the audit period there were instances where manual accounting entries had been prepared and posted without any evidence of review by a second officer.</p> <p>Accounting journals can represent significant adjustments to previously approved accounting transactions.</p>	<p>Journals should be appropriately reviewed and approved.</p>

5. Other Key Matters

In accordance with Auditing Standards, we are required to communicate a number of matters with those charged with governance which is covered in the table below.

Matters Considered	Outcome
Ethics and Independence	<p>We have obtained independence declarations from all staff engaged in the audit.</p> <p>We confirmed that to the best of our knowledge, we met the relevant ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (the Code) that are relevant to our audit of the financial report.</p> <p>We have further considered the safeguards the Moore Australia network has in place and we are not aware of any services being provided that would compromise our independence as external auditor.</p>
Fraud and Compliance with Laws and Regulations	<p>We have enquired with management regarding the existence of fraud and/or non-compliance with laws and regulations. We have also reviewed the general ledger and minutes for evidence of these.</p> <p>Based on confirmation obtained from management and the work performed, we are confident that the risk of fraud in relation to financial reporting and non-compliance with laws and regulations is low and have not identified any reportable matters for your attention.</p>
Appropriateness of Accounting Policies	<p>Based on the work performed, we are satisfied that accounting policies used for the preparation of financial report are acceptable financial reporting framework and in accordance with the requirements of the Act, the Regulations and, to the extent that they are not inconsistent with the Act, Australian Accounting Standards.</p>
Appropriateness of the Use of Going Concern Basis of Accounting	<p>Based on the audit evidence obtained up to the date of our auditor's report, we are not aware of material uncertainty exists related to events or conditions that may cast significant doubt on the Shire's ability to continue as a going concern.</p>
Liaison with Management	<p>We had no disagreements with management about significant audit, accounting or disclosures matters.</p> <p>There were no difficulties encountered in dealing with management related to the performance of the audit.</p>

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HELPING YOU THRIVE IN A CHANGING WORLD

Kim Dolzadelli

TABLED DOCUMENT 2

From: Kim Dolzadelli
Sent: Wednesday, 9 February 2022 4:36 PM
To: Kim Dolzadelli
Subject: FW: OAG - 2021 Annual Financial Audit Delay

From: Caroline Spencer <Caroline.Spencer@audit.wa.gov.au>
Sent: Thursday, 23 December 2021 12:17 PM
To: SM Shire <shire@donnybrook.wa.gov.au>
Subject: OAG - 2021 Annual Financial Audit Delay



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

Mail to: Perth BC
PO Box 8489
PERTH WA 6849

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

Our Ref: 8296

Dear President Wringe

2020-21 ANNUAL FINANCIAL AUDIT REPORT DELAY FOR SHIRE OF DONNYBROOK BALINGUP

Under section 7.9 of the *Local Government Act 1995*, I am required to prepare a report by 31 December on my Office's audit of your entity's annual financial report for the 2020-21 financial year.

I am aware my Office will not deliver this report to you within the stipulated timeframe. Yours is one of a number of our local government audits that have been delayed this year. This is largely due to increasingly complex reporting and audit issues contributing to longer audits across the entire public sector. Other factors contributing to these delays include the carryover work of some significant findings in our State sector audits, and the quality of financial records and availability of staff in a number of local government entities which has affected our teams' ability to finalise audits sooner. Some entities have also requested to have their exit meeting postponed to February 2022, while some others have sought extensions from the Department of Local Government, Sport and Cultural Industries.

In addition, COVID-19 border closures have resulted in a labour shortage in the audit profession, and while some other audit offices throughout Australasia have been granted extended reporting deadlines through legislative amendments, this has not occurred in Western Australia. My Office will formally communicate these impacts to Government and our parliamentary committees.

I do regret our inability to provide your audit report prior to year-end, as it has flow-on consequences for us all, and I thank you for your understanding. My Office aims to finalise your audit and deliver it to you as soon as practicable, understanding that many of our auditors will be taking well-earned leave throughout January 2022 following gruelling audit seasons. I also appreciate the support of your staff providing any outstanding audit information to our Office (or contract audit firm) when it can be collated. I recognise your team may also be taking a much needed break in this period.

I would welcome a debrief between council staff and our audit team following the audit to discuss ways we may be able to improve our respective processes to ensure timely delivery next year. I continue to engage with Government on reporting requirements for the sector.

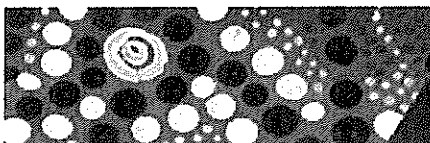
A copy of this letter has also been sent to your CEO, Mr Ben Rose.

I extend my very best wishes to you, your staff and all in your community for a very Merry Christmas and pleasant and restful festive period.

Yours faithfully



Caroline Spencer
Auditor General for Western Australia
www.audit.wa.gov.au



The Office of the Auditor General acknowledges the traditional custodians throughout Western Australia and their continuing connection to the land, waters and community. We pay our respect to all members of the Aboriginal communities and their cultures, and to Elders both past and present.



The information contained in this email is confidential and is not for distribution without the author's prior consent

SHIRE OF DONNYBROOK BALINGUP
FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2021

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COMMUNITY VISION

A proud community enjoying our rural lifestyle, cultural heritage and natural environment.

Principal place of business:

Corner Collins and Bentley Streets, Donnybrook WA 6239

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

STATEMENT BY CHIEF EXECUTIVE OFFICER

The attached financial report of the Shire of Donnybrook Balingup for the financial year ended 30 June 2021 is based on proper accounts and records to present fairly the financial position of the Shire of Donnybrook Balingup at 30 June 2021 and the results of the operations for the financial year then ended in accordance with the Local Government Act 1995 and, to the extent that they are not inconsistent with the Act, the Australian Accounting Standards.

Signed on the

Seventeenth day of

February 2022



Chief Executive Officer

Benjamin (Ben) Rose

Name of Chief Executive Officer

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

	NOTE	2021 Actual \$	2021 Budget \$	2020 Actual \$
Revenue				
Rates	28(a)	5,097,943	5,074,942	5,072,527
Operating grants, subsidies and contributions	2(a)	3,643,313	2,759,368	2,910,866
Fees and charges	2(a)	2,169,363	2,006,109	1,948,785
Interest earnings	2(a)	108,388	150,825	195,260
Other revenue	2(a)	429	400	254,316
		11,019,436	9,991,644	10,381,754
Expenses				
Employee costs		(4,965,382)	(4,960,875)	(4,745,238)
Materials and contracts		(3,365,310)	(3,861,107)	(2,671,893)
Utility charges		(348,041)	(370,891)	(365,792)
Depreciation on non-current assets	10(b)	(5,484,216)	(5,317,079)	(5,349,517)
Amortisation	12(a)	(28,552)	0	(28,552)
Interest expenses	2(b)	(27,504)	(15,825)	(11,956)
Insurance expenses		(345,052)	(424,311)	(299,690)
Other expenditure		(371,542)	(213,475)	(1,262,118)
		(14,935,599)	(15,163,563)	(14,734,756)
		(3,916,163)	(5,171,919)	(4,353,002)
Non-operating grants, subsidies and contributions	2(a)	5,130,139	8,994,403	1,970,862
Profit on asset disposals	10(a)	56,408	9,869	138,651
(Loss) on asset disposals	10(a)	(9,262)	(32,470)	(38,750)
		5,177,285	8,971,802	2,070,763
Discontinued Operations				
Profit / (Loss) on discontinued operations	31	(644,695)	(530,424)	(572,656)
Net result for the period				
		616,427	3,269,459	(2,854,895)
Other comprehensive income				
		0	0	0
Total other comprehensive income for the period				
		0	0	0
Total comprehensive income for the period				
		616,427	3,269,459	(2,854,895)

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

The Shire discontinued operational management of Tuia Lodge aged care home during the reporting year. Analysis of the financial impact of discontinued operations are stated in Note 31.

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

	NOTE	2021 Actual \$	2021 Budget \$	2020 Actual \$
Revenue				
Governance	2(a)	102,449	64,084	34,707
General purpose funding		7,317,161	6,238,176	7,354,196
Law, order, public safety		577,821	577,580	527,269
Health		167,269	173,013	159,659
Education and welfare		835,117	753,157	321,382
Community amenities		1,217,506	1,134,936	1,147,926
Recreation and culture		202,353	261,529	506,459
Transport		169,206	198,310	10,009
Economic services		226,802	480,781	166,123
Other property and services		203,752	110,078	154,024
		11,019,436	9,991,644	10,381,754
Expenses				
Governance	2(b)	(996,476)	(1,049,323)	(1,201,313)
General purpose funding		(181,125)	(202,110)	(216,836)
Law, order, public safety		(1,257,980)	(1,372,958)	(1,321,325)
Health		(246,284)	(260,039)	(229,768)
Education and welfare		(1,277,005)	(1,195,384)	(677,713)
Community amenities		(1,565,539)	(1,709,555)	(2,315,491)
Recreation and culture		(3,648,610)	(3,576,815)	(3,025,622)
Transport		(4,971,136)	(4,818,754)	(4,913,749)
Economic services		(557,118)	(844,600)	(652,437)
Other property and services		(206,822)	(118,200)	(168,546)
		(14,908,095)	(15,147,738)	(14,722,800)
Finance Costs				
Governance	2(b)	(2,101)	(2,876)	(554)
Law, order, public safety		(191)	(111)	(537)
Health		(3,603)	(3,668)	(4,260)
Education and welfare		(4,412)	(4,491)	(855)
Community amenities		(12,928)	0	0
Recreation and culture		(1,998)	(2,012)	(2,595)
Economic services		(2,271)	(2,667)	(3,155)
		(27,504)	(15,825)	(11,956)
		(3,916,163)	(5,171,919)	(4,353,002)
Non-operating grants, subsidies and contributions	2(a)	5,130,139	8,994,403	1,970,862
Profit on disposal of assets	10(a)	56,408	9,869	138,651
(Loss) on disposal of assets	10(a)	(9,262)	(32,470)	(38,750)
		5,177,285	8,971,802	2,070,763
Discontinued Operations				
Profit / (Loss) on discontinued operations	31	(644,695)	(530,424)	(572,656)
Net result for the period		616,427	3,269,459	(2,854,895)
Other comprehensive income		0	0	0
Total other comprehensive income for the period		0	0	0
Total comprehensive income for the period		616,427	3,269,459	(2,854,895)

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

The Shire discontinued operational management of Tuia Lodge aged care home during the reporting year. Analysis of the financial impact of discontinued operations are stated in Note 31.

**SHIRE OF DONNYBROOK BALINGUP
STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED 30 JUNE 2021**

	NOTE	2021 \$	2020 \$
CURRENT ASSETS			
Cash and cash equivalents	3	11,131,480	16,567,035
Trade and other receivables	6	983,090	625,149
Other financial assets	5(a)	9,397	9,144
Inventories	7	46,187	170,390
Contract assets	2(a)	138,938	413,642
TOTAL CURRENT ASSETS		12,309,092	17,785,360
NON-CURRENT ASSETS			
Trade and other receivables	6	964,445	951,695
Other financial assets	5(b)	136,943	141,859
Property, plant and equipment	8	35,864,629	35,722,172
Infrastructure	9	129,537,623	128,504,495
Intangible assets	12	73,409	85,656
Right-of-use assets	11(a)	65,509	89,901
TOTAL NON-CURRENT ASSETS		166,642,558	165,495,778
TOTAL ASSETS		178,951,650	183,281,138
CURRENT LIABILITIES			
Trade and other payables	14	2,335,885	6,353,102
Other liabilities	15	2,387,785	2,994,190
Lease liabilities	16(a)	29,043	50,600
Borrowings	17(a)	63,578	61,289
Other Financial Liabilities	17(c)	215,436	308,000
Employee related provisions	18	802,924	951,992
TOTAL CURRENT LIABILITIES		5,834,651	10,719,173
NON-CURRENT LIABILITIES			
Lease liabilities	16(a)	38,094	39,852
Borrowings	17(a)	338,988	589,794
Other Financial Liabilities	17(c)	3,852,000	3,657,000
Employee related provisions	18	94,983	128,045
Other provisions	19	771,593	742,360
TOTAL NON-CURRENT LIABILITIES		5,095,658	5,157,051
TOTAL LIABILITIES		10,930,309	15,876,224
NET ASSETS		168,021,341	167,404,914
EQUITY			
Retained surplus		31,803,179	29,961,747
Reserves - cash backed	4	5,426,258	6,651,263
Revaluation surplus	13	130,791,904	130,791,904
TOTAL EQUITY		168,021,341	167,404,914

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

**SHIRE OF DONNYBROOK BALINGUP
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2021**

	NOTE	RETAINED SURPLUS \$	RESERVES CASH BACKED \$	REVALUATION SURPLUS \$	TOTAL EQUITY \$
Balance as at 1 July 2019		30,426,462	9,041,443	130,791,904	170,259,809
Comprehensive income					
Net result for the period		(2,854,895)	0	0	(2,854,895)
Other comprehensive income	13	0	0	0	0
Total comprehensive income		(2,854,895)	0	0	(2,854,895)
Transfers from reserves	4	3,628,723	(3,628,723)	0	0
Transfers to reserves	4	(1,238,543)	1,238,543	0	0
Balance as at 30 June 2020		29,961,747	6,651,263	130,791,904	167,404,914
Comprehensive income					
Net result for the period		616,427	0	0	616,427
Other comprehensive income	13	0	0	0	0
Total comprehensive income		616,427	0	0	616,427
Transfers from reserves	4	1,948,603	(1,948,603)	0	0
Transfers to reserves	4	(723,598)	723,598	0	0
Balance as at 30 June 2021		31,803,179	5,426,258	130,791,904	168,021,341

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

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

	NOTE	2021 Actual \$	2021 Budget \$	2020 Actual \$
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts				
Rates		5,157,010	5,054,942	5,135,727
Operating grants, subsidies and contributions		5,371,146	2,302,746	4,671,700
Fees and charges		3,080,648	2,989,474	3,325,999
Interest received		128,264	216,825	260,561
Goods and services tax received		1,052,701	1,184,950	1,194,024
Other revenue		14,447	1,650	255,364
		14,804,216	11,750,587	14,843,375
Payments				
Employee costs		(8,157,018)	(7,766,645)	(7,227,382)
Materials and contracts		(3,701,458)	(4,922,028)	(3,866,081)
Utility charges		(421,117)	(457,272)	(449,236)
Interest expenses		(14,710)	(17,133)	(11,635)
Insurance paid		(377,019)	(456,518)	(323,686)
Goods and services tax paid		(1,167,790)	(1,184,953)	(1,178,201)
Other expenditure		(300,500)	(227,251)	(634,334)
		(14,139,612)	(15,031,800)	(13,690,555)
Net cash provided by (used in) operating activities	20	664,604	(3,281,213)	1,152,820
CASH FLOWS FROM INVESTING ACTIVITIES				
Payments for purchase of property, plant & equipment	8(a)	(2,402,689)	(3,353,320)	(1,967,034)
Payments for construction of infrastructure	9(a)	(4,672,099)	(7,727,503)	(1,995,431)
Non-operating grants, subsidies and contributions	2(a)	5,130,139	9,293,045	3,616,062
Proceeds from financial assets at amortised cost - self supporting loans		4,663	9,144	8,899
Proceeds from sale of property, plant & equipment	10(a)	122,091	168,209	399,428
Proceeds from sale of land held for resale	10(a)	81,818	0	190,909
Net cash provided by (used in) investment activities		(1,736,077)	(1,610,425)	252,833
CASH FLOWS FROM FINANCING ACTIVITIES				
Repayment of borrowings	17(b)	(61,288)	(61,290)	(32,452)
Payments for principal portion of lease liabilities	16(b)	(55,333)	(53,871)	(58,718)
Net proceeds from other financial liabilities		102,436	275,000	0
Proceeds from new borrowings	17(b)	0	0	291,000
Loan advance - commercial entity		(120,000)	0	0
Net transfers of bonds and deposits (*)		(4,229,897)	0	0
Net cash provided by (used in) financing activities		(4,364,082)	159,839	199,830
Net increase (decrease) in cash held		(5,435,555)	(4,731,799)	1,605,483
Cash at beginning of year		16,567,035	16,622,802	14,961,552
Cash and cash equivalents at the end of the year	20	11,131,480	11,891,003	16,567,035

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

(*) this net includes cash transfer in and transfers out

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

	NOTE	2021 Actual \$	2021 Budget \$	2020 Actual \$
OPERATING ACTIVITIES				
Net current assets at start of financial year - surplus/(deficit)	29 (b)	1,018,550	1,037,126	(1,066,973)
		1,018,550	1,037,126	(1,066,973)
Revenue from operating activities (excluding rates)				
Governance		108,080	64,084	34,952
General purpose funding		2,219,218	1,163,234	2,281,669
Law, order, public safety		577,821	577,580	527,269
Health		167,269	173,013	159,659
Education and welfare		4,196,489	4,047,772	3,576,001
Community amenities		1,229,145	1,140,547	1,147,926
Recreation and culture		202,353	261,529	506,459
Transport		171,994	201,946	19,213
Economic services		226,802	480,781	295,325
Other property and services		240,102	110,702	154,024
		9,339,273	8,221,188	8,702,497
Expenditure from operating activities				
Governance		(998,577)	(1,052,199)	(1,201,867)
General purpose funding		(181,125)	(202,110)	(216,836)
Law, order, public safety		(1,258,171)	(1,373,069)	(1,321,862)
Health		(249,887)	(263,707)	(234,028)
Education and welfare		(5,287,483)	(5,024,914)	(4,505,843)
Community amenities		(1,578,467)	(1,709,555)	(2,315,491)
Recreation and culture		(3,650,608)	(3,578,827)	(3,028,217)
Transport		(4,980,399)	(4,843,710)	(4,952,499)
Economic services		(559,389)	(854,781)	(655,592)
Other property and services		(206,822)	(118,200)	(168,546)
		(18,950,928)	(19,021,072)	(18,600,781)
Non-cash amounts excluded from operating activities	29(a)	5,487,262	5,516,835	5,595,435
Amount attributable to operating activities		(3,105,843)	(4,245,923)	(5,369,822)
INVESTING ACTIVITIES				
Non-operating grants, subsidies and contributions	2(a)	5,130,139	8,994,403	1,970,862
Proceeds from disposal of assets	10(a)	203,909	168,209	590,337
Proceeds from financial assets at amortised cost - self supporting loans		4,663	9,143	8,899
Purchase of property, plant and equipment	8(a)	(2,402,689)	(3,353,320)	(1,848,832)
Purchase and construction of infrastructure	9(a)	(4,672,099)	(7,727,506)	(1,995,431)
Amount attributable to investing activities		(1,736,077)	(1,909,071)	(1,274,165)
FINANCING ACTIVITIES				
Repayment of borrowings	17(b)	(61,288)	(61,290)	(32,452)
Proceeds from borrowings	17(b)	0	0	291,000
Payments for principal portion of lease liabilities	16(b)	(55,333)	(53,871)	(58,718)
Net proceeds from other financial liabilities		102,436	275,000	0
Loan - advance to commercial entity		(120,000)	0	0
Transfers to reserves (restricted assets)	4	(723,598)	(212,000)	(1,238,543)
Transfers from reserves (restricted assets)	4	1,948,603	1,132,213	3,628,723
Amount attributable to financing activities		1,090,820	1,080,052	2,590,010
Surplus/(deficit) before imposition of general rates		(3,751,100)	(5,074,942)	(4,053,977)
Total amount raised from general rates	28(a)	5,097,943	5,074,942	5,072,527
Surplus/(deficit) after imposition of general rates	29(b)	1,346,843	0	1,018,550

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

SHIRE OF DONNYBROOK BALINGUP
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FOR THE YEAR ENDED 30 JUNE 2021

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

1. BASIS OF PREPARATION

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

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

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

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

THE LOCAL GOVERNMENT REPORTING ENTITY

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

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

All monies held in the Trust Fund are excluded from the financial statements. A separate statement of those monies appears at Note 32 to these financial statements.

INITIAL APPLICATION OF ACCOUNTING STANDARDS

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

These were:

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

The adoption of these standards had no material impact on the financial report.

NEW ACCOUNTING STANDARDS FOR APPLICATION IN FUTURE YEARS

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

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

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

CRITICAL ACCOUNTING ESTIMATES

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

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

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

2. REVENUE AND EXPENSES

REVENUE RECOGNITION POLICY

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

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

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

2. REVENUE AND EXPENSES

(a) Grant revenue

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

	2021 Actual \$	2021 Budget \$	2020 Actual \$
Operating grants, subsidies and contributions			
Governance	101,844	63,062	3,528
General purpose funding	2,043,459	962,209	2,029,873
Law, order, public safety	521,370	529,180	465,190
Health	20,765	23,140	12,252
Education and welfare	553,511	506,758	49,184
Community amenities	7,039	1,100	490
Recreation and culture	12,478	36,043	335,725
Transport	167,919	197,810	5,478
Economic services	11,184	329,466	1,895
Other property and services	203,744	110,600	7,251
	3,643,313	2,759,368	2,910,866
Non-operating grants, subsidies and contributions			
Law, order, public safety	45,750	62,241	527,027
Education and welfare	16,851	0	22,132
Community amenities	183,180	170,000	3,588
Recreation and culture	2,709,376	4,030,671	52,478
Transport	2,016,922	4,611,491	1,365,637
Economic services	158,060	120,000	0
	5,130,139	8,994,403	1,970,862
	8,773,452	11,753,771	4,881,728
Fees and charges			
Governance	607	400	99
General purpose funding	66,941	49,800	51,478
Law, order, public safety	56,451	48,400	48,389
Health	146,504	149,873	147,407
Education and welfare	281,607	246,399	258,838
Community amenities	1,210,467	1,133,836	1,145,468
Recreation and culture	189,874	225,486	167,856
Transport	1,287	500	1,338
Economic services	215,618	151,315	127,912
Other property and services	7	100	0
	2,169,363	2,006,109	1,948,785

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

SIGNIFICANT ACCOUNTING POLICIES

Grants, subsidies and contributions

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

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

Fees and Charges

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

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

2. REVENUE AND EXPENSES (Continued)

(a) Revenue (Continued)

Contracts with customers and transfers for recognisable non-financial assets

Revenue from contracts with customers and transfers to enable the acquisition or construction of recognisable non-financial assets to be controlled by the Shire was recognised during the year for the following nature or types of goods or services:

	2021 Actual \$	2021 Budget \$	2020 Actual \$
Operating grants, subsidies and contributions	1,343,393	1,564,047	572,619
Fees and charges	2,555,405	2,466,774	2,643,673
Other revenue	14,448	1,650	1,621
Non-operating grants, subsidies and contributions	5,130,139	8,994,403	1,970,862
	9,043,385	13,026,874	5,188,775

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

Revenue recognised in the current period from performance obligations satisfied in previous periods	413,642	0	0
Revenue from contracts with customers recognised during the year	3,913,246	4,088,895	3,217,913
Revenue from transfers intended for acquiring or constructing recognisable non financial assets held as a liability at the start of the period	2,994,190	0	149,160
Revenue from transfers intended for acquiring or constructing recognisable non financial assets during the year	1,712,303	8,921,947	1,809,702
Other revenue from performance obligations satisfied during the year	10,004	16,032	12,000
	9,043,385	13,026,874	5,188,775

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

Trade and other receivables from contracts with customers	416,122	0	86,923
Contract assets	138,938	0	413,642
Contract liabilities from contracts with customers	(1,758)	0	0
Financial assets held from transfers for recognisable financial assets	2,386,027	0	2,994,190
Grant liabilities from transfers for recognisable non financial assets	(2,386,027)	0	(2,994,190)

Contract assets primarily relate to the Shire's right to consideration for work completed but not billed at 30 June 2021. Assets associated with contracts with customers were not subject to an impairment charge.

Contract liabilities for contracts with customers primarily relate to grants with performance obligations received in advance, for which revenue is recognised over time as the performance obligations are met.

Information is not provided about remaining performance obligations for contracts with customers that had an original expected duration of one year or less.

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

Performance obligations in relation to contract liabilities from transfers for recognisable non financial assets are satisfied as project milestones are met or completion of construction or acquisition of the asset. All associated performance obligations are expected to be met over the next 12 months.

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

2. REVENUE AND EXPENSES (Continued)

(a) Revenue (Continued)

Revenue from statutory requirements

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

General rates	5,097,943	5,074,942	5,072,527
Statutory permits and licences	199,133	185,600	121,783
Fines	12,016	5,100	3,246
Waste Management Levy	501,322	497,000	492,822
	<u>5,810,414</u>	<u>5,762,642</u>	<u>5,690,378</u>

Assets and services acquired below fair value

Contributed assets	0	0	303,098
	<u>0</u>	<u>0</u>	<u>303,098</u>

Other revenue

Reimbursements and recoveries	0	0	217,550
Other	429	400	36,766
	<u>429</u>	<u>400</u>	<u>254,316</u>

Interest earnings

Interest on reserve funds	28,180	63,325	87,618
Rates instalment and penalty interest (refer Note 28(c))	59,537	54,000	74,240
Other interest earnings	20,671	33,500	33,402
	<u>108,388</u>	<u>150,825</u>	<u>195,260</u>

SIGNIFICANT ACCOUNTING POLICIES

Interest earnings

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

Interest earnings (continued)

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

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

2. REVENUE AND EXPENSES (Continued)

(b) Expenses

Note	2021 Actual \$	2021 Budget \$	2020 Actual \$
Auditors remuneration			
Audit of the Annual Financial Report	26,400	27,600	31,000
Other services	5,560	16,500	7,095
	31,960	44,100	38,095
Interest expenses (finance costs)			
Borrowing *	11,935	12,521	10,164
Change in provision - unwinding of discount	12,928	0	0
Lease liabilities	2,775	3,430	1,850
	27,638	15,951	12,014

* Includes interest relating to the discontinued operational management of Tuia Lodge aged care home (refer Note 31). \$134 of interest expense relates to the discontinued operation, \$27,504 relates to normal operations.

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

3. CASH AND CASH EQUIVALENTS

	<u>NOTE</u>	<u>2021</u>	<u>2020</u>
		\$	\$
Cash at bank and on hand		11,131,480	16,567,035
Total cash and cash equivalents		<u>11,131,480</u>	<u>16,567,035</u>

Restrictions

The following classes of assets have restrictions imposed by regulations or other externally imposed requirements which limit or direct the purpose for which the resources may be used:

- Cash and cash equivalents		9,054,280	15,115,587
		<u>9,054,280</u>	<u>15,115,587</u>

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

Reserves - cash backed	4	5,426,258	6,651,263
Contract liabilities from contracts with customers	15	1,758	0
Liabilities under transfers to acquire or construct non-financial assets to be controlled by the entity	15	2,386,027	2,994,190
Bonds and Deposits	14	1,240,237	5,470,134
Total restricted assets		<u>9,054,280</u>	<u>15,115,587</u>

SIGNIFICANT ACCOUNTING POLICIES

Cash and cash equivalents

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

Restricted assets

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

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

4. RESERVES - CASH BACKED	2021	2021	2021	2021	2021	2021	2021	2021	2021	2020	2020	2020	2020	2020
	Actual	Actual	Actual	Actual	Actual	Budget	Budget	Budget	Budget	Actual	Actual	Actual	Actual	Actual
	Opening	Intra	Transfer to	Transfer (from)	Closing	Opening	Transfer to	Transfer (from)	Closing	Opening	Intra	Transfer to	Transfer (from)	Closing
	Balance	Allocations			Balance	Balance			Balance	Balance	Allocation			Balance
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
(a) Employee Entitlements Reserve	192,881	0	808	(193,689)	0	192,881	0	(7,500)	185,381	218,912	(8,000)	13,043	(31,074)	192,881
(b) Waste Management Reserve	1,535,974	0	0	(59,567)	1,476,407	1,535,974	0	(125,000)	1,410,974	1,469,228	0	66,746	0	1,535,974
(c) Bushfire Control & Management Reserve	2,282	0	0	0	2,282	2,282	0	0	2,282	2,282	0	0	0	2,282
(d) Aged Housing Reserve	1,187,133	0	229,185	(206,135)	1,210,183	1,187,133	0	(42,180)	1,144,953	1,155,955	0	57,187	(26,009)	1,187,133
(e) Covid 19 Reserve	102,532	0	0	(7,474)	95,058	102,532	0	0	102,532	0	185,000	0	(82,468)	102,532
(f) Arbutnott Memorial Scholarship Reserve	3,585	0	0	(300)	3,285	3,585	0	(300)	3,285	3,885	0	0	(300)	3,585
(g) Strategic Planning Studies Reserve	40,051	0	0	0	40,051	40,051	0	0	40,051	40,051	0	0	0	40,051
(h) Land Development Reserve Fund	450,271	(100,000)	0	0	350,271	450,271	0	0	450,271	250,000	0	200,271	0	450,271
(i) Vehicle Reserve	402,000	(121,645)	212,000	(100,560)	391,795	402,000	212,000	(237,310)	376,690	511,275	0	320,000	(429,275)	402,000
(j) Roadworks Reserve	435,434	0	0	0	435,434	435,434	0	0	435,434	435,434	0	0	0	435,434
(k) Revaluation Reserve	10,700	0	0	0	10,700	10,700	0	0	10,700	950	(30,250)	40,000	0	10,700
(l) Central Business District Reserve	3,054	0	0	0	3,054	3,054	0	0	3,054	3,054	0	0	0	3,054
(m) Buildings Reserve	758,523	191,676	0	(454,203)	495,996	758,523	0	(511,307)	247,216	853,366	(81,148)	270,000	(283,695)	758,523
(n) Apple Funpark Reserve	99,521	(99,521)	0	0	0	99,521	0	0	99,521	99,521	0	0	0	99,521
(o) Information Technology Reserve	107,522	(14,000)	0	0	93,522	107,523	0	(8,000)	99,523	119,522	(12,000)	0	0	107,522
(p) Unspent Grants Reserve	0	0	0	0	0	0	0	0	0	1,837,875	0	0	(1,837,875)	0
(q) Contribution To Works Reserve	0	0	0	0	0	0	0	0	0	328,641	(19,516)	0	(309,125)	0
(r) Park and Reserves Reserve	153,744	0	1,000	(25,000)	129,744	153,744	0	0	153,744	75,276	(49,527)	150,000	(22,005)	153,744
(s) Carried Forward Project Reserve	1,166,056	143,490	280,605	(901,675)	688,476	1,139,556	0	(200,616)	938,940	1,636,216	15,441	121,296	(606,897)	1,166,056
	6,651,263	0	723,598	(1,948,603)	5,426,258	6,624,764	212,000	(1,132,213)	5,704,551	9,041,443	0	1,238,543	(3,628,723)	6,651,263

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

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

Name of Reserve	Anticipated date of use	Purpose of the reserve
(a) Employee Entitlements Reserve	Ongoing	Established to provide for the payment of annual leave, long service leave, personal leave, and grandfathered gratuity scheme entitlements.
(b) Waste Management Reserve	Ongoing	To receive funds collected from the Shire's Waste Management levy for the purpose of providing waste management facilities.
(c) Bushfire Control & Management Reserve	Ongoing	To receive funds collected from the Shire's Fire Protection Levy for the purpose of providing fire fighting equipment to meet the needs of the district.
(d) Aged Housing Reserve	Ongoing	Established to manage funds from aged housing schemes for the upgrade of Council managed aged housing facilities.
(e) Covid 19 Reserve	Ongoing	To fund initiatives and activities associated with the Shire's response and recovery from the COVID-19 pandemic.
(f) Arbutnott Memorial Scholarship Reserve	Ongoing	To fund the payment of the Arbutnott Scholarship.
(g) Strategic Planning Studies Reserve	Ongoing	Established to accumulate funds for engaging strategic studies / reports.
(h) Land Development Reserve Fund	Ongoing	To fund the purchase of land for future community purposes.
(i) Vehicle Reserve	Ongoing	To accumulate funds for the acquisition and replacement of Council's vehicle fleet.
(j) Roadworks Reserve	Ongoing	Established to accumulate funds for the construction, renewal and major maintenance of road infrastructure.
(k) Revaluation Reserve	Ongoing	Established to accumulate funds for asset revaluations and rates gross rental valuation - General revaluation.
(l) Central Business District Reserve	Ongoing	To fund future Central Business District projects.
(m) Buildings Reserve	Ongoing	To accumulate funds for the construction, renewal and major maintenance of Council buildings.
(n) Apple Funpark Reserve	Ongoing	To receive donations and to provide for the future capital upgrade and maintenance of equipment and facilities at the Apple Funpark in Collins Street, Donnybrook.
(o) Information Technology Reserve	Ongoing	To accumulate funds for the acquisition and replacement of Information Technology equipment and software.
(p) Unspent Grants Reserve	Ongoing	To hold unexpended grants to be utilised in future financial periods.
(q) Contribution To Works Reserve	N/A	Fund Closed - Res 87/20, 24 June 2020
(r) Park and Reserves Reserve	Ongoing	Established to accumulate funds for the construction, renewal and major maintenance of parks & reserves infrastructure.
(s) Carried Forward Project Reserve	Ongoing	Established to accumulate funds from projects carried into future financial years.

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

5. OTHER FINANCIAL ASSETS

(a) Current assets

Financial assets at amortised cost

Other financial assets at amortised cost

Self supporting loans

(b) Non-current assets

Financial assets at amortised cost

Financial assets at fair value through profit and loss

Financial assets at amortised cost

Self supporting loans

Financial assets at fair value through profit and loss

Units in Local Government House Trust

Shares in Bendigo Bank

	2021	2020
	\$	\$
	9,397	9,144
	9,397	9,144
	9,397	9,144
	9,397	9,144
	50,076	54,992
	86,867	86,867
	136,943	141,859
	50,076	54,992
	50,076	54,992
	61,867	61,867
	25,000	25,000
	86,867	86,867

Loans receivable from clubs/institutions have the same terms and conditions as the related borrowing disclosed in Note 17(b) as self supporting loans.

SIGNIFICANT ACCOUNTING POLICIES

Other financial assets at amortised cost

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

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

Financial assets at fair value through profit and loss

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

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

Impairment and risk

Information regarding impairment and exposure to risk can be found at Note 30.

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

6. TRADE AND OTHER RECEIVABLES

Current

Rates receivable	
Trade and other receivables	
GST receivable	
Accrued Income	
Prepayments	

Non-current

Pensioner's rates and ESL deferred	
Accrued income	
Other receivables	

2021	2020
\$	\$
409,161	427,937
416,122	86,923
152,450	37,361
3,274	55,881
2,083	17,047
983,090	625,149
122,040	137,092
722,405	814,603
120,000	0
964,445	951,695

SIGNIFICANT ACCOUNTING POLICIES

Trade and other receivables

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

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

Impairment and risk exposure

Information about the impairment of trade receivables and their exposure to credit risk and interest rate risk can be found in Note 30.

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Classification and subsequent measurement

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

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

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

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

7. INVENTORIES

Current

Fuel and materials
 Land held for re-sale
 Gravel
 Work in progress (gravel)
 Kiosk supplies

	2021	2020
	\$	\$
	8,613	8,574
	0	45,468
	35,016	114,478
	200	200
	2,358	1,670
	46,187	170,390
	170,390	191,921
	(238,549)	(163,869)
	(45,468)	(118,202)
	159,814	260,540
	46,187	170,390

The following movements in inventories occurred during the year:

Balance at beginning of year

Inventories expensed during the year
 Disposal of land held for resale
 Additions to inventory

Balance at end of year

SIGNIFICANT ACCOUNTING POLICIES

General

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

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

Land held for resale

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

Land held for resale (Continued)

Borrowing costs and holding charges incurred after development is completed are expensed.

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

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

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

8. PROPERTY, PLANT AND EQUIPMENT

(a) Movements in Balances

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

	Land	Buildings - non-specialised	Total land and buildings	Furniture and equipment	Plant and equipment	Work in Progress - Movement	Total property, plant and equipment
	\$	\$	\$	\$	\$	\$	\$
Balance at 1 July 2019	4,297,400	26,118,143	30,415,543	57,475	5,234,350	99,954	35,807,322
Additions	0	377,282	377,282	0	682,534	789,016	1,848,832
Work in Progress Movement	0	2,967	2,967	0	0	(2,967)	0
(Disposals)	(110,000)	0	(110,000)	0	(262,234)	0	(372,234)
Depreciation (expense)	0	(1,150,623)	(1,150,623)	(9,897)	(704,326)	0	(1,864,846)
Additions - Donated Assets	0	0	0	303,098	0	0	303,098
Balance at 30 June 2020	4,187,400	25,347,769	29,535,169	350,676	4,950,324	886,003	35,722,172
Comprises:							
Gross balance amount at 30 June 2020	4,187,400	28,730,412	32,917,812	636,864	7,380,854	886,003	41,821,533
Accumulated depreciation at 30 June 2020	0	(3,382,643)	(3,382,643)	(286,188)	(2,430,530)	0	(6,099,361)
Balance at 30 June 2020	4,187,400	25,347,769	29,535,169	350,676	4,950,324	886,003	35,722,172
Additions	0	2,114,744	2,114,744	81,078	203,867	3,000	2,402,689
Work in Progress Movement	0	788,758	788,758	0	0	(788,758)	0
(Disposals)	0	0	0	(48,053)	(139,295)	0	(187,348)
Depreciation (expense)	0	(1,170,782)	(1,170,782)	(112,303)	(692,554)	0	(1,975,639)
Assets Written Off	0	0	0	0	0	(97,245)	(97,245)
Balance at 30 June 2021	4,187,400	27,080,489	31,267,889	271,398	4,322,342	3,000	35,864,629
Comprises:							
Gross balance amount at 30 June 2021	4,187,400	31,633,914	35,821,314	627,391	7,336,957	3,000	43,788,662
Accumulated depreciation at 30 June 2021	0	(4,553,425)	(4,553,425)	(355,993)	(3,014,615)	0	(7,924,033)
Balance at 30 June 2021	4,187,400	27,080,489	31,267,889	271,398	4,322,342	3,000	35,864,629

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

8. PROPERTY, PLANT AND EQUIPMENT (Continued)

(b) Carrying Value Measurements

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

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

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

9. INFRASTRUCTURE

(a) Movements in Balances

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

	Infrastructure - Roads	Infrastructure - Other	Infrastructure - Drainage	Infrastructure - Footpaths	Infrastructure - Bridges	Infrastructure - Work in Progress Movement	Total Infrastructure
	\$	\$	\$	\$	\$	\$	\$
Balance at 1 July 2019	79,394,918	6,234,633	18,716,213	2,588,984	23,152,630	27,274	130,114,652
Additions	1,670,267	84,414	0	190,152	23,980	26,618	1,995,431
(Disposals)	0	0	0	0	0	0	0
Depreciation (expense)	(1,981,114)	(394,957)	(316,196)	(55,623)	(857,698)	0	(3,605,588)
Balance at 30 June 2020	79,084,071	5,924,090	18,400,017	2,723,513	22,318,912	53,892	128,504,495
Comprises:							
Gross balance at 30 June 2020	108,044,501	11,523,140	26,349,624	4,119,400	53,472,826	53,892	203,563,383
Accumulated depreciation at 30 June 2020	(28,960,430)	(5,599,050)	(7,949,607)	(1,395,887)	(31,153,914)	0	(75,058,888)
Balance at 30 June 2020	79,084,071	5,924,090	18,400,017	2,723,513	22,318,912	53,892	128,504,495
Additions	1,853,291	593,943	0	269,833	1,113,956	841,076	4,672,099
Work in Progress - Movement	0	45,404	0	0	0	(45,404)	0
Depreciation (expense)	(2,009,629)	(397,145)	(316,195)	(58,083)	(857,919)	0	(3,638,971)
Balance at 30 June 2021	78,927,733	6,166,292	18,083,822	2,935,263	22,574,949	849,564	129,537,623
Comprises:							
Gross balance at 30 June 2021	109,897,792	12,162,487	26,349,624	4,389,233	54,586,782	849,564	208,235,482
Accumulated depreciation at 30 June 2021	(30,970,059)	(5,996,195)	(8,265,802)	(1,453,970)	(32,011,833)	0	(78,697,859)
Balance at 30 June 2021	78,927,733	6,166,292	18,083,822	2,935,263	22,574,949	849,564	129,537,623

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

9. INFRASTRUCTURE (Continued)

(b) Carrying Value Measurements

Asset Class	Fair Value Hierarchy	Valuation Technique	Basis of Valuation	Date of Last Valuation	Inputs Used
(i) Fair Value					
Infrastructure - Roads	3	Cost approach using depreciated replacement cost	Management Valuation	June 2018	Construction costs (Level 2) and current age (Level 3). Residual values and remaining useful life assessments (Level 3).
Infrastructure - Other	3	Cost approach using depreciated replacement cost	Management Valuation	June 2018	Construction costs (Level 2) and current age (Level 3). Residual values and remaining useful life assessments (Level 3).
Infrastructure - Drainage	3	Cost approach using depreciated replacement cost	Management Valuation	June 2018	Construction costs (Level 2) and current age (Level 3). Residual values and remaining useful life assessments (Level 3).
Infrastructure - Footpaths	3	Cost approach using depreciated replacement cost	Management Valuation	June 2018	Construction costs (Level 2) and current age (Level 3). Residual values and remaining useful life assessments (Level 3).
Infrastructure - Bridges	3	Cost approach using depreciated replacement cost	Management Valuation	June 2018	Construction costs (Level 2) and current age (Level 3). Residual values and remaining useful life assessments (Level 3).

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

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

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

10. FIXED ASSETS

SIGNIFICANT ACCOUNTING POLICIES

Fixed assets

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

Initial recognition and measurement between mandatory revaluation dates

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

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

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

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

Revaluation

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

AUSTRALIAN ACCOUNTING STANDARDS - INCONSISTENCY Revaluation (Continued)

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

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

Land under roads from 1 July 2019

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

Vested improvements from 1 July 2019

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

Refer to Note 11 that details the significant accounting policies applying to leases (including right-of-use assets).

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

10. FIXED ASSETS

(a) Disposals of Assets

	2021 Actual Net Book Value	2021 Actual Sale Proceeds	2021 Actual Profit	2021 Actual Loss	2021 Budget Net Book Value	2021 Budget Sale Proceeds	2021 Budget Profit	2021 Budget Loss	2020 Actual Net Book Value	2020 Actual Sale Proceeds	2020 Actual Profit	2020 Actual Loss
Land - freehold land	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	110,000	163,637	53,637	0
Furniture and equipment	48,053	0	0	(48,053)	0	0	0	0	0	245	245	0
Plant and equipment	139,295	122,091	20,058		190,810	168,209	9,869	(32,470)	262,234	235,546	12,062	(38,750)
Land Held for Resale	45,468	81,818	36,350	0	0	0	0	0	118,202	190,909	72,707	0
	232,816	203,909	56,408	(48,053)	190,810	168,209	9,869	(32,470)	490,436	590,337	138,651	(38,750)

The following assets were disposed of during the year.

	2021 Actual Net Book Value	2021 Actual Sale Proceeds	2021 Actual Profit	2020 Actual Loss
Plant and Equipment				
Governance				
Isuzu MUX - DB15	31,642	37,274	5,632	0
Education and welfare				
Hyundai Tuson Wagon - DB378	12,000	0	0	(12,000)
Hyundai Tuson Wagon - DB1145	10,000	0	0	(10,000)
Cummins Generator	6,000	0	0	(6,000)
Community amenities				
Toyota Fortuner - DB463	31,088	42,727	11,639	0
Transport				
Kubota Mower - DB898	7,088	8,000	912	0
Kubota Mower - DB606	15,299	9,000	0	(6,299)
Ford Ranger - DB102	14,328	11,365	0	(2,963)
Mitsubishi Triton - DB117	11,850	13,725	1,875	0
	139,295	122,091	20,058	(37,262)
Land Held for Resale				
Other Property and Services				
Lot 3 Mead Street	45,468	81,818	36,350	0
	45,468	81,818	36,350	0
Furniture & Equipment				
Education and welfare				
Hovertech Aair Patient Lift	2,400	0	0	(2,400)
Hi/Lo Electric Bed	8,400	0	0	(8,400)
12 Beds & Mattresses	9,600	0	0	(9,600)
4 x PC's & 2 x Notebooks	1,029	0	0	(1,029)
Air Mattresses	6,623	0	0	(6,623)
Maxi Scales & Slings	10,421	0	0	(10,421)
Veco Gas Dryer	9,580	0	0	(9,580)
	48,053	0	0	(48,053)
	232,816	203,909	56,408	(85,315)

* Includes disposals relating to the discontinued operational management of Tuia Lodge aged care home (refer Note 31). \$76,053 of disposals relates to the discontinued operation, \$9,262 relates to normal operations.

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

10. FIXED ASSETS

(b) Depreciation

	2021 Actual	2021 Budget	2020 Actual
	\$	\$	\$
Buildings - non-specialised	1,170,782	1,150,912	1,150,623
Furniture and equipment	112,303	9,910	9,897
Plant and equipment	692,554	726,413	704,326
Right of Use Assets	56,410	0	59,270
Infrastructure - Roads	2,009,629	1,981,024	1,981,114
Infrastructure - Other	397,145	395,181	394,957
Infrastructure - Drainage	316,195	316,589	316,196
Infrastructure - Footpaths	58,083	55,472	55,623
Infrastructure - Bridges	857,919	858,733	857,698
	5,671,020	5,494,234	5,529,704

* Includes depreciation relating to the discontinued operational management of Tuia Lodge aged care home (refer Note 31). \$186,804 of depreciation relates to the discontinued operation, \$5,484,216 relates to normal operations.

Revision of useful lives of plant and equipment

During the year the estimated total useful lives of certain items of plant and equipment used in the maintenance of road infrastructure were revised. The net effect of the change is nil.

SIGNIFICANT ACCOUNTING POLICIES

Depreciation

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

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

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

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

Depreciation rates

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

Asset Class	Useful life
Buildings	5 to 100 years
Office Furniture and Equipment	4 to 15 years
Computer Equipment	4 to 15 years
Plant and equipment	5 to 15 years
Infrastructure	
Bridges	27 to 77 years
Road clearing and earthworks	not depreciated
Road Pavement	40 to 45 years
Road Seal	15 years
Car Parks	40 years
Cycleways	40 years
Footpaths - Concrete	25 to 71 years
Footpaths - Slabs	25 to 71 years
Storm Water Drainage	83 years
Other	4 to 80 years

Depreciation on revaluation

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

Amortisation

All intangible assets with a finite useful life, are amortised on a straight-line basis over the individual asset's useful life from the time the asset is held for use.

The residual value of intangible assets is considered to be zero and the useful life and amortisation method are reviewed at the end of each financial year.

Amortisation is included within Depreciation on non-current assets in the Statement of Comprehensive Income and in the note above.

SHIRE OF DONNYBROOK BALINGUP
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11. LEASES

(a) Right-of-Use Assets

Movement in the balance of each class of right-of-use asset between the beginning and the end of the current financial year.

	Right-of-use assets - plant and equipment	Right-of-use assets Total
	\$	
Balance at 1 July 2019	114,804	114,804
Additions	34,367	34,367
Depreciation (expense)	(59,270)	(59,270)
Balance at 30 June 2020	89,901	89,901
Additions	32,018	32,018
Depreciation (expense)	(56,410)	(56,410)
Balance at 30 June 2021	65,509	65,509

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

	2021 Actual	2020 Actual
	\$	\$
Depreciation expense on lease liabilities	56,410	59,270
Interest expense on lease liabilities	2,775	1,850
Total amount recognised in the statement of comprehensive income	59,185	61,120
Total cash outflow from leases	(58,108)	(60,569)

The Shire of Donnybrook Balingup has seven leases relating to plant and equipment. The lease term for these leases vary up to 5 years. The measurement of lease liabilities does not include any future cash outflows associated with leases not yet commenced to which the Shire is committed.

SIGNIFICANT ACCOUNTING POLICIES

Leases

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

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

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

Leases for right-of-use assets are secured over the asset being leased.

Right-of-use assets - valuation

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

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

Right-of-use assets - depreciation

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

12. INTANGIBLE ASSETS

(a) Rehabilitation Assets

Non-current

Waste Cell Airspace
 Less: accumulated amortisation

	2021 Actual	2020 Actual
	\$	\$
Waste Cell Airspace	758,665	742,360
Less: accumulated amortisation	(685,256)	(656,704)
	73,409	85,656

Movements in carrying amounts of waste landfill assets during the financial year are shown as follows:

Carrying amount at beginning of period	85,656	0
Recognition of Waste Cell Airspace	16,305	742,360
Revaluation	0	(628,152)
Amortisation expense	(28,552)	(28,552)
Carrying amount at end of period	73,409	85,656
TOTAL INTANGIBLE ASSETS	73,409	85,656

The Shire operates the Donnybrook Waste Management Facility (DWMF) as the central waste processing and disposal facility for the Shire.

Landfills within Western Australia are required to have a plan for capping, closing and rehabilitating waste facilities at the end of its life.

An airspace asset is an intangible asset that is measured based on the net present value of the future cash flows required to meet the rehabilitation requirement details in the landfill licensing agreement.

A Landfill Closure Management Plan (LCMP) was prepared for the existing facility in 2013 in line with guidance standards. The LCMP specifies the final cap design, slopes, methods of managing storm water, post closure monitoring requirements including groundwater, surface water and landfill gas monitoring.

The LCMP has been approved by the Department of Water and Environmental Regulation.

Estimated costings for capping and monitoring the facility was undertaken in 2017 by ASK Waste Management Consultancy Services (Economic Review - Waste Facility Future Operations, March 2017).

SHIRE OF DONNYBROOK BALINGUP
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13. REVALUATION SURPLUS

	2021 Opening Balance	2021 Revaluation Increment	2021 Revaluation (Decrement)	Total Movement on Revaluation	2021 Closing Balance	2020 Opening Balance	2020 Change in Policy	2020 Revaluation Increment	2020 Revaluation (Decrement)	Total Movement on Revaluation	2020 Closing Balance
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revaluation surplus - Land - Freehold land	2,629,439	0	0	0	2,629,439	3,010,439	(381,000)	0	0	(381,000)	2,629,439
Revaluation surplus - Buildings	13,377,810	0	0	0	13,377,810	13,377,810	0	0	0	0	13,377,810
Revaluation surplus - Furniture and Equipment	0	0	0	0	0	20,001	(20,001)	0	0	(20,001)	0
Revaluation surplus - Plant and Equipment	0	0	0	0	0	1,386,293	(1,386,293)	0	0	(1,386,293)	0
Revaluation surplus - Infrastructure - Roads	70,312,456	0	0	0	70,312,456	70,312,456	0	0	0	0	70,312,456
Revaluation surplus - Infrastructure - Other	7,452,600	0	0	0	7,452,600	7,452,600	0	0	0	0	7,452,600
Revaluation surplus - Infrastructure - Drainage	17,987,255	0	0	0	17,987,255	17,987,255	0	0	0	0	17,987,255
Revaluation surplus - Infrastructure - Footpaths	1,623,969	0	0	0	1,623,969	1,623,969	0	0	0	0	1,623,969
Revaluation surplus - Infrastructure - Bridges	17,408,375	0	0	0	17,408,375	17,408,375	0	0	0	0	17,408,375
	130,791,904	0	0	0	130,791,904	132,579,198	(1,787,294)	0	0	(1,787,294)	130,791,904

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

SHIRE OF DONNYBROOK BALINGUP
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14. TRADE AND OTHER PAYABLES

Current

Sundry creditors
 Prepaid rates
 Accrued salaries and wages
 ATO liabilities
 Bonds and deposits
 Accrued expenses
 Other payables

	2021	2020
	\$	\$
	515,429	328,724
	165,268	140,029
	0	220,175
	187,592	105,297
	1,240,237	5,470,134
	227,359	88,643
	0	100
	2,335,885	6,353,102

SIGNIFICANT ACCOUNTING POLICIES

Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the Shire prior to the end of the financial year that are unpaid and arise when the Shire becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured, are recognised as a current liability and are normally paid within 30 days of recognition

Prepaid rates

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

Bonds and deposits

During the reporting period, Council transitioned operational management of the Tuia Lodge frail aged care facility to a private aged care provider. The decrease in bonds and deposits predominately relates to the transfer of Refundable Accommodation Deposits (RAD) to the new operator. Council retained RAD deposits in cases where the process of refunds had commenced prior to the transfer of operations. Council will manage the refund process for these remaining RAD deposits.

SHIRE OF DONNYBROOK BALINGUP
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15. OTHER LIABILITIES

Current

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

2021	2020
\$	\$
1,758	0
2,386,027	2,994,190
2,387,785	2,994,190

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

Contract liabilities	
\$	\$
1,758	2,386,027
1,758	2,386,027

Performance obligations for each type of liability are expected to be recognised as revenue in accordance with the following time bands:

Less than 1 year

SIGNIFICANT ACCOUNTING POLICIES

Contract liabilities

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

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

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

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

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

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

**SHIRE OF DONNYBROOK BALINGUP
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16. LEASE LIABILITIES

	2021	2020
(a) Lease Liabilities		
Current	\$ 20,043	\$ 50,600
Non-current	38,094	39,852
	67,137	90,452

(b) Movements in Carrying Amounts

Purpose	Lease Number	Institution	Lease Term	30 June 2021		30 June 2021		30 June 2021		30 June 2021		30 June 2021		30 June 2020		30 June 2020	
				Actual Lease Principal 1 July 2020	Actual New Leases	Budget Lease Principal 1 July 2020	Budget New Leases	Actual Lease Principal 1 July 2020	Actual New Leases	Budget Lease Principal 1 July 2020	Budget New Leases	Actual Lease Principal 1 July 2019	Actual New Leases	Actual Lease Principal 30 June 2020	Actual Lease Repayments	Actual Lease Principal 30 June 2020	Actual Lease Repayments
Government																	
IT Equipment - Laptops	009-0147653-0X Dell Financial		48 months	26,533	0	26,533	0	(6,605)	0	(6,605)	0	19,928	0	3,314	0	26,533	45
Printer/Copier - Works	EN60159975 Alesing Pty Ltd		33 months	2,132	0	(1,208)	0	(1,208)	0	(1,208)	0	924	0	3,556	0	2,132	60
IT Equipment - Desktops	EN60159771 Alesing Pty Ltd		6 months	0	0	0	0	0	0	0	0	0	0	0	0	0	21
Printer/Copier - Xerox	66380732 Capital Finance		3 months	0	0	0	0	0	0	0	0	0	0	812	0	0	0
IT Equipment - Desktops	EN60162242 MAJA Financial		30 months	11,381	0	(5,632)	0	(5,632)	0	(5,632)	0	5,749	0	16,897	0	11,381	283
IT Equipment - Scanner	EN60160847 MAJA Financial		30 months	2,064	0	(1,368)	0	(1,368)	0	(1,368)	0	686	0	3,404	0	2,064	58
IT Equipment - Switches	EN60159185 Alesing Pty Ltd		9 months	0	0	0	0	0	0	0	0	0	0	6,381	0	0	56
IT Equipment - Laptops	EN60159930 Alesing Pty Ltd		9 months	0	0	0	0	0	0	0	0	0	0	1,319	0	0	11
IT Equipment - Stacking Switches	214-0939437-0X Die Lage Landen		60 months	0	32,018	(4,733)	0	(5,272)	32,069	(1,430)	0	26,797	0	0	0	0	0
Printer/Copier - Main Office	Budgeted lease No contract at reporting date			0	0	0	0	(1,995)	9,975	(549)	0	7,980	0	0	0	0	0
Printer/Copier - Dev. Services	Budgeted lease No contract at reporting date			0	0	0	0	(707)	3,533	(193)	0	2,826	0	0	0	0	0
Law, order, public safety				16,848	0	16,848	0	(12,669)	0	(111)	0	4,179	0	33,350	0	16,848	538
CESM Vehicle	9188385 SG Fleet		25 months	16,848	0	16,848	0	(12,669)	0	(111)	0	4,179	0	33,350	0	16,848	538
Education and welfare																	
IT Equipment - Laptops	009-0147653-0X Dell Financial		48 months	7,144	0	(1,778)	0	(1,778)	0	(123)	0	5,366	0	3,670	0	7,144	12
Printer/Copier - Aeos	EN60162061 MAJA Financial		15 months	741	0	(741)	0	(742)	0	(3)	0	(1)	0	0	0	741	46
Recreation and culture																	
Gym Equipment - Cardio	EN60162250 MAJA Financial		30 months	14,929	0	(9,901)	0	(9,901)	0	(217)	0	5,028	0	24,627	0	14,929	421
Gym Equipment - Spin Bikes	EN60162200 MAJA Financial		30 months	6,289	0	(4,171)	0	(4,171)	0	(91)	0	2,118	0	10,374	0	6,289	177
Gym Equipment - Bikes	EN60159802 Alesing Pty Ltd		18 months	1,142	0	(1,142)	0	(573)	0	(2)	0	569	0	3,391	0	1,142	49
IT Equipment - Desktops	EN60160846 Alesing Pty Ltd		18 months	1,249	0	(1,249)	0	(1,250)	0	(7)	0	(1)	0	3,708	0	1,249	54
				90,452	32,018	(55,333)	0	(53,871)	45,577	(3,430)	0	82,158	34,367	114,803	90,452	90,452	1,850

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17. INFORMATION ON BORROWINGS

	2021	2020
	\$	\$
Current	63,578	61,289
Non-current	338,988	589,794
	402,566	651,083

(b) Repayments - Borrowings

Particulars	Loan Number	Institution	Interest Rate	Actual	30 June 2021	30 June 2021	30 June 2021	30 June 2021	Budget	30 June 2021	30 June 2021	30 June 2021	30 June 2021	Actual	30 June 2020	30 June 2020	30 June 2020	30 June 2020
				Principal	Actual	Actual	Actual	Budget	Budget	Budget	Budget	Principal	Actual	Actual	Actual	Actual	Principal	Actual
				1 July 2020	Debt waiver	Principal repayments	Interest repayments	Principal outstanding	Principal 1 July 2020	New Loans	Principal repayments	Interest repayments	Principal outstanding	1 July 2019	New Loans	Principal repayments	Interest repayments	Principal outstanding
				\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Health																		
Dental Surgery Extension	74	WATC	5.83%	65,802	0	(11,692)	(3,603)	54,110	65,802	0	(11,693)	(3,668)	54,109	76,842	0	(11,040)	(4,260)	65,802
Education and welfare																		
Tuia Lodge RAD's Borrowings	N/A	Tuia Lodge RAD's	N/A	187,229	(187,229)	0	0	0	187,229	0	0	0	187,229	187,229	0	0	0	187,229
Tuia Lodge Fire Suppression	93	WATC	1.58%	291,000	0	(27,083)	(4,412)	263,917	291,000	0	(27,083)	(4,491)	263,917	0	291,000	0	(854)	291,000
Economic services																		
Collins St Storage Units	80	WATC	6.73%	42,916	0	(13,369)	(2,271)	29,547	42,916	0	(13,370)	(2,667)	29,546	55,429	0	(12,513)	(3,155)	42,916
				586,947	(187,229)	(52,144)	(10,286)	347,574	586,947	0	(52,146)	(10,826)	534,801	319,500	291,000	(23,553)	(8,269)	586,947
Self Supporting Loans																		
Recreation and culture																		
Donnybrook Country Club	90	WATC	2.74%	64,136	0	(9,144)	(1,649)	54,992	64,136	0	(9,144)	(1,695)	54,992	73,035	0	(8,899)	(1,895)	64,136
				64,136	0	(9,144)	(1,649)	54,992	64,136	0	(9,144)	(1,695)	54,992	73,035	0	(8,899)	(1,895)	64,136
				651,083	(187,229)	(61,288)	(11,935)	402,566	651,083	0	(61,290)	(12,521)	589,793	392,535	291,000	(32,452)	(10,164)	651,083

* WA Treasury Corporation

Self supporting loans are financed by payments from third parties. These are shown in Note 5 as other financial assets at amortised cost. All other loan repayments were financed by general purpose revenue.

(c) Other Financial Liabilities

	2021	2020
	\$	\$
Carrying amount at beginning of period	3,965,000	4,022,000
Liability Increase	195,000	0
Liability Decrease	(92,564)	(57,000)
Carrying amount at end of period	4,067,436	3,965,000

	2021	2020
	\$	\$
Current	215,436	308,000
Non-current	3,852,000	3,657,000
	4,067,436	3,965,000

Preston Village Lease Liability

Preston Village Lease Liability represents monies paid by the ingoing leasees of the Preston Retirement Village, Sharp Street Donnybrook under a life tenancy lease arrangement.

The proceeds received from the life tenancies are initially classified as a non-current liability as the Shire is only required to repay these funds to a vacating leasee, or their estate, in the event that the Shire is unable to attract a subsequent leasee within the 3-year time period, as specified in the lease agreement.

The lease liability in respect to each unit leased will remain unchanged unless the Shire is required to refund any lease amount in which case the lease liability will be reduced when refunded.

Where a leasee has vacated a property prior to balance date, the loan liability to the leasee has been classified as non-current as the Shire will not be required to repay the leasee until the property is re-leased. In the event that the property will be re-leased within the next 12 months, the existing liability will be replaced with a new non current liability with no net impact on the Shire's Statement of Financial Position.

In the event that Council elects not to market a vacated unit, or the unit will have been vacant for a period of three years at a date falling within the next 12 months, any loan liability on the property will be classified as current.

The respective cost of land and buildings to which the leases relate are recorded at fair value within the Shire's property, plant and equipment (Note 8a).

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17. INFORMATION ON BORROWINGS (Continued)

(d) Unspent Borrowings

Particulars	Date Borrowed	Unspent Balance 1 July 2020	Borrowed During Year	Expended During Year	Unspent Balance 30 June 2021
		\$	\$	\$	\$
Tuia Lodge Fire Suppression System	2019/20	41,680	0	(41,680)	0
		41,680	0	(41,680)	0

(e) Undrawn Borrowing Facilities

	2021	2020
	\$	\$
Credit Standby Arrangements		
Bank overdraft limit - Municipal Fund	100,000	100,000
Bank overdraft limit - Dept Transport Licensing	10,000	10,000
Bank overdraft at balance date	0	0
Credit card limit	9,000	9,000
Credit card balance at balance date	(1,610)	(1,653)
Total amount of credit unused	117,390	117,347
Loan facilities		
Loan facilities - current	63,578	61,289
Loan facilities - non-current	338,988	589,794
Lease liabilities - current	29,043	50,600
Lease liabilities - non-current	38,094	39,852
Total facilities in use at balance date	469,703	741,535
Unused loan facilities at balance date	0	41,680

SIGNIFICANT ACCOUNTING POLICIES

Financial liabilities

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

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

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

Borrowing costs

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

Risk

Information regarding exposure to risk can be found at Note 30.

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18. EMPLOYEE RELATED PROVISIONS

	Provision for Annual Leave \$	Provision for Long Service Leave \$	Total \$
Opening balance at 1 July 2020			
Current provisions	513,894	438,098	951,992
Non-current provisions	0	128,045	128,045
	513,894	566,143	1,080,037
Additional provision	166,497	10,267	176,764
Amounts used	(299,531)	(59,363)	(358,894)
Balance at 30 June 2021	380,860	517,047	897,907
Comprises			
Current	380,860	422,064	802,924
Non-current	0	94,983	94,983
	380,860	517,047	897,907

Amounts are expected to be settled on the following basis:

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

	2021 \$	2020 \$
Less than 12 months after the reporting date	394,595	622,170
More than 12 months from reporting date	503,312	457,867
	897,907	1,080,037

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

SIGNIFICANT ACCOUNTING POLICIES

Employee benefits

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

Short-term employee benefits

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

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

Other long-term employee benefits

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

Other long-term employee benefits (Continued)

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

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

Provisions

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

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

19. OTHER PROVISIONS

	Provision for Waste Cell Rehabilitation	Total
	\$	\$
Opening balance at 1 July 2020		
Non-current provisions	742,360	742,360
	742,360	742,360
Additional provision	16,305	16,305
Increase in the discounted amount arising because of time and the effect of any change in the discounted rate	12,928	12,928
Balance at 30 June 2021	771,593	771,593
Comprises		
Non-current	771,593	771,593
	771,593	771,593

Provision for Waste Cell Rehabilitation

The Shire operates the Donnybrook Waste Management Facility (DWMF) as the central waste processing and disposal facility for the Shire.

Landfills within Western Australia are required to have a plan for capping, closing and rehabilitating waste facilities at the end of its life.

A Landfill Closure Management Plan (LCMP) was prepared for the existing facility in 2013 in line with guidance standards. The LCMP specifies the final cap design, slopes, methods of managing storm water, post closure monitoring requirements including groundwater, surface water and landfill gas monitoring.

The LCMP has been approved by the Department of Water and Environmental Regulation.

Estimated costings for the capping and monitoring the facility was undertaken in 2017 by ASK Waste Management Consultancy Services (Economic Review - Waste Facility Future Operations, March 2017).

20. NOTES TO THE STATEMENT OF CASH FLOWS

Reconciliation of Cash

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

	2021 Actual	2021 Budget	2020 Actual
	\$	\$	\$
Cash and cash equivalents	11,131,480	11,891,003	16,567,035
Reconciliation of Net Cash Provided By Operating Activities to Net Result			
Net result	616,427	3,269,459	(2,854,895)
Non-cash flows in Net result:			
Depreciation on non-current assets	5,671,020	5,494,234	5,529,704
Amortisation on Intangible Assets	28,552	0	28,552
Donated Assets	0	0	(303,098)
(Profit)/loss on sale of asset *	(8,356)	22,601	(99,901)
Asset write-off	97,245	0	0
Changes in assets and liabilities:			
(Increase)/decrease in receivables	(250,691)	(150,000)	348,557
(Increase)/decrease in inventories	78,735	0	21,531
(Increase)/decrease in contract assets	274,704	263,642	(400,673)
(Increase)/decrease in contract liabilities	(606,405)	(2,535,622)	1,902,252
Increase/(decrease) in payables	212,680	(352,482)	(217,359)
Increase/(decrease) in employee provisions	(182,130)	0	186,061
Increase/(decrease) in other provisions	12,928	0	628,152
Increase/(decrease) in other financial liabilities	(187,229)	0	0
Non-operating grants, subsidies and contributions	(5,130,139)	(9,293,045)	(3,616,063)
Net cash from operating activities	627,342	(3,281,213)	1,152,820

* Includes disposals relating to the discontinued operational management of Tuia Lodge aged care home (refer Note 31). \$(76,053) of disposals relates to the discontinued operation, \$47,146 relates to normal operations.

SHIRE OF DONNYBROOK BALINGUP
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 FOR THE YEAR ENDED 30 JUNE 2021

21. TOTAL ASSETS CLASSIFIED BY FUNCTION AND ACTIVITY

	2021	2020
	\$	\$
Governance	12,985,289	18,353,640
General purpose funding	780,460	672,983
Law, order, public safety	3,800,609	4,128,678
Health	1,261,688	1,304,373
Education and welfare	11,486,694	11,305,108
Housing	138,000	643,000
Community amenities	815,110	715,023
Recreation and culture	20,468,978	18,354,165
Transport	123,453,794	123,539,652
Economic services	1,499,969	1,412,630
Other property and services	2,261,059	2,851,886
	178,951,650	183,281,138

SHIRE OF DONNYBROOK BALINGUP
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
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22. CONTINGENT LIABILITIES

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

Location	Land Use	Nature of Potential Contamination
A197 - Lot 13 Bentley Street, Donnybrook	Former Shire Depot	Hydorcarbon
A3418 - Res 30530 Boyup Brook Road, Lowden	Former Landfill Site	Petrescible Waste
A3420 - Res 30773 Boyup Brook Road, Mumballup	Former Landfill Site	Petrescible Waste
A3611 - F21 Valentines Road, Newlands	Former Waste Facility	Buried Waste
A4014 - Lot 597, Plan 38225, Donnybrook	Historic Station Loading Yard	Heavy Metals
A3605 - Lot 2928 F27 Gavins Road, Donnybrook	Landfill Site	Landfill Waste Material
A3444 - Lot 506, 39 Sandhills Road, Beelerup	Depot	Herbicides Mixed onsite

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

23. CAPITAL COMMITMENTS

(a) Capital Expenditure Commitments

Contracted for:

- capital expenditure projects
- plant & equipment purchases

	2021	2020
	\$	\$
	1,198,566	0
	106,902	0
	1,305,468	0
Payable:		
- not later than one year	1,305,468	0

The capital expenditure projects outstanding at the end of the current reporting period represent the construction of the Apple Funpark redevelopment, VC Mitchell park redevelopment, Donnybrook Waste Management Facility and the purchase of a Tip Truck, Parks & Gardens Ute and vehicle for Building Surveyor.

24. ELECTED MEMBERS REMUNERATION

	2021 Actual	2021 Budget	2020 Actual
	\$	\$	\$
Cr Brian Piesse			
President's annual allowance	10,008	10,008	10,008
Meeting attendance fees	12,102	12,102	12,102
Other expenses	0	100	0
Telecommunications allowance	2,750	3,278	2,750
Travel expenses	943	983	1,204
	25,803	26,471	26,064
Cr Jackie Massey			
Deputy President's annual allowance	2,502	2,502	2,502
Meeting attendance fees	9,858	9,858	6,697
Other expenses	20	100	51
Telecommunications allowance	1,100	1,628	747
Travel expenses	1,992	983	2,798
	15,472	15,071	12,795
Cr Shane Atherton			
Meeting attendance fees	9,858	9,858	9,858
Other expenses	28	100	0
Telecommunications allowance	1,100	1,628	1,100
Travel expenses	0	983	0
	10,986	12,569	10,958
Cr Anita Lindemann			
Meeting attendance fees	9,858	9,858	9,858
Other expenses	0	100	0
Telecommunications allowance	1,100	1,628	1,100
Travel expenses	0	983	441
	10,958	12,569	11,399
Cr Anne Mitchell			
Meeting attendance fees	9,858	9,858	9,858
Other expenses	0	100	0
Telecommunications allowance	1,100	1,628	1,100
Travel expenses	0	983	0
	10,958	12,569	10,958
Cr Chaz Newman			
Meeting attendance fees	9,858	9,858	6,697
Other expenses	28	100	177
Telecommunications allowance	1,100	1,628	747
Travel expenses	203	983	0
	11,189	12,569	7,621
Cr Chris Smith			
Meeting attendance fees	9,858	9,858	6,697
Other expenses	28	100	63
Telecommunications allowance	1,100	1,628	747
Travel expenses	0	983	0
	10,986	12,569	7,507

24. ELECTED MEMBERS REMUNERATION

	2021 Actual	2021 Budget	2020 Actual
	\$	\$	\$
Cr Leanne Wringe			
Meeting attendance fees	9,858	9,858	9,858
Other expenses	0	100	0
Telecommunications allowance	1,100	1,628	1,100
Travel expenses	0	983	0
	10,958	12,569	10,958
Cr Shane Sercombe			
Meeting attendance fees	5,668	9,858	6,697
Other expenses	0	100	0
Telecommunications allowance	633	1,628	747
Travel expenses	0	983	229
	6,301	12,569	7,673
Cr Michael King			
Meeting attendance fees	0	0	2,441
Telecommunications allowance	0	0	321
Travel expenses	0	0	1,169
	0	0	3,931
Cr Fred Mills			
Meeting attendance fees	0	0	3,161
Telecommunications allowance	0	0	353
Travel expenses	0	0	683
	0	0	4,197
Cr Dawn Tan			
Meeting attendance fees	0	0	3,161
Telecommunications allowance	0	0	353
Travel expenses	0	0	71
	0	0	3,585
Cr Ryan Van der Heide			
Meeting attendance fees	0	0	3,161
Telecommunications allowance	0	0	353
	0	0	3,514
	113,611	129,525	253,988
Fees, expenses and allowances to be paid or reimbursed to elected council members.			
President's allowance	10,008	10,008	10,008
Deputy President's allowance	2,502	2,502	2,502
Meeting attendance fees	86,776	90,966	223,074
Other expenses	104	900	0
Telecommunications allowance	11,083	16,302	11,808
Travel expenses	3,138	8,847	6,596
	113,611	129,525	253,988

SHIRE OF DONNYBROOK BALINGUP
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25. RELATED PARTY TRANSACTIONS

Key Management Personnel (KMP) Compensation Disclosure

	2021 Actual	2020 Actual
	\$	\$
The total of remuneration paid to KMP of the Shire during the year are as follows:		
Short-term employee benefits	508,422	450,291
Post-employment benefits	49,993	49,003
Other long-term benefits	54,558	50,837
Termination benefits	0	29,351
	612,973	579,482

Short-term employee benefits

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

Post-employment benefits

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

Other long-term benefits

These amounts represent long service benefits accruing during the year.

Termination benefits

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

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

25. RELATED PARTY TRANSACTIONS (Continued)

Transactions with related parties

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

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

The following transactions occurred with related parties:

	2021 Actual	2020 Actual
Purchase of goods and services	\$ 41,120	\$ 78,495

Related Parties

The Shire's main related parties are as follows:

i. Key management personnel

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

ii. Other Related Parties

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

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

iii. Entities subject to significant influence by the Shire

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

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

26. INVESTMENT IN ASSOCIATE AND JOINT ARRANGEMENTS

(a) Share of joint operations

Arrangements with Homeswest relate to four sets of Well Aged housing complexes located on South Western Highway, Donnybrook. The Shire is required to recognise any trading surplus from the operation of these units as Restricted Assets, and is further required to maintain a Contingency Reserve for future major maintenance.

Minninup Cottages, Units 5-8 (lot 486) built in 1982/83
 Council Equity - 34.48%
 Homeswest Equity - 65.52%

Minninup Cottages, Units 9-12 (lot 479) built in 1992/93
 Council Equity - 15.2%
 Homeswest Equity - 84.8%

Langley Villas, Units 1-6 (lot 100) built in 1994/95
 Council Equity - 20.8%
 Homeswest Equity - 79.2%

Langley Villas, Units 7-9 (lot 100) built in 2001/02
 Council Equity - 35.98%
 Homeswest Equity - 64.02%

Non current assets	823,433	820,719
Total assets	823,433	820,719

The income and expenses associated with this joint operation are:

Statement of Comprehensive Income		
Operating revenue	171,461	162,095
Other expenditure	(157,356)	(114,529)
Net Result for the Period	14,105	47,566

Other Comprehensive Income

Items that will not be reclassified subsequently to profit or loss
 Changes in Asset Revaluation Surplus

Total Other Comprehensive Income for the Period	0	0
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Total Comprehensive Income for the Period

	14,105	47,566
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The Shire has a 50% Equity interest in the Donnybrook Community Library situated on Education Department Land (Reserve 24032 Bentley Street, Donnybrook). Operational and maintenance costs are apportioned between the Shire and the Education Department based on estimated usage patterns.

Assets	694,871	802,882
Total assets	694,871	802,882

Current liabilities	0	1,249
Total liabilities	0	1,249

Statement of Comprehensive income

Other revenue	316	349
Donated Assets	0	303,098
Other expenditure	(395,513)	(334,555)
Net result for the period	(395,197)	(31,108)

Total comprehensive income for the period

	(395,197)	(31,108)
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SIGNIFICANT ACCOUNTING POLICIES

Interests in joint arrangements

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

Separate joint arrangements providing joint ventures with an interest to net assets are classified as a joint venture and accounted for using the equity method. The equity method of accounting, whereby the investment is initially recognised at cost and adjusted thereafter for the post-acquisition change in the Shire's share of net assets of the associate. In addition, the Shire's share of the profit or loss of the associate is included in the Shire's profit or loss.

Interests in joint arrangements (Continued)

Joint operations represent arrangements whereby joint operators maintain direct interests in each asset and exposure to each liability of the arrangement. The Shire's interests in the assets, liabilities, revenue and expenses of joint operations are included in the respective line items of the financial statements.

27. MAJOR LAND TRANSACTIONS

There are no major land transactions identified for 2020/2021 financial year.

28. RATING INFORMATION

(a) Rates

RATE TYPE	Rate in \$	Number of Properties	2020/21 Actual Rateable Value \$	2020/21 Actual Rate Revenue \$	2020/21 Actual Back Rates \$	2020/21 Actual Total Revenue \$	2020/21 Budget Rate Revenue \$	2020/21 Budget Interim Rate \$	2020/21 Budget Back Rate \$	2020/21 Budget Total Revenue \$	2019/20 Actual Total Revenue \$
Differential general rate / general rate											
Gross rental valuations											
General Rate	8.1733	1,028	20,184,849	1,649,769	30,085	1,679,854	1,649,768	2,250	0	1,652,018	1,636,108
Unimproved valuations											
General Rate	0.5377	828	333,619,044	1,793,869	0	1,793,869	1,793,870	2,250	0	1,796,120	1,793,556
Sub-Total		1,856	353,803,893	3,443,638	30,085	3,473,723	3,443,638	4,500	0	3,448,138	3,429,664
Minimum payment											
Gross rental valuations											
General Rate	1,104	950	8,810,362	1,048,800	0	1,048,800	1,048,800	0	0	1,048,800	1,065,360
Unimproved valuations											
General Rate	1,104	526	71,373,036	580,704	0	580,704	580,704	0	0	580,704	584,016
Sub-Total		1,476	80,183,398	1,629,504	0	1,629,504	1,629,504	0	0	1,629,504	1,649,376
		3,332	433,987,291	5,073,142	30,085	5,103,227	5,073,142	4,500	0	5,077,642	5,079,040
Discounts/concessions (Note 28(b))						(2,550)				(2,700)	0
Total amount raised from general rate						5,100,677				5,074,942	5,079,040
Less rates written Off						(2,734)				0	(6,513)
Totals						5,097,943				5,074,942	5,072,527

SIGNIFICANT ACCOUNTING POLICIES

Rates

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

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

SHIRE OF DONNYBROOK BALINGUP
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28. RATING INFORMATION (Continued)

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

Waivers or Concessions

Rate or Fee and
 Charge to which
 the Waiver or
 Concession is Granted

Type

Discount

%

Discount

\$

2021
 Actual
 \$

2021
 Budget
 \$

2020
 Actual
 \$

General Rates	Concession	Various		(2,550)	(2,700)	0
				(2,550)	(2,700)	0
Total discounts/concessions (Note 28(a))				(2,550)	(2,700)	0

Rate or Fee and
 Charge to which
 the Waiver or
 Concession is Granted

Circumstances in which
 the Waiver or Concession is
 Granted and to whom it was
 available

Objects and reasons of the Waiver
 or Concession

General Rates	A concession on general rates for selected properties where the property crosses a boundary with a neighbouring local government.	To recognise the impact of rates charged by two local governments for same property
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SHIRE OF DONNYBROOK BALINGUP
 NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
 FOR THE YEAR ENDED 30 JUNE 2021

28. RATING INFORMATION (Continued)

(c) Interest Charges & Instalments

Instalment Options	Date Due	Instalment Plan Admin Charge \$	Instalment Plan Interest Rate %	Unpaid Rates Interest Rate %
Option One				
Single full payment	15/10/2020	Nil	Nil	8.00%
Option Two				
First instalment	15/10/2020	11.00	5.50%	8.00%
Second instalment	12/02/2021	11.00	5.50%	8.00%
Option Three				
First instalment	15/10/2020	11.00	5.50%	
Second instalment	14/12/2020	11.00	5.50%	8.00%
Third instalment	12/02/2021	11.00	5.50%	8.00%
Fourth instalment	13/04/2021	11.00	5.50%	8.00%

	2021 Actual \$	2021 Budget \$	2020 Actual \$
Interest on unpaid rates	42,312	37,500	53,368
Interest on instalment plan	17,225	16,500	20,872
Charges on instalment plan	24,866	29,100	22,515
Charges on special arrangement plan	0	0	8,275
	84,403	83,100	105,030

SHIRE OF DONNYBROOK BALINGUP
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FOR THE YEAR ENDED 30 JUNE 2021

29. RATE SETTING STATEMENT INFORMATION

		2020/21 Budget	2019/20
	2020/21 (30 June 2021 Carried Forward)	(30 June 2021 Carried Forward)	(30 June 2020 Carried Forward)
Note	\$	\$	\$
(a) Non-cash amounts excluded from operating activities			
The following non-cash revenue or expenditure has been excluded from amounts attributable to operating activities within the Rate Setting Statement in accordance with <i>Financial Management Regulation 32</i> .			
Adjustments to operating activities			
Less: Profit on asset disposals	10(a)	(56,408)	(138,651)
Less: Non-cash grants and contributions for assets	2(a)	0	(303,098)
Less: Current Asset - Land Held for Resale proceeds	10(a)	(45,468)	(118,202)
Less: Movement in liabilities associated with restricted cash		(192,881)	(26,031)
Less: Change in Provision - unwinding of discount	19	12,928	0
Less: Debt waiver - Tuia Lodge	18(b)	(187,229)	0
Movement in pensioner deferred rates (non-current)	6	15,052	24,520
Movement in employee benefit provisions (non-current)	18	(33,062)	(11,690)
Movement Accrued Income (non-current)		92,198	(56,570)
Add: Loss on disposal of assets	10(a)	85,315	38,750
Add: Intangible asset revaluation to P&L	12(a)	0	628,151
Add: Asset write off		97,245	0
Add: Depreciation on non-current assets	10(b)	5,671,020	5,529,704
Add: Amortisation on non-current assets	12(a)	28,552	28,552
Non cash amounts excluded from operating activities		5,487,262	5,595,435
(b) Surplus/(deficit) after imposition of general rates			
The following current assets and liabilities have been excluded from the net current assets used in the Rate Setting Statement in accordance with <i>Financial Management Regulation 32</i> to agree to the surplus/(deficit) after imposition of general rates.			
Adjustments to net current assets			
Less: Reserves - cash backed	4	(5,426,258)	(6,651,263)
Less: Financial assets at amortised cost - self supporting loans	5(a)	(9,397)	(9,144)
Add: Current liabilities not expected to be cleared at end of year			
- Current portion of borrowings	17(a)	63,578	61,289
- Current portion of lease liabilities	16(a)	29,043	50,600
- Current portion of other financial liabilities	17(c)	215,436	308,000
- Employee benefit provisions (cash backed)		0	192,881
Total adjustments to net current assets		(5,127,598)	(6,047,637)
Net current assets used in the Rate Setting Statement			
Total current assets		12,309,092	17,785,360
Less: Total current liabilities		(5,834,651)	(10,719,173)
Less: Total adjustments to net current assets		(5,127,598)	(6,047,637)
Net current assets used in the Rate Setting Statement		1,346,843	1,018,550

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

30. FINANCIAL RISK MANAGEMENT

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

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

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

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

(a) Interest rate risk

Cash and cash equivalents

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

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

	Weighted Average Interest Rate %	Carrying Amounts \$	Fixed Interest Rate \$	Variable Interest Rate \$	Non Interest Bearing
2021					
Cash and cash equivalents	0.11%	11,131,480	1,000,381	10,128,939	2,160
2020					
Cash and cash equivalents	0.26%	16,567,035	12,449,868	4,115,007	2,160

Sensitivity

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

	2021 \$	2020 \$
Impact of a 1% movement in interest rates on profit and loss and equity*	101,289	41,150

* Holding all other variables constant

Borrowings

Borrowings are subject to interest rate risk - the risk that movements in interest rates could adversely affect funding costs. The Shire manages this risk by borrowing long term and fixing the interest rate to the situation considered the most advantageous at the time of negotiation. The Shire does not consider there to be any interest rate risk in relation to borrowings. Details of interest rates applicable to each borrowing may be found at Note 17(b).

30. FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit risk

Trade and Other Receivables

The Shire's major receivables comprise rates annual charges and user fees and charges. The major risk associated with these receivables is credit risk – the risk that the debts may not be repaid. The Shire manages this risk by monitoring outstanding debt and employing debt recovery policies. It also encourages ratepayers to pay rates by the due date through incentives.

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

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

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

The expected loss rates are based on the payment profiles of rates and fees and charges over a period of 36 months before 1 July 2020 or 1 July 2021 respectively and the corresponding historical losses experienced within this period. Historical credit loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors such as the ability of ratepayers and residents to settle the receivables. Housing prices and unemployment rates have been identified as the most relevant factor in repayment rates, and accordingly adjustments are made to the expected credit loss rate based on these factors.

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

	Current	More than 1 year past due	More than 2 years past due	More than 3 years past due	Total
30 June 2021					
Rates receivable					
Expected credit loss	0.00%	0.00%	0.00%	0.00%	
Gross carrying amount	99,605	100,749	53,986	154,821	409,161
Loss allowance	0	0	0	0	0
30 June 2020					
Rates receivable					
Expected credit loss	0.00%	0.00%	0.00%	0.00%	
Gross carrying amount	148,860	97,964	53,955	127,158	427,937
Loss allowance	0	0	0	0	0

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

	Current	More than 30 days past due	More than 60 days past due	More than 90 days past due	Total
30 June 2021					
Trade and other receivables					
Expected credit loss	0.00%	0.00%	0.00%	0.00%	
Gross carrying amount	398,621	16,211	1,100	190	416,122
Loss allowance	0	0	0	0	0
30 June 2020					
Trade and other receivables					
Expected credit loss	0.00%	0.00%	0.00%	0.00%	
Gross carrying amount	51,242	14,062	3,606	18,013	86,923
Loss allowance	0	0	0	0	0

30. FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit risk (Continued)

Contract Assets

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

30. FINANCIAL RISK MANAGEMENT (Continued)

(c) Liquidity risk

Payables and borrowings

Payables and borrowings are both subject to liquidity risk – that is the risk that insufficient funds may be on hand to meet payment obligations as and when they fall due. The Shire manages this risk by monitoring its cash flow requirements and liquidity levels and maintaining an adequate cash buffer. Payment terms can be extended and overdraft facilities drawn upon if required and disclosed in Note 17(e).

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

	Due within 1 year \$	Due between 1 & 5 years \$	after 5 years \$	Total contractual cash flows \$	Carrying values \$
2021					
Payables	2,335,885	0	0	2,335,885	2,335,885
Borrowings	73,811	263,170	174,128	511,109	402,566
Other Financial Liabilities	215,436	0	3,852,000	4,067,436	4,067,436
Contract liabilities	1,923,219	269,443	195,123	2,387,785	2,387,785
Lease liabilities	29,043	38,094	0	67,137	67,137
	4,577,394	570,707	4,221,251	9,369,352	9,260,809
2020					
Payables	6,353,102	0	0	6,353,102	6,353,102
Borrowings	73,811	338,062	286,465	698,338	651,083
Other Financial Liabilities	308,000	0	3,657,000	3,965,000	3,965,000
Contract liabilities	60,422	2,728,641	205,127	2,994,190	2,994,190
Lease liabilities	50,600	39,852	0	90,452	90,452
	6,845,935	3,106,555	4,148,592	14,101,082	14,053,827

31. DISCONTINUED OPERATIONS

The Shire discontinued operational management of Tuia Lodge aged care home during the reporting year. Analysis of the financial impact of discontinued operations is as follows.

Changes to Statement of Comprehensive Income by Nature or Type

	2021	2020
Revenue		
Operating grants, subsidies and contributions	2,228,964	2,038,747
Fees and charges	911,285	1,150,200
Interest earnings	19,876	64,404
Other revenue	201,247	1,268
	<u>3,361,372</u>	<u>3,254,619</u>
Expenses		
Employee costs	(2,871,626)	(2,690,889)
Materials and contracts	(740,204)	(844,298)
Utility charges	(73,076)	(83,444)
Depreciation on non-current assets	(186,804)	(180,187)
Interest expense	(134)	(58)
Insurance expenses	(31,967)	(23,996)
Other expenses	(26,203)	(4,403)
Loss on Asset Disposal	(76,053)	0
	<u>(4,006,067)</u>	<u>(3,827,275)</u>
Profit / (Loss) from discontinued operations	<u>(644,695)</u>	<u>(572,656)</u>

Revenue and expenses from the operations were previously reported under Education and Welfare Program

Changes to Statement of Comprehensive Income by Program

	2021	2020
Revenue		
Education and Welfare	3,361,372	3,254,619
	<u>3,361,372</u>	<u>3,254,619</u>
Expenses		
Education and Welfare	(4,006,067)	(3,827,275)
	<u>(4,006,067)</u>	<u>(3,827,275)</u>
Profit / (Loss) from discontinued operations	<u>(644,695)</u>	<u>(572,656)</u>
Cashflows from discontinued operations		
Net cashflow from discontinued operations	<u>(381,838)</u>	<u>(392,469)</u>

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

32. TRUST FUNDS

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

	1 July 2020	Amounts Received	Amounts Paid	30 June 2021
	\$	\$	\$	\$
Cash in Lieu of Public Open Space	184,652	81,086	0	265,738
	184,652	81,086	0	265,738

SHIRE OF DONNYBROOK BALINGUP

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

33. OTHER SIGNIFICANT ACCOUNTING POLICIES

a) Goods and services tax (GST)

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

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

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

b) Current and non-current classification

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

c) Rounding off figures

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

d) Comparative figures

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

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

e) Budget comparative figures

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

f) Superannuation

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

g) Fair value of assets and liabilities

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

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

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

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

h) Fair value hierarchy

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

Level 1

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

Level 2

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

Level 3

Measurements based on unobservable inputs for the asset or liability.

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

Valuation techniques

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

Market approach

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

Income approach

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

Cost approach

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

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

i) Impairment of assets

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

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

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

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

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

34. ACTIVITIES/PROGRAMS

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

PROGRAM NAME AND OBJECTIVES	ACTIVITIES
In order to discharge its responsibilities to the community, Council has developed a set of operational and financial objectives. These objectives have been established both on an overall basis, reflected by the Shire's Community Vision, and for each of its broad activities/programs.	
GOVERNANCE To provide a decision-making process for the efficient allocation of scarce resources.	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 local government services.
GENERAL PURPOSE FUNDING To collect revenue to allow for the provision of services.	Rates, general purpose government grants and interest revenue.
LAW, ORDER, PUBLIC SAFETY To provide services to help ensure a safer and environmentally conscious community.	Supervision and enforcement of various local laws relating to fire prevention, animal control and other aspects of public safety including emergency services.
HEALTH To provide an operational framework for environmental and community health.	Inspection of food outlets and their control, provision of meat inspection services, noise control and waste disposal compliance.
EDUCATION AND WELFARE To provide services to disadvantaged persons, the elderly, children and youth.	Maintenance of child minding centre, playgroup centre, senior citizen centre and aged care centre. Provision and maintenance of
HOUSING To provide and maintain elderly residents housing.	Provision and maintenance of staff and elderly residents housing.
COMMUNITY AMENITIES To provide services required by the community.	Rubbish collection services, operation of rubbish disposal sites, litter control, construction and maintenance of urban storm water drains, protection of the environment and administration of town planning schemes, cemetery, and public conveniences.
RECREATION AND CULTURE To establish and effectively manage infrastructure and resources which will help the social wellbeing	Maintenance of public halls, recreation centres and various sporting facilities. Provision and maintenance of parks, gardens, and and maintenance of street trees, street lighting etc.
ECONOMIC SERVICES To help promote the local government and its economic wellbeing.	Tourism and area promotion including the maintenance and operation of a caravan park. Provision of rural services including weed control, vermin control, and standpipes. Building Control.
OTHER PROPERTY AND SERVICES To monitor and control operating accounts.	Private works operations, plant repair and costs.

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

35. FINANCIAL RATIOS

	2021 Actual	2020 Actual	2019 Actual
Current ratio	1.48	1.41	1.00
Asset consumption ratio	0.65	0.66	0.68
Asset renewal funding ratio (Note 1)	N/A	N/A	N/A
Asset sustainability ratio	0.95	0.51	0.63
Debt service cover ratio	16.57	17.47	38.04
Operating surplus ratio	(0.54)	(0.55)	(0.47)
Own source revenue coverage ratio	0.44	0.47	0.47

The above ratios are calculated as follows:

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

Note 1: The ARFR ratio requires a breakdown of renewal, versus new, versus upgrade of capital expenditure. The adopted Shire of Donnybrook Balingup Long Term Financial Plan 2020 - 2040 does not include this breakdown, therefore the ratio is unable to be calculated.



Auditor General

INDEPENDENT AUDITOR'S REPORT 2021

Shire of Donnybrook-Balingup

To the Councillors of the Shire of Donnybrook-Balingup

Report on the audit of the annual financial report

Opinion

I have audited the financial report of the Shire of Donnybrook-Balingup (Shire) which comprises:

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

In my opinion the financial report of the Shire of Donnybrook-Balingup:

- is based on proper accounts and records
- fairly represents, in all material respects, the results of the operations of the Shire for the year ended 30 June 2021 and its financial position at the end of that period in accordance with the *Local Government Act 1995* (the Act) and, to the extent that they are not inconsistent with the Act, Australian Accounting Standards.

Basis for opinion

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

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

The Chief Executive Officer (CEO) of the Shire is responsible for the preparation and fair presentation of the financial report in accordance with the requirements of the Act, the Regulations and Australian Accounting Standards. The CEO is also responsible for managing internal control (as required by the CEO) to ensure the financial report is free from material misstatement, whether due to fraud or error.

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

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

Auditor's responsibility for the audit of the financial report

As required by the *Auditor General Act 2006*, my responsibility is to express an opinion on the financial report. The objectives of my audit are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists.

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

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

Report on other legal and regulatory requirements

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

- (i) In my opinion, the following material matters indicates a significant adverse trend in the financial position of the Shire:
 - a) The Operating Surplus Ratio as reported in Note 35 of the annual financial report is below the Department of Local Government, Sport and Cultural Industries standard for the past 3 financial years.
- (ii) The following material matters indicating non-compliance with Part 6 of the Act, the Regulations or applicable financial controls of any other relevant written law were identified during the course of my audit:
 - a) Accounting journal adjustments were processed with no evidence of independent review and approval. Accounting journals can represent significant adjustments to previously approved accounting transactions, and therefore should be appropriately reviewed and approved.
 - b) The Shire has not reported the Asset Renewal Funding Ratio for 2021, 2020 and 2019 in the annual financial report as required by Section 50(1) of the Local Government (Financial Management) Regulations 1996, as the long-term financial plan adopted by the Shire does not include the required information to calculate the ratio.
- (iii) All required information and explanations were obtained by me.
- (iv) All audit procedures were satisfactorily completed.
- (v) In my opinion, the Asset Consumption Ratio included in the financial report were supported by verifiable information and reasonable assumptions.

Other information

The other information is the information in the entity's annual report for the year ended 30 June 2021, but not the financial report and my auditor's report. The CEO is responsible for the preparation and the Council for overseeing the other information.

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

Matters relating to the electronic publication of the audited financial report

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

Grant Robinson
Assistant Auditor General Financial Audit
Delegate of the Auditor General for Western Australia
Perth, Western Australia
23 February 2022



— Shire of —
Donnybrook Balingup

**REPORT ON SIGNIFICANT
FINDINGS IN THE 2020-21 AUDIT
REPORT**

February 2021

BACKGROUND

Under the Local Government Act 1995, the Shire of Donnybrook Balingup is required to prepare an Annual Financial Report each financial year and that report is to be the subject of an independent audit.

The Shire's 2019-20 audit was conducted by the Office of the Auditor General and their report, received on 21 February 2021 is attached.

Section 7.12A(4) of the *Local Government Act 1995* requires a local government to:

“(a) prepare a report addressing any matters identified as significant by the auditor in the audit report, stating what action the local government has taken or intends to take with respect to each of those matters; and

(b) give a copy of that report to the Minister within 3 months after the audit report is received by the local government.”

Section 7.12A(5) further requires:

“Within 14 days after a local government gives a report to the Minister under subsection (4)(b), the CEO must publish a copy of the report on the local government's official website.”

For the year ending 30 June 2021, the Auditor General identified a significant adverse trend in relation to the financial position of the Shire in relation to one statutory ratio present in the Financial Report that did not meet the minimum standard as set by the Department of Local Government, Sport and Cultural Industries (the Department).

Excerpt Audit Opinion:

“(i) In my opinion, the following material matters indicates a significant adverse trend in the financial position of the Shire:

- a) The Operating Surplus Ratio as reported in Note 35 of the annual financial report is below the Department of Local Government, Sport and Cultural Industries standard for the past 3 financial years.”*

The Operating Surplus Statutory Ratio has been under the Department's recommended levels for at least three years.

Operating surplus ratio

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

own source operating revenue means revenue from rates and service charges, fees and user charges, reimbursements and recoveries, interest income and profit on disposal of assets.

The Operating Surplus Ratio measures the extent to which revenues raised cover operational expenses (including depreciation). The Department considers the ratio standard is met if the ratio is above 0.00. To achieve a positive level in the ratio

requires operating revenue (excluding capital grants and contribution) to be greater than operating expenditure (including depreciation).

It is typical of a local government similar to the Shire of Donnybrook Balingup to have an operating surplus ratio that does not meet the minimum requirements. This result reflects a reliance on sources of funding other than Council's own source funds such as rates.

A number of additional major items also directly influence the results of the Operating Surplus Ratio, such as:

1. The timing of operating grant funds being received in one financial year and expenditure being incurred in another e.g. pre-payment of the Federal Government Financial Assistance Grants.
2. The exclusion from the ratio of recurrent capital grants (such as specific purpose road grants) as a revenue.
3. The funding of operating projects from reserve funds. All operating expenditure must be included in the ratio calculations, however the funds from cash reserve are excluded, resulting in an apparent lower ability to fund operating expenditure.

In order to improve its Operating Surplus Ratio, the Council has limited options available to it. One measure could be to increasing rates substantially, however, this must be balanced with the community's capacity and willingness to pay.

An alternative is to review the Shire's major operating costs, including employment costs, materials and contracts, however, to achieve the required cost savings would have a dramatic adverse impact the level of service which the Shire is able to deliver to the community.

The Audit report also raised two compliance matters as follows:

Excerpt Audit Opinion:

“(ii) The following material matters indicating non-compliance with Part 6 of the Act, the Regulations or applicable financial controls of any other relevant written law were identified during the course of my audit:

- a) *Accounting journal adjustments were processed with no evidence of independent review and approval. Accounting journals can represent significant adjustments to previously approved accounting transactions, and therefore should be appropriately reviewed and approved.*
- b) *The Shire has not reported the Asset Renewal Funding Ratio for 2021, 2020 and 2019 in the annual financial report as required by Section 50(1) of the Local Government (Financial Management) Regulations 1996, as the long-term financial plan adopted by the Shire does not include the required information to calculate the ratio.”*

Accounting Journal Adjustments

Management acknowledges this finding and notes that the above recommendation is in operational practice.

Asset sustainability ratio

$$\frac{\text{capital renewal and replacement expenditure}}{\text{Depreciation}}$$

capital renewal and replacement expenditure means expenditure to renew or replace existing assets;

The asset sustainability ratio measures the extent to which assets managed by the Shire are being renewed and replaced over time. The Department considers the ratio standard is met if the ratio is above 0.90, meaning that spending on renewal in any one year is 90% of the level of depreciation in that year.

ACTION TO BE TAKEN

Action to be taken on the Operating Surplus Ratio in the future

The Shire's Operating Surplus Ratio is being adversely impacted by non-cash depreciation charges. A preliminary review of Depreciation Rates has been undertaken and points to a potential over calculation of depreciation as does the fact that Road Infrastructure Assets are not disaggregated therefore residual values cannot be put in place where appropriate.

Officers note that the Department of Local Government, Sport and Cultural Industries (DLGSC), under direction from the Minister, has recently released its draft Model Financial Statements as part of the broader Local Government Reform currently being undertaken.

The following is contained in the current draft which if progressed would remove the current Ratio calculations:

- *“Prescribed financial ratios have been removed. Consequently, it should be assumed that financial data required to report useful financial ratios will be prescribed in the model accounts.”*

The methodologies of calculating the operating surplus ratio are generally recognized, within the Local Government sector, as being inappropriate to be used to determine a significant adverse trend.

Pending the final outcome of the Local Government Reform Officers will undertake a full review of Depreciation calculation and methodology.

Action to be taken Accounting Journal Adjustments.

Management acknowledges this finding and notes that the above recommendation is in operational practice.

The Director of Corporate and Community has personally reviewed the 1148 general journals processed in the 2020/21 Financial Year and has found a total of 6 that had no evidence of review by a senior staff member. This equates to a failure rate in the process of 0.52% with compliance standing at 99.48%. The 6 journals were also checked for legitimacy and supporting

documentation with no adverse findings.

Staff appreciate the importance and significance of the process and will continue to strive for 100% compliance.

Action to be taken on the Asset Renewal Funding Ratio in the future.

The Shire adopted its Long Term Financial Plan (LTFP) 2020-2040 on 22 December 2020 however this plan was not considered by the OAG as it does not categorise Capital expenditure into type; that being New, Upgrade or Renewal, for this ratio to be calculated the Renewal component needs to be itemised in the LTFP.

All the necessary asset management planning is complete to a sufficient level to inform the development of the calculation of the asset renewal funding ratio, this however needs to be imbedded into the LTFP.

Officers note that the Department of Local Government, Sport and Cultural Industries (DLGSC), under direction from the Minister, has recently released its draft Model Financial Statements as part of the broader Local Government Reform currently being undertaken.

The following is contained in the current draft which if progressed would remove the current Ratio calculations:

- *“Prescribed financial ratios have been removed. Consequently, it should be assumed that financial data required to report useful financial ratios will be prescribed in the model accounts.*
- *Asset ratios requiring audit attestation have been removed from audit scope. This will require amendment to regulation 10 (3) (e) and 4A of the Local Government (Audit) Regulations 1996.”*

Pending the final outcome of the Local Government Reform Officers will work to ensure that the appropriate data is compiled in the LTFP which is currently under review to allow for this ratio to be calculated if required.



Donnybrook-Balingup - Compliance Audit Return 2021

Certified Copy of Return

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

Commercial Enterprises by Local Governments					
No	Reference	Question	Response	Comments	Respondent
1	s3.59(2)(a) F&G Regs 7,9,10	Has the local government prepared a business plan for each major trading undertaking that was not exempt in 2021?	N/A		LOREN CLIFFORD
2	s3.59(2)(b) F&G Regs 7,8A, 8, 10	Has the local government prepared a business plan for each major land transaction that was not exempt in 2021?	Yes		LOREN CLIFFORD
3	s3.59(2)(c) F&G Regs 7,8A, 8,10	Has the local government prepared a business plan before entering into each land transaction that was preparatory to entry into a major land transaction in 2021?	Yes		LOREN CLIFFORD
4	s3.59(4)	Has the local government complied with public notice and publishing requirements for each proposal to commence a major trading undertaking or enter into a major land transaction or a land transaction that is preparatory to a major land transaction for 2021?	Yes		LOREN CLIFFORD
5	s3.59(5)	During 2021, did the council resolve to proceed with each major land transaction or trading undertaking by absolute majority?	Yes		LOREN CLIFFORD



Delegation of Power/Duty					
No	Reference	Question	Response	Comments	Respondent
1	s5.16	Were all delegations to committees resolved by absolute majority?	Yes	Resolution 112/21	LOREN CLIFFORD
2	s5.16	Were all delegations to committees in writing?	Yes		LOREN CLIFFORD
3	s5.17	Were all delegations to committees within the limits specified in section 5.17?	Yes		LOREN CLIFFORD
4	s5.18	Were all delegations to committees recorded in a register of delegations?	Yes		LOREN CLIFFORD
5	s5.18	Has council reviewed delegations to its committees in the 2020/2021 financial year?	Yes		LOREN CLIFFORD
6	s5.42(1) & s5.43 Admin Reg 18G	Did the powers and duties delegated to the CEO exclude those listed in section 5.43 of the Act?	Yes		LOREN CLIFFORD
7	s5.42(1)	Were all delegations to the CEO resolved by an absolute majority?	Yes		LOREN CLIFFORD
8	s5.42(2)	Were all delegations to the CEO in writing?	Yes		LOREN CLIFFORD
9	s5.44(2)	Were all delegations by the CEO to any employee in writing?	Yes		LOREN CLIFFORD
10	s5.16(3)(b) & s5.45(1)(b)	Were all decisions by the council to amend or revoke a delegation made by absolute majority?	Yes		LOREN CLIFFORD
11	s5.46(1)	Has the CEO kept a register of all delegations made under Division 4 of the Act to the CEO and to employees?	Yes		LOREN CLIFFORD
12	s5.46(2)	Were all delegations made under Division 4 of the Act reviewed by the delegator at least once during the 2020/2021 financial year?	Yes		LOREN CLIFFORD
13	s5.46(3) Admin Reg 19	Did all persons exercising a delegated power or duty under the Act keep, on all occasions, a written record in accordance with Admin Reg 19?	Yes		LOREN CLIFFORD

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



No	Reference	Question	Response	Comments	Respondent
2	s5.68(2) & s5.69 (5) Admin Reg 21A	Were all decisions regarding participation approval, including the extent of participation allowed and, where relevant, the information required by Admin Reg 21A, recorded in the minutes of the relevant council or committee meeting?	Yes		LOREN CLIFFORD
3	s5.73	Were disclosures under section sections 5.65, 5.70 or 5.71A(3) recorded in the minutes of the meeting at which the disclosures were made?	Yes		LOREN CLIFFORD
4	s5.75 Admin Reg 22, Form 2	Was a primary return in the prescribed form lodged by all relevant persons within three months of their start day?	Yes		LOREN CLIFFORD
5	s5.76 Admin Reg 23, Form 3	Was an annual return in the prescribed form lodged by all relevant persons by 31 August 2021?	Yes		LOREN CLIFFORD
6	s5.77	On receipt of a primary or annual return, did the CEO, or the mayor/president, give written acknowledgment of having received the return?	Yes		LOREN CLIFFORD
7	s5.88(1) & (2)(a)	Did the CEO keep a register of financial interests which contained the returns lodged under sections 5.75 and 5.76?	Yes	Synergy Record NREP7520	LOREN CLIFFORD
8	s5.88(1) & (2)(b) Admin Reg 28	Did the CEO keep a register of financial interests which contained a record of disclosures made under sections 5.65, 5.70, 5.71 and 5.71A, in the form prescribed in Admin Reg 28?	Yes		LOREN CLIFFORD
9	s5.88(3)	When a person ceased to be a person required to lodge a return under sections 5.75 and 5.76, did the CEO remove from the register all returns relating to that person?	Yes	CNL 38	LOREN CLIFFORD
10	s5.88(4)	Have all returns removed from the register in accordance with section 5.88(3) been kept for a period of at least five years after the person who lodged the return(s) ceased to be a person required to lodge a return?	Yes	CNL 38	LOREN CLIFFORD
11	s5.89A(1), (2) & (3) Admin Reg 28A	Did the CEO keep a register of gifts which contained a record of disclosures made under sections 5.87A and 5.87B, in the form prescribed in Admin Reg 28A?	Yes	CNL 35	LOREN CLIFFORD
12	s5.89A(5) & (5A)	Did the CEO publish an up-to-date version of the gift register on the local government's website?	Yes		LOREN CLIFFORD
13	s5.89A(6)	When a person ceases to be a person who is required to make a disclosure under section 5.87A or 5.87B, did the CEO remove from the register all records relating to that person?	Yes	CNL 35	LOREN CLIFFORD



No	Reference	Question	Response	Comments	Respondent
14	s5.89A(7)	Have copies of all records removed from the register under section 5.89A (6) been kept for a period of at least five years after the person ceases to be a person required to make a disclosure?	Yes	CNL 35	LOREN CLIFFORD
15	Rules of Conduct Reg 11(1), (2) & (4)	Where a council member had an interest that could, or could reasonably be perceived to, adversely affect the impartiality of the person, did they disclose the interest in accordance with Rules of Conduct Reg 11(2)?* *Question not applicable after 2 Feb 2021	Yes		LOREN CLIFFORD
16	Rules of Conduct Reg 11(6)	Where a council member disclosed an interest under Rules of Conduct Reg 11(2) was the nature of the interest recorded in the minutes?*	Yes		LOREN CLIFFORD
		*Question not applicable after 2 Feb 2021			
17	s5.70(2) & (3)	Where an employee had an interest in any matter in respect of which the employee provided advice or a report directly to council or a committee, did that person disclose the nature and extent of that interest when giving the advice or report?	Yes		LOREN CLIFFORD
18	s5.71A & s5.71B (5)	Where council applied to the Minister to allow the CEO to provide advice or a report to which a disclosure under s5.71A(1) relates, did the application include details of the nature of the interest disclosed and any other information required by the Minister for the purposes of the application?	N/A		LOREN CLIFFORD
19	s5.71B(6) & s5.71B(7)	Was any decision made by the Minister under subsection 5.71B(6) recorded in the minutes of the council meeting at which the decision was considered?	N/A		LOREN CLIFFORD
20	s5.103 Admin Regs 34B & 34C	Has the local government adopted a code of conduct in accordance with Admin Regs 34B and 34C to be observed by council members, committee members and employees?*	Yes		LOREN CLIFFORD
		*Question not applicable after 2 Feb 2021			
21	Admin Reg 34B(5)	Has the CEO kept a register of notifiable gifts in accordance with Admin Reg 34B(5)?*	Yes		LOREN CLIFFORD
		*Question not applicable after 2 Feb 2021			



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No	Reference	Question	Response	Comments	Respondent
22	s5.104(1)	Did the local government prepare and adopt, by absolute majority, a code of conduct to be observed by council members, committee members and candidates within 3 months of the prescribed model code of conduct coming into operation (3 February 2021)?	Yes	Council Resolution: 62/21	LOREN CLIFFORD
23	s5.104(3) & (4)	Did the local government adopt additional requirements in addition to the model code of conduct? If yes, does it comply with section 5.104(3) and (4)?	N/A		LOREN CLIFFORD
24	s5.104(7)	Did the CEO publish an up-to-date version of the adopted code of conduct on the local government's website?	Yes		LOREN CLIFFORD
25	s5.51A(1) & (3)	Did the CEO prepare, and implement and publish an up-to-date version on the local government's website, a code of conduct to be observed by employees of the local government?	No	In Progress	LOREN CLIFFORD

Disposal of Property

No	Reference	Question	Response	Comments	Respondent
1	s3.58(3)	Where the local government disposed of property other than by public auction or tender, did it dispose of the property in accordance with section 3.58(3) (unless section 3.58(5) applies)?	Yes		LOREN CLIFFORD
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		LOREN CLIFFORD



Elections					
No	Reference	Question	Response	Comments	Respondent
1	Elect Regs 30G(1) & (2)	Did the CEO establish and maintain an electoral gift register and ensure that all disclosure of gifts forms completed by candidates and donors and received by the CEO were placed on the electoral gift register at the time of receipt by the CEO and in a manner that clearly identifies and distinguishes the forms relating to each candidate?	Yes	None received	LOREN CLIFFORD
2	Elect Regs 30G(3) & (4)	Did the CEO remove any disclosure of gifts forms relating to an unsuccessful candidate, or a successful candidate that completed their term of office, from the electoral gift register, and retain those forms separately for a period of at least two years?	Yes		LOREN CLIFFORD
3	Elect Regs 30G(5) & (6)	Did the CEO publish an up-to-date version of the electoral gift register on the local government's official website in accordance with Elect Reg 30G(6)?	Yes		LOREN CLIFFORD



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		LOREN CLIFFORD	
2	s7.1B	Where the council delegated to its audit committee any powers or duties under Part 7 of the Act, did it do so by absolute majority?	Yes	Council Resolution:112/21	LOREN CLIFFORD	
3	s7.9(1)	Was the auditor's report for the financial year ended 30 June 2021 received by the local government by 31 December 2021?	No	Not received from OAG, Audit exit meeting expected to be prior to 31 January 2022	LOREN CLIFFORD	
4	s7.12A(3)	Where the local government determined that matters raised in the auditor's report prepared under s7.9 (1) of the Act required action to be taken, did the local government ensure that appropriate action was undertaken in respect of those matters?	N/A	Not received from OAG, Audit exit meeting expected to be prior to 31 January 2022	LOREN CLIFFORD	
5	s7.12A(4)(a) & (4)(b)	Where matters identified as significant were reported in the auditor's report, did the local government prepare a report that stated what action the local government had taken or intended to take with respect to each of those matters? Was a copy of the report given to the Minister within three months of the audit report being received by the local government?	N/A	Not received from OAG, Audit exit meeting expected to be prior to 31 January 2022	LOREN CLIFFORD	
6	s7.12A(5)	Within 14 days after the local government gave a report to the Minister under s7.12A(4)(b), did the CEO publish a copy of the report on the local government's official website?	N/A	Not received from OAG, Audit exit meeting expected to be prior to 31 January 2022	LOREN CLIFFORD	
7	Audit Reg 10(1)	Was the auditor's report for the financial year ending 30 June received by the local government within 30 days of completion of the audit?	N/A	Not received from OAG, Audit exit meeting expected to be prior to 31 January 2022	LOREN CLIFFORD	



Integrated Planning and Reporting					
No	Reference	Question	Response	Comments	Respondent
1	Admin Reg 19C	Has the local government adopted by absolute majority a strategic community plan? If Yes, please provide the adoption date or the date of the most recent review in the Comments section?	Yes	Council Resolution 138/21	LOREN CLIFFORD
2	Admin Reg 19DA (1) & (4)	Has the local government adopted by absolute majority a corporate business plan? If Yes, please provide the adoption date or the date of the most recent review in the Comments section?	N/A	Minor review conducted in 2020	LOREN CLIFFORD
3	Admin Reg 19DA (2) & (3)	Does the corporate business plan comply with the requirements of Admin Reg 19DA(2) & (3)?	Yes		LOREN CLIFFORD

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



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

Optional Questions					
No	Reference	Question	Response	Comments	Respondent
1	Financial Management Reg 5 (2)(c)	Did the CEO review the appropriateness and effectiveness of the local government's financial management systems and procedures in accordance with Financial Management Reg 5(2)(c) within the three years prior to 31 December 2021? If yes, please provide the date of council's resolution to accept the report.	Yes	Council Resolution:55/21	LOREN CLIFFORD
2	Audit Reg 17	Did the CEO review the appropriateness and effectiveness of the local government's systems and procedures in relation to risk management, internal control and legislative compliance in accordance with Audit Reg 17 within the three years prior to 31 December 2021? If yes, please provide date of council's resolution to accept the report.	Yes	Council Resolution:13/21	LOREN CLIFFORD
3	s5.87C	Where a disclosure was made under sections 5.87A or 5.87B, was the disclosure made within 10 days after receipt of the gift? Did the disclosure include the information required by section 5.87C?	Yes		LOREN CLIFFORD
4	s5.90A(2) & (5)	Did the local government prepare, adopt by absolute majority and publish an up-to-date version on the local government's website, a policy dealing with the attendance of council members and the CEO at events ?	Yes	Council Resolution:191/21	LOREN CLIFFORD



No	Reference	Question	Response	Comments	Respondent
5	s5.96A(1), (2), (3) & (4)	Did the CEO publish information on the local government's website in accordance with sections 5.96A(1), (2), (3), and (4)?	Yes		LOREN CLIFFORD
6	s5.128(1)	Did the local government prepare and adopt (by absolute majority) a policy in relation to the continuing professional development of council members?	Yes	Council Resolution:165/19	LOREN CLIFFORD
7	s5.127	Did the local government prepare a report on the training completed by council members in the 2020/2021 financial year and publish it on the local government's official website by 31 July 2021?	Yes		LOREN CLIFFORD
8	s6.4(3)	By 30 September 2021, did the local government submit to its auditor the balanced accounts and annual financial report for the year ending 30 June 2021?	N/A	Extension Granted By Department of Local Government, Sport and Cultural Industries to 30 October 2021. Department Reference DB3-5#06; E2171767	LOREN CLIFFORD
9	s.6.2(3)	When adopting the annual budget, did the local government take into account all its expenditure, revenue and income?	Yes		LOREN CLIFFORD

Tenders for Providing Goods and Services

No	Reference	Question	Response	Comments	Respondent
1	F&G Reg 11A(1) & (3)	Did the local government comply with its current purchasing policy [adopted under F&G Reg 11A(1) & (3)] in relation to the supply of goods or services where the consideration under the contract was, or was expected to be, \$250,000 or less or worth \$250,000 or less?	Yes		LOREN CLIFFORD
2	s3.57 F&G Reg 11	Subject to F&G Reg 11(2), did the local government invite tenders for all contracts for the supply of goods or services where the consideration under the contract was, or was expected to be, worth more than the consideration stated in F&G Reg 11(1)?	Yes		LOREN CLIFFORD
3	F&G Regs 11(1), 12(2), 13, & 14(1), (3), and (4)	When regulations 11(1), 12(2) or 13 required tenders to be publicly invited, did the local government invite tenders via Statewide public notice in accordance with F&G Reg 14(3) and (4)?	Yes		LOREN CLIFFORD
4	F&G Reg 12	Did the local government comply with F&G Reg 12 when deciding to enter into multiple contracts rather than a single contract?	Yes		LOREN CLIFFORD



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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		LOREN CLIFFORD
6	F&G Regs 15 & 16	Did the local government's procedure for receiving and opening tenders comply with the requirements of F&G Regs 15 and 16?	Yes		LOREN CLIFFORD
7	F&G Reg 17	Did the information recorded in the local government's tender register comply with the requirements of F&G Reg 17 and did the CEO make the tenders register available for public inspection and publish it on the local government's official website?	Yes		LOREN CLIFFORD
8	F&G Reg 18(1)	Did the local government reject any tenders that were not submitted at the place, and within the time, specified in the invitation to tender?	Yes		LOREN CLIFFORD
9	F&G Reg 18(4)	Were all tenders that were not rejected assessed by the local government via a written evaluation of the extent to which each tender satisfies the criteria for deciding which tender to accept?	Yes		LOREN CLIFFORD
10	F&G Reg 19	Did the CEO give each tenderer written notice containing particulars of the successful tender or advising that no tender was accepted?	Yes		LOREN CLIFFORD
11	F&G Regs 21 & 22	Did the local government's advertising and expression of interest processes comply with the requirements of F&G Regs 21 and 22?	Yes		LOREN CLIFFORD
12	F&G Reg 23(1) & (2)	Did the local government reject any expressions of interest that were not submitted at the place, and within the time, specified in the notice or that failed to comply with any other requirement specified in the notice?	Yes		LOREN CLIFFORD
13	F&G Reg 23(3) & (4)	Were all expressions of interest that were not rejected under F&G Reg 23 (1) & (2) assessed by the local government? Did the CEO list each person as an acceptable tenderer?	Yes		LOREN CLIFFORD
14	F&G Reg 24	Did the CEO give each person who submitted an expression of interest a notice in writing of the outcome in accordance with F&G Reg 24?	N/A		LOREN CLIFFORD
15	F&G Regs 24AD(2) & (4) and 24AE	Did the local government invite applicants for a panel of pre-qualified suppliers via Statewide public notice in accordance with F&G Reg 24AD(4) and 24AE?	Yes		LOREN CLIFFORD



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No	Reference	Question	Response	Comments	Respondent
16	F&G Reg 24AD(6)	If the local government sought to vary the information supplied to the panel, was every reasonable step taken to give each person who sought detailed information about the proposed panel or each person who submitted an application notice of the variation?	Yes		LOREN CLIFFORD
17	F&G Reg 24AF	Did the local government's procedure for receiving and opening applications to join a panel of pre-qualified suppliers comply with the requirements of F&G Reg 16, as if the reference in that regulation to a tender were a reference to a pre-qualified supplier panel application?	Yes		LOREN CLIFFORD
18	F&G Reg 24AG	Did the information recorded in the local government's tender register about panels of pre-qualified suppliers comply with the requirements of F&G Reg 24AG?	Yes		LOREN CLIFFORD
19	F&G Reg 24AH(1)	Did the local government reject any applications to join a panel of pre-qualified suppliers that were not submitted at the place, and within the time, specified in the invitation for applications?	Yes		LOREN CLIFFORD
20	F&G Reg 24AH(3)	Were all applications that were not rejected assessed by the local government via a written evaluation of the extent to which each application satisfies the criteria for deciding which application to accept?	Yes		LOREN CLIFFORD
21	F&G Reg 24AI	Did the CEO send each applicant written notice advising them of the outcome of their application?	Yes		LOREN CLIFFORD
22	F&G Regs 24E & 24F	Where the local government gave regional price preference, did the local government comply with the requirements of F&G Regs 24E and 24F?	Yes		LOREN CLIFFORD

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

Signed Mayor/President, Donnybrook-Balingup

Signed CEO, Donnybrook-Balingup

From: Caroline Spencer <Caroline.Spencer@audit.wa.gov.au>
Sent: Thursday, 23 December 2021 12:17 PM
To: SM Shire <shire@donnybrook.wa.gov.au>
Subject: OAG - 2021 Annual Financial Audit Delay



7th Floor, Albert Facey House
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PERTH WA 6849

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

Our Ref: 8296

Dear President Wringe

2020-21 ANNUAL FINANCIAL AUDIT REPORT DELAY FOR SHIRE OF DONNYBROOK BALINGUP

Under section 7.9 of the *Local Government Act 1995*, I am required to prepare a report by 31 December on my Office's audit of your entity's annual financial report for the 2020-21 financial year.

I am aware my Office will not deliver this report to you within the stipulated timeframe. Yours is one of a number of our local government audits that have been delayed this year. This is largely due to increasingly complex reporting and audit issues contributing to longer audits across the entire public sector. Other factors contributing to these delays include the carryover work of some significant findings in our State sector audits, and the quality of financial records and availability of staff in a number of local government entities which has affected our teams' ability to finalise audits sooner. Some entities have also requested to have their exit meeting postponed to February 2022, while some others have sought extensions from the Department of Local Government, Sport and Cultural Industries.

In addition, COVID-19 border closures have resulted in a labour shortage in the audit profession, and while some other audit offices throughout Australasia have been granted extended reporting deadlines through legislative amendments, this has not occurred in Western Australia. My Office will formally communicate these impacts to Government and our parliamentary committees.

I do regret our inability to provide your audit report prior to year-end, as it has flow-on consequences for us all, and I thank you for your understanding. My Office aims to finalise your audit and deliver it to you as soon as practicable, understanding that many of our auditors will be taking well-earned leave throughout January 2022 following gruelling audit seasons. I also appreciate the support of your staff providing any outstanding audit information to our Office (or contract audit firm) when it can be collated. I recognise your team may also be taking a much needed break in this period.

I would welcome a debrief between council staff and our audit team following the audit to discuss ways we may be able to improve our respective processes to ensure timely delivery next year. I continue to engage with Government on reporting requirements for the sector.

A copy of this letter has also been sent to your CEO, Mr Ben Rose.

I extend my very best wishes to you, your staff and all in your community for a very Merry Christmas and pleasant and restful festive period.

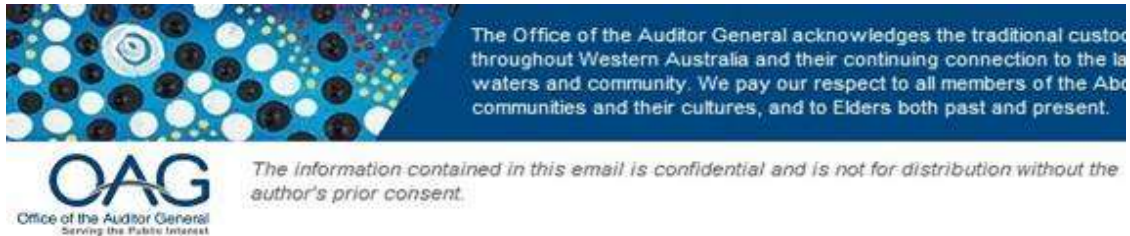
Yours faithfully



Caroline Spencer

Auditor General for Western Australia

www.audit.wa.gov.au



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