

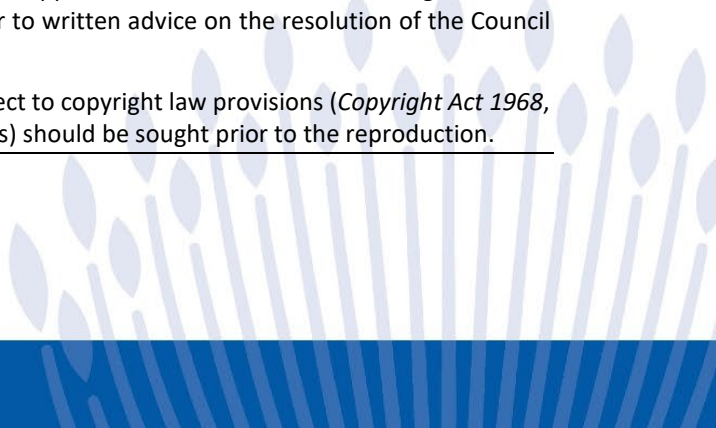
Audit & Risk Committee Meeting

Minutes | 13th February 2024

Disclaimer

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SHIRE OF QUAIRADING

Audit & Risk Committee Meeting

The Audit & Risk Committee Meeting Minutes of Meeting held on 13th February 2024 commencing at 5.00pm.

ITEM 1 OPENING & ANNOUNCEMENTS

The Chairperson opened the Meeting at 5.02 pm.

“Before we start our meeting, I would like to acknowledge that we are meeting on Noongar/Ballardong land. We pay respect to the original custodians of the land...past, present and future. I welcome you all here today for this meeting.”

ITEM 2 ATTENDANCE AND APOLOGIES

Councillors

| | |
|-----------------------|-----------------|
| Cr TJ Stacey | Chairperson |
| Cr JN Haythornthwaite | Shire President |
| Cr RC Faltyn | |
| Cr JR Hippisley | |
| Cr PD Smith | |

Council Officers

| | |
|---------------|---|
| Ms NJ Ness | Chief Executive Officer |
| Ms SE Caporn | Executive Manager, Works & Services |
| Ms J Green | Acting Executive Manager Economic Development |
| Ms M Haeusler | Executive Officer |

Observer/Visitor

Nil

Apologies

Cr Becky Cowcill
Cr JC Hayes
Ms T Brown

Leave of Absence Previously Granted

Nil

ITEM 3 DEPUTATIONS/PRESENTATIONS/SUBMISSIONS/PETITIONS

Nil

ITEM 4 DECLARATIONS OF INTEREST

Nil

ITEM 5 CONFIRMATION OF MINUTES AND BUSINESS ARISING**5.1 Confirmation of Minutes: Audit & Risk Committee Meeting – 14 November 2023****COMMITTEE RESOLUTION: ARC 011-23/24**

Moved: Cr JN Haythornthwaite

Seconded: Cr RC Faltyn

That the Minutes of the Audit & Risk Committee Meeting held on the 14 November 2023 be confirmed as a true and accurate record.

FOR: Crs JN Haythornthwaite, TJ Stacey, RC Faltyn, JR Hippisley and PD Smith

AGAINST: Nil

CARRIED 5/0**BUSINESS ARISING**

ITEM 6 STANDING ITEMS – EXTERNAL AUDIT**6.1 2022/2023 Financial Audit - Office of the Auditor General (OAG)**

| | |
|-------------------------------|---|
| Responsible Officer | Natalie Ness, Chief Executive Officer |
| Reporting Officer | Tricia Brown, Executive Manager, Corporate Services |
| Attachments | <ol style="list-style-type: none"> 1. (i) Findings Identified During the Final Audit 2. (ii) Independent Auditors Report Opinion 3. (iii) Signed Financial Statements 2022-2023 4. (iv) Transmittal Letter to President |
| Voting Requirements | Simple Majority |
| Disclosure of Interest | Reporting Officer: Nil Responsible Officer: Nil |

COMMITTEE RESOLUTION: ARC 012-23/24

Moved: Cr JR Hippisley

Seconded: Cr JN Haythornthwaite

That the Audit & Risk Committee recommend to Council, that Council:

1. Notes that the Auditors finalised the 2022-2023 Financial Audit on the 13th December 2023 with 1 Minor Rating – Findings Identified During the Final Audit (Attachment i).
2. Notes Receipt of the Independent Auditor’s Report Opinion 2023 (Attachment ii), Signed Financial Statements (Attachment iii), Transmittal Letter to President – OAG (Attachment iv)

FOR: Crs JN Haythornthwaite, TJ Stacey, RC Faltyn, JR Hippisley and PD Smith

AGAINST: Nil

CARRIED 5/0

IN BRIEF

- The 2022-2023 Audit was finalised on the 13th December 2023 following an Audit Exit Meeting on the 7th December between AMD, the Office of the Auditor General, Cr Stacey and Shire Staff.

BACKGROUND

The external audit, also known as financial audits or audit of the annual financial statements, focuses on providing an objective and independent examination of the financial statements prepared by the Shire, increasing the value and user confidence in the financial statements.

AMD Chartered Accountants (AMD) have been contracted by the OAG to perform the Shire’s financial report audit for a 3-year period, commencing with the audit for the year ended 30th June 2021 (prior year audit). The audit occurs in two steps; the first being an interim audit, with the second (final) stage being the audit work to attest the balances and notes that comprise the annual financial statements.

Bob Waddell and Associates were engaged to complete the Shire's Annual Financial Statements for the year ended 30th June 2023.

STATUTORY ENVIRONMENT

Local Government Act 1995

Local Government (Financial Management) Regulations 1996

Local Government (Audit) Regulations 1996

Australian Accounting Standards

International Financial Reporting Standards

POLICY IMPLICATIONS

Purchasing Policy

Delegation 1.1.13: Payments from the municipal or trust funds

Records Management Policy

Significant Accounting Policies

Delegations Register

FINANCIAL IMPLICATIONS

Council has a budget allocation of \$32,000 in the 2023/24 budget for the conduct of the external audit function by the Office of the Auditor General (OAG), for the audit of the 2022/23 annual financial statements. It is anticipated that a budget of similar amount is to be adopted each year but will be subject to an annual estimate of audit fees provided by the OAG. Officers' efforts to undertake the improvements and report on progress have not been estimated or reported.

ALIGNMENT WITH STRATEGIC PRIORITIES

- 5.3 Governance & Leadership:** Provide informed and transparent decision making that, meets our legal obligations, and the needs of our diverse community
- 5.4 Governance & Leadership:** Implement systems and processes that meet legislative and audit obligations

CONSULTATION

Nil.

RISK MANAGEMENT PRIORITIES

This report addresses the following identified Strategic Risk Management Priorities:

Financial misconduct by (a) a Shire employee, and (b) an executive/office holder results in financial, legal and/or reputational damage.

Misconduct (non-financial) by a Shire employee results in financial, legal and/or reputational damage.

RISK ASSESSMENT

| | Option 1 |
|---------------------|---|
| Financial | Low <i>Cost of the audit is included in the budget. The audit's purpose is not to uncover any financial fraud, however having strong financial processes, as raised in the management report can reduce the risk of this occurring.</i> |
| Health | Low |
| Reputation | Low <i>Compliant with legislative requirements. Failure to complete the annual financial audit would lead to increased reputational risk and possible actions by the OAG.</i> |
| Operations | Low <i>Council's Management and administration staff assist AMD by providing all information and documents requested. Operational impact is minimal in reporting progress on audit findings, however the operational impact of not closing findings would be significantly higher if conditions escalated.</i> |
| Natural Environment | Low |

| Likelihood | Consequence | | | | |
|----------------|---|---|---|---|---|
| | Insignificant | Minor | Moderate | Major | Critical |
| Rare | LOW Accept the risk Routine management | LOW Accept the risk Routine management | LOW Accept the risk Routine management | MEDIUM Specific responsibility and treatment | HIGH Quarterly senior management review |
| Unlikely | LOW Accept the risk Routine management | LOW Accept the risk Routine management | MEDIUM Specific responsibility and treatment | MEDIUM Specific responsibility and treatment | HIGH Quarterly senior management review |
| Possible | LOW Accept the risk Routine management | MEDIUM Specific responsibility and treatment | MEDIUM Specific responsibility and treatment | HIGH Quarterly senior management review | HIGH Quarterly senior management review |
| Likely | MEDIUM Specific responsibility and treatment | MEDIUM Specific responsibility and treatment | HIGH Quarterly senior management review | HIGH Quarterly senior management review | EXTREME Monthly senior management review |
| Almost certain | MEDIUM Specific responsibility and treatment | MEDIUM Specific responsibility and treatment | HIGH Quarterly senior management review | EXTREME Monthly senior management review | EXTREME Monthly senior management review |

COMMENT

The minor rating refers to an employee with excess leave which has consistently been an issue and will need to be monitored closely and addressed with the Executive Manager and Staff Member.

In respect of the incorrect balance of long service leave unfortunately it was noted within Bob Waddell's workings that an employee had taken LSL however when supporting evidence was requested it was noted that human error had been made and was rectified immediately.

The CEO and EMCS will continue to report on progress of audit findings through the Audit Progress Register that is submitted to the Audit and Risk Committee and recommended to Council.

COMMENTS AFFECTING COMMITTEE DECISIONS

Cr Hippisley congratulated the accounting staff on the achievement. Cr Haythornthwaite supported the comment.

ATTACHMENT

SHIRE OF QUAIRADING

PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2023

FINDINGS IDENTIFIED DURING THE FINAL AUDIT

| Index of findings | Potential impact on audit opinion | RATING | | | Prior year finding |
|-------------------------------------|-----------------------------------|-------------|----------|-------|--------------------|
| | | Significant | Moderate | Minor | |
| 1. Employee entitlements exceptions | No | | | ✓ | |

KEY TO RATINGS

The Ratings in this management letter are based on the audit team’s assessment of risks and concerns with respect to the probability and/or consequence of adverse outcomes if action is not taken. We give consideration to these potential adverse outcomes in the context of both quantitative impact (for example financial loss) and qualitative impact (for example inefficiency, non-compliance, poor service to the public or loss of public confidence).

- Significant** - Those findings where there is potentially a significant risk to the entity should the finding not be addressed by the entity promptly. A significant rating could indicate the need for a modified audit opinion in the current year, or in a subsequent reporting period if not addressed. However, even if the issue is not likely to impact the audit report, it should be addressed promptly.
- Moderate** - Those findings which are of sufficient concern to warrant action being taken by the entity as soon as practicable.
- Minor** - Those findings that are not of primary concern but still warrant action being taken.

The ratings included are preliminary ratings and could be modified pending other findings being identified, rated and the consideration of them collectively on the ratings and any potential impact on the audit opinion.

ATTACHMENT

SHIRE OF QUAIRADING**PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2023****FINDINGS IDENTIFIED DURING THE FINAL AUDIT****1. EMPLOYEE ENTITLEMENTS****Finding**

During our review of employee leave balances, it was noted that 1 employee has an annual leave balance in excess 8 weeks as at 30 June 2023.

Furthermore, our testing of leave taken, identified that an incorrect balance of long service leave taken was recorded and not identified in a timely manner.

Rating: Minor**Implication**

Increased risk:

- Of an adverse impact through excessive liabilities.
- Fraud can also be more easily concealed by staff who do not take leave.
- Incorrect leave entries not identified in a timely manner.

Recommendation

The Shire should continue to manage and monitor the excessive annual leave balances to reduce the liability, risk of business interruption and potential fraud, and ensure reconciliation and independent review of leave balances is carried out on a monthly basis.

Management comment

The Shire shall continue to manage and monitor the excessive annual leave balances to reduce it's liability. Excess leave is reported to the Audit & Risk Committee on a Quarterly basis. The employee in question has been notified of their excess leave and is working in conjunction with our Executive Manager of Works & Services to reduce the liability over the coming months.

An error with work from our consultants deemed 2.31 hours of leave had been taken by an employee however this was incorrect and a statement to that effect was received by the Shire from Bob Waddell & Associates, stating human error was at fault.

Responsible officer: Tricia Brown

Completion date: 11/12/2023



Auditor General

INDEPENDENT AUDITOR'S REPORT 2023 Shire of Quairading

To the Council of the Shire of Quairading

Opinion

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

- the Statement of Financial Position as at 30 June 2023, and the Statement of Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flows and Statement of Financial Activity for the year then ended
- Notes comprising a summary of significant accounting policies and other explanatory information.

In my opinion, the financial report is:

- based on proper accounts and records
- presents fairly, in all material respects, the results of the operations of the Shire for the year ended 30 June 2023 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, the Australian Accounting Standards.

Basis for opinion

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

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

Other information

The Chief Executive Officer (CEO) is responsible for the preparation and the Council for overseeing the other information. The other information is the information in the entity's annual report for the year ended 30 June 2023, but not the financial report and my auditor's report.

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

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

If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Page 1 of 3

7th Floor Albert Facey House 469 Wellington Street Perth MAIL TO: Perth BC PO Box 8489 Perth WA 6849 TEL: 08 6557 7500

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

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

- keeping proper accounts and records
- preparation and fair presentation of the financial report in accordance with the requirements of the Act and, to the extent that they are not inconsistent with the Act, the Australian Accounting Standards
- managing internal control as required by the CEO to ensure the financial report is free from material misstatement, whether due to fraud or error.

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

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

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

Auditor's responsibilities for the audit of the financial report

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

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

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

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

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

Matters relating to the electronic publication of the audited financial report

This auditor's report relates to the financial report of the Shire of Quairading for the year ended 30 June 2023 included in the annual report on the Shire's website. The Shire's management is responsible for the integrity of the Shire's website. This audit does not provide assurance on the integrity of the Shire's website. The auditor's report refers only to the financial report. It does not provide an opinion on any other information which may have been hyperlinked to/from the annual report. If users of the financial report are concerned with the inherent risks arising from publication on a website, they are advised to contact the Shire to confirm the information contained in the website version.



Patrick Arulsingham
Senior Director Financial Audit
Delegate of the Auditor General for Western Australia
Perth, Western Australia
13 December 2023

SHIRE OF QUAIRADING
FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2023

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

"Our Shire is a place of welcome for all, where we work together, with thriving industry creating jobs, a bright future for our young people, and a bustling town in a beautiful and productive rural setting."

Principal place of business:
10 Jennaberring Road
Quairading WA 6383

**SHIRE OF QUAIRADING
FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2023**

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

STATEMENT BY CEO

The accompanying financial report of the Shire of Quairading has been prepared in compliance with the provisions of the *Local Government Act 1995* from proper accounts and records to present fairly the financial transactions for the reporting period ended 30 June 2023 and the financial position as at 30 June 2023.

At the date of signing this statement the particulars included in the financial report are not misleading or inaccurate.

Signed on the *Eleventh* day of *December* 2023



Chief Executive Officer

Natalie Ness

Name of Chief Executive Officer



**SHIRE OF QUAIRADING
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2023**

| | NOTE | 2023 Actual | 2023 Budget | 2022 Actual |
|---|---------|-------------------|--------------------|------------------|
| | | \$ | \$ | \$ |
| Revenue | | | | |
| Rates | 2(a),25 | 2,492,164 | 2,488,487 | 2,371,983 |
| Grants, subsidies and contributions | 2(a) | 3,020,047 | 720,087 | 2,668,603 |
| Fees and charges | 2(a) | 617,221 | 543,171 | 512,373 |
| Interest revenue | 2(a) | 159,378 | 31,127 | 28,431 |
| Other revenue | 2(a) | 380,066 | 364,559 | 530,512 |
| | | 6,668,876 | 4,147,431 | 6,111,902 |
| Expenses | | | | |
| Employee costs | 2(b) | (2,120,531) | (2,382,510) | (2,222,150) |
| Materials and contracts | | (1,840,484) | (1,865,960) | (1,733,094) |
| Utility charges | | (276,548) | (199,750) | (120,035) |
| Depreciation | | (3,088,512) | (3,152,569) | (3,051,224) |
| Finance costs | 2(b) | (13,096) | (14,661) | (15,653) |
| Insurance | | (238,146) | (198,267) | (204,627) |
| Other expenditure | 2(b) | (162,203) | (165,251) | (259,464) |
| | | (7,739,520) | (7,978,968) | (7,606,247) |
| | | (1,070,644) | (3,831,537) | (1,494,345) |
| Capital grants, subsidies and contributions | 2(a) | 1,655,806 | 2,610,017 | 1,202,220 |
| Profit on asset disposals | | 24,899 | 0 | 0 |
| Loss on asset disposals | | (42,010) | (229,131) | (190,420) |
| Fair value adjustments to financial assets at fair value through profit or loss | 4(b) | 3,686 | 0 | 3,997 |
| | | 1,642,381 | 2,380,886 | 1,015,797 |
| Net result for the period | | 571,737 | (1,450,651) | (478,548) |
| Other comprehensive income for the period | | | | |
| <i>Items that will not be reclassified subsequently to profit or loss</i> | | | | |
| Changes in asset revaluation surplus | 16 | 15,065,812 | 0 | 0 |
| Total other comprehensive income for the period | 16 | 15,065,812 | 0 | 0 |
| Total comprehensive income for the period | | 15,637,549 | (1,450,651) | (478,548) |

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



**SHIRE OF QUAIRADING
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2023**

| | NOTE | 2023 \$ | 2022 \$ |
|--------------------------------------|-------|--------------------|--------------------|
| CURRENT ASSETS | | | |
| Cash and cash equivalents | 3 | 6,755,895 | 6,121,536 |
| Trade and other receivables | 5 | 582,590 | 312,934 |
| Other financial assets | 4(a) | 0 | 1,787 |
| Inventories | 6 | 416,668 | 54,513 |
| Other assets | 7 | 867,160 | 194,879 |
| TOTAL CURRENT ASSETS | | 8,622,313 | 6,685,649 |
| NON-CURRENT ASSETS | | | |
| Trade and other receivables | 5 | 35,506 | 30,631 |
| Other financial assets | 4(b) | 81,490 | 77,804 |
| Inventories | 6 | 345,420 | 825,741 |
| Property, plant and equipment | 8 | 23,720,277 | 21,022,480 |
| Infrastructure | 9 | 100,177,609 | 87,908,182 |
| Right-of-use assets | 11(a) | 23,588 | 52,860 |
| TOTAL NON-CURRENT ASSETS | | 124,383,890 | 109,917,698 |
| TOTAL ASSETS | | 133,006,203 | 116,603,347 |
| CURRENT LIABILITIES | | | |
| Trade and other payables | 12 | 1,283,060 | 406,674 |
| Other liabilities | 13 | 511,526 | 473,280 |
| Lease liabilities | 11(b) | 20,898 | 40,850 |
| Borrowings | 14 | 66,106 | 66,151 |
| Employee related provisions | 15 | 184,697 | 246,086 |
| TOTAL CURRENT LIABILITIES | | 2,066,287 | 1,233,041 |
| NON-CURRENT LIABILITIES | | | |
| Lease liabilities | 11(b) | 0 | 9,437 |
| Borrowings | 14 | 277,617 | 343,723 |
| Employee related provisions | 15 | 27,895 | 20,291 |
| TOTAL NON-CURRENT LIABILITIES | | 305,512 | 373,451 |
| TOTAL LIABILITIES | | 2,371,799 | 1,606,492 |
| NET ASSETS | | 130,634,404 | 114,996,855 |
| EQUITY | | | |
| Retained surplus | | 42,898,658 | 42,825,686 |
| Reserve accounts | 28 | 4,093,439 | 3,594,674 |
| Revaluation surplus | 16 | 83,642,307 | 68,576,495 |
| TOTAL EQUITY | | 130,634,404 | 114,996,855 |

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



**SHIRE OF QUAIRADING
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2023**

| | NOTE | RETAINED SURPLUS | RESERVE ACCOUNTS | REVALUATION SURPLUS | TOTAL EQUITY |
|---|-------------|-----------------------------|-----------------------------|--------------------------------|-------------------------|
| | | \$ | \$ | \$ | \$ |
| Balance as at 1 July 2021 | | 43,323,541 | 3,575,367 | 68,576,495 | 115,475,403 |
| Comprehensive income for the period | | | | | |
| Net result for the period | | (478,548) | 0 | 0 | (478,548) |
| Total comprehensive income for the period | | (478,548) | 0 | 0 | (478,548) |
| Transfers from reserve accounts | 28 | 677,351 | (677,351) | 0 | 0 |
| Transfers to reserve accounts | 28 | (696,658) | 696,658 | 0 | 0 |
| Balance as at 30 June 2022 | | 42,825,686 | 3,594,674 | 68,576,495 | 114,996,855 |
| Comprehensive income for the period | | | | | |
| Net result for the period | | 571,737 | 0 | 0 | 571,737 |
| Other comprehensive income for the period | 16 | 0 | 0 | 15,065,812 | 15,065,812 |
| Total comprehensive income for the period | | 571,737 | 0 | 15,065,812 | 15,637,549 |
| Transfers from reserve accounts | 28 | 351,900 | (351,900) | 0 | 0 |
| Transfers to reserve accounts | 28 | (850,665) | 850,665 | 0 | 0 |
| Balance as at 30 June 2023 | | 42,898,658 | 4,093,439 | 83,642,307 | 130,634,404 |

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

**SHIRE OF QUAIRADING
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2023**

| | NOTE | 2023 Actual \$ | 2022 Actual \$ |
|--|-------|----------------------|----------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Receipts | | | |
| Rates | | 2,440,951 | 2,422,482 |
| Grants, subsidies and contributions | | 2,924,338 | 2,593,964 |
| Fees and charges | | 617,708 | 512,597 |
| Interest revenue | | 159,378 | 28,431 |
| Goods and services tax received | | 338,522 | 391,895 |
| Other revenue | | 380,066 | 530,512 |
| | | <u>6,860,963</u> | <u>6,479,881</u> |
| Payments | | | |
| Employee costs | | (2,156,785) | (2,220,106) |
| Materials and contracts | | (1,685,500) | (2,286,238) |
| Utility charges | | (276,548) | (120,035) |
| Finance costs | | (13,096) | (17,918) |
| Insurance paid | | (238,146) | (204,627) |
| Goods and services tax paid | | (405,962) | (359,268) |
| Other expenditure | | (87,235) | (94,475) |
| | | <u>(4,863,272)</u> | <u>(5,302,667)</u> |
| Net cash provided by operating activities | 17(b) | 1,997,691 | 1,177,214 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Payments for purchase of inventories | | 0 | (515,575) |
| Payments for purchase of property, plant & equipment | 8(a) | (335,644) | (535,367) |
| Payments for construction of infrastructure | 9(a) | (2,720,137) | (1,200,481) |
| Capital grants, subsidies and contributions | | 1,658,184 | 1,471,805 |
| Proceeds from financial assets at amortised cost - self supporting loans | | 1,787 | 10,944 |
| Proceeds from sale of property, plant & equipment | | 128,018 | 0 |
| | | <u>(1,267,792)</u> | <u>(768,674)</u> |
| Net cash (used in) investing activities | | (1,267,792) | (768,674) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Repayment of borrowings | 27(a) | (66,151) | (73,614) |
| Payments for principal portion of lease liabilities | 27(b) | (29,389) | (29,058) |
| | | <u>(95,540)</u> | <u>(102,672)</u> |
| Net cash (used in) financing activities | | (95,540) | (102,672) |
| Net increase in cash held | | 634,359 | 305,868 |
| Cash at beginning of year | | 6,121,536 | 5,815,668 |
| Cash and cash equivalents at the end of the year | 17(a) | 6,755,895 | 6,121,536 |

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

SHIRE OF QUAIRADING
STATEMENT OF FINANCIAL ACTIVITY
FOR THE YEAR ENDED 30 JUNE 2023

| | NOTE | 2023 Actual \$ | 2023 Budget \$ | 2022 Actual \$ |
|---|-------|----------------------|----------------------|----------------------|
| OPERATING ACTIVITIES | | | | |
| Revenue from operating activities | | | | |
| General rates | 25 | 2,479,194 | 2,475,517 | 2,359,584 |
| Rates excluding general rates | 25 | 12,970 | 12,970 | 12,399 |
| Grants, subsidies and contributions | | 3,020,047 | 720,087 | 2,668,603 |
| Fees and charges | | 617,221 | 543,171 | 512,373 |
| Interest revenue | | 159,378 | 31,127 | 28,431 |
| Other revenue | | 380,066 | 364,559 | 530,512 |
| Profit on asset disposals | | 24,899 | 0 | 0 |
| Fair value adjustments to financial assets at fair value through profit or loss | 4(b) | 3,686 | 0 | 3,997 |
| | | 6,697,461 | 4,147,431 | 6,115,899 |
| Expenditure from operating activities | | | | |
| Employee costs | | (2,120,531) | (2,382,510) | (2,222,150) |
| Materials and contracts | | (1,840,484) | (1,865,960) | (1,733,094) |
| Utility charges | | (276,548) | (199,750) | (120,035) |
| Depreciation | | (3,088,512) | (3,152,569) | (3,051,224) |
| Finance costs | | (13,096) | (14,661) | (15,653) |
| Insurance | | (238,146) | (198,267) | (204,627) |
| Other expenditure | | (162,203) | (165,251) | (259,464) |
| Loss on asset disposals | | (42,010) | (229,131) | (190,420) |
| | | (7,781,530) | (8,208,099) | (7,796,667) |
| Non-cash amounts excluded from operating activities | 26(a) | 3,183,813 | 3,382,164 | 3,405,743 |
| Amount attributable to operating activities | | 2,099,744 | (678,504) | 1,724,975 |
| INVESTING ACTIVITIES | | | | |
| Inflows from investing activities | | | | |
| Capital grants, subsidies and contributions | | 1,655,806 | 2,610,017 | 1,202,220 |
| Proceeds from disposal of assets | | 128,018 | 96,100 | 0 |
| Proceeds from financial assets at amortised cost - self supporting loans | 27(a) | 1,787 | 1,786 | 10,944 |
| | | 1,785,611 | 2,707,903 | 1,213,164 |
| Outflows from investing activities | | | | |
| Payments for purchase of inventories | | 0 | 0 | (515,575) |
| Purchase of property, plant and equipment | 8(a) | (335,644) | (496,223) | (535,367) |
| Purchase and construction of infrastructure | 9(a) | (2,720,137) | (3,314,395) | (1,200,481) |
| | | (3,055,781) | (3,810,618) | (2,251,423) |
| Amount attributable to investing activities | | (1,270,170) | (1,102,715) | (1,038,259) |
| FINANCING ACTIVITIES | | | | |
| Inflows from financing activities | | | | |
| Transfers from reserve accounts | 28 | 351,900 | 351,900 | 677,351 |
| | | 351,900 | 351,900 | 677,351 |
| Outflows from financing activities | | | | |
| Repayment of borrowings | 27(a) | (66,151) | (66,150) | (73,614) |
| Payments for principal portion of lease liabilities | 27(b) | (29,389) | (40,850) | (29,058) |
| Transfers to reserve accounts | 28 | (850,665) | (570,000) | (696,658) |
| | | (946,205) | (677,000) | (799,330) |
| Amount attributable to financing activities | | (594,305) | (325,100) | (121,979) |
| MOVEMENT IN SURPLUS OR DEFICIT | | | | |
| Surplus or deficit at the start of the financial year | 26(b) | 2,079,784 | 2,127,487 | 1,515,047 |
| Amount attributable to operating activities | | 2,099,744 | (678,504) | 1,724,975 |
| Amount attributable to investing activities | | (1,270,170) | (1,102,715) | (1,038,259) |
| Amount attributable to financing activities | | (594,305) | (325,100) | (121,979) |
| Surplus or deficit after imposition of general rates | 26(b) | 2,315,053 | 21,168 | 2,079,784 |

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

**SHIRE OF QUAIRADING
FOR THE YEAR ENDED 30 JUNE 2023
INDEX OF NOTES TO THE FINANCIAL REPORT**

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SHIRE OF QUAIRADING
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2023

1. BASIS OF PREPARATION

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

Local Government Act 1995 requirements

Section 6.4(2) of the *Local Government Act 1995* read with the *Local Government (Financial Management) Regulations 1996* prescribe that the financial report be prepared in accordance with the *Local Government Act 1995* and, to the extent that they are not inconsistent with the Act, the Australian Accounting Standards. The Australian Accounting Standards (as they apply to local governments and not-for-profit entities) and Interpretations of the Australian Accounting Standards Board except for disclosure requirements of:

- AASB 7 Financial Instruments Disclosures
- AASB 16 Leases paragraph 58
- AASB 101 Presentation of Financial Statements paragraph 61
- AASB 107 Statement of Cash Flows paragraphs 43 and 45
- AASB 116 Property, Plant and Equipment paragraph 79
- AASB 137 Provisions, Contingent Liabilities and Contingent Assets paragraph 85
- AASB 140 Investment Property paragraph 75(f)
- AASB 1052 Disaggregated Disclosures paragraph 11
- AASB 1054 Australian Additional Disclosures paragraph 16

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

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

The local government reporting entity

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

Judgements and estimates

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

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

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

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

Initial application of accounting standards

During the current year, the following new or revised Australian Accounting Standards and Interpretations were applied for the first time:

- AASB 2020-3 Amendments to Australian Accounting Standards - Annual Improvements 2018-2020 and Other Amendments
- AASB 2020-6 Amendments to Australian Accounting Standards - Classification of Liabilities as Current or Non-current - Deferral of Effective Date
- AASB 2021-7a Amendments to Australian Accounting Standards - Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections [general editorials]
- AASB 2022-3 Amendments to Australian Accounting Standards - Illustrative Examples for Not-for-Profit Entities accompanying AASB 15

These amendments have no material impact on the current annual 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 2014-10 Amendments to Australian Accounting Standards - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
- AASB 2020-1 Amendments to Australian Accounting Standards - Classification of Liabilities as Current or Non-current
- AASB 2021-2 Amendments to Australian Accounting Standards - Disclosure of Accounting Policies or Definition of Accounting Estimates
- AASB 2021-7c Amendments to Australian Accounting Standards - Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections [deferred AASB 10 and AASB 128 amendments in AASB 2014-10 apply]
- AASB 2022-5 Amendments to Australian Accounting Standards - Lease Liability in a Sale and Leaseback
- AASB 2022-6 Amendments to Australian Accounting Standards - Non-current Liabilities with Covenants
- AASB 2022-7 Editorial Corrections to Australian Accounting Standards and Repeal of Superseded and Redundant Standards
- AASB 2022-10 Amendments to Australian Accounting Standards - Fair Value Measurement of Non-Financial Assets of Not-for-Profit Public Sector Entities

This standard will result in a terminology change for significant accounting policies. The amendment may result in changes to the fair value of non-financial assets. The impact is yet to be quantified. Except as described above these amendments are not expected to have any material impact on the financial report on initial application.

SHIRE OF QUAIRADING
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2023

2. REVENUE AND EXPENSES

(a) Revenue

Contracts with customers

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

| Revenue Category | Nature of goods and services | When obligations typically satisfied | Payment terms | Returns/Refunds/Warranties | Timing of revenue recognition |
|---|--|--------------------------------------|--|---|---|
| Grants, subsidies and contributions | Community events, minor facilities, research, design, planning evaluation and services | Over time | Fixed terms transfer of funds based on agreed milestones and reporting | Contract obligation if project not complete | Output method based on project milestones and/or completion date matched to performance obligations |
| Fees and charges - licences, registrations, approvals | Building, planning, development and animal management, having the same nature as a licence regardless of naming. | Single point in time | Full payment prior to issue | No refunds | On payment of the licence, registration or approval |
| 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 | Not applicable | On entry to facility |
| Fees and charges - sale of stock | Aviation fuel, kiosk and visitor centre stock | Single point in time | In full in advance, on 15 day credit | Refund for faulty goods | At point of sale |
| Other revenue - private works | Contracted private works | Single point in time | Monthly in arrears | None | At point of service |

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

Revenue Recognition

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

For the year ended 30 June 2023

| Nature | Contracts with customers | Capital grant/contributions | Statutory Requirements | Other | Total |
|---|--------------------------|-----------------------------|------------------------|------------------|------------------|
| | \$ | \$ | \$ | \$ | \$ |
| Rates | 0 | 0 | 2,479,194 | 12,970 | 2,492,164 |
| Grants, subsidies and contributions | 64,355 | 0 | 0 | 2,955,692 | 3,020,047 |
| Fees and charges | 602,374 | 0 | 14,847 | 0 | 617,221 |
| Interest revenue | 0 | 0 | 17,865 | 141,513 | 159,378 |
| Other revenue | 55,018 | 0 | 0 | 325,048 | 380,066 |
| Capital grants, subsidies and contributions | 0 | 1,655,806 | 0 | 0 | 1,655,806 |
| Total | 721,747 | 1,655,806 | 2,511,906 | 3,435,223 | 8,324,682 |

For the year ended 30 June 2022

| Nature | Contracts with customers | Capital grant/contributions | Statutory Requirements | Other | Total |
|---|--------------------------|-----------------------------|------------------------|------------------|------------------|
| | \$ | \$ | \$ | \$ | \$ |
| Rates | 0 | 0 | 2,359,584 | 12,399 | 2,371,983 |
| Grants, subsidies and contributions | 44,594 | 0 | 0 | 2,624,009 | 2,668,603 |
| Fees and charges | 498,927 | 0 | 13,446 | 0 | 512,373 |
| Interest revenue | 0 | 0 | 16,277 | 12,154 | 28,431 |
| Other revenue | 17,632 | 0 | 0 | 512,880 | 530,512 |
| Capital grants, subsidies and contributions | 0 | 1,202,220 | 0 | 0 | 1,202,220 |
| Total | 561,153 | 1,202,220 | 2,389,307 | 3,161,442 | 7,314,122 |

SHIRE OF QUAIRADING
 NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
 FOR THE YEAR ENDED 30 JUNE 2023

2. REVENUE AND EXPENSES (Continued)

| (a) Revenue (Continued) | Note | 2023 Actual \$ | 2022 Actual \$ |
|--|------|----------------------|----------------------|
| Interest revenue | | | |
| Financial assets at amortised cost - self supporting loans | | 44 | (5) |
| Interest on reserve account funds | | 118,253 | 10,716 |
| Trade and other receivables overdue interest | | 17,865 | 15,586 |
| Other interest revenue | | 23,216 | 2,134 |
| | | 159,378 | 28,431 |
| The 2023 original budget estimate in relation to: Trade and other receivables overdue interest was \$19,050. | | | |
| Fees and charges relating to rates receivable | | | |
| Charges on instalment plan | | 1,415 | 1,335 |
| The 2023 original budget estimate in relation to: Charges on instalment plan was \$1,700. | | | |
| (b) Expenses | | | |
| Auditors remuneration | | | |
| - Audit of the Annual Financial Report | | 32,220 | 27,000 |
| - Other services – grant acquittals | | 500 | 8,410 |
| | | 32,720 | 35,410 |
| Employee Costs | | | |
| Employee benefit costs | | 1,826,405 | 1,978,072 |
| Other employee costs | | 294,126 | 244,078 |
| | | 2,120,531 | 2,222,150 |
| Finance costs | | | |
| Interest and financial charges paid/payable for lease liabilities and financial liabilities not at fair value through profit or loss | | 13,098 | 15,653 |
| | | 13,098 | 15,653 |
| Other expenditure | | | |
| Impairment losses on trade receivables | | 487 | 224 |
| Write down of inventories to net realisable value | 6 | 74,481 | 164,765 |
| Sundry expenses | | 87,235 | 94,475 |
| | | 162,203 | 259,464 |

SHIRE OF QUAIRADING
 NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
 FOR THE YEAR ENDED 30 JUNE 2023

3. CASH AND CASH EQUIVALENTS

| Note | 2023 \$ | 2022 \$ |
|--|------------------|------------------|
| | 4,703,084 | 1,978,875 |
| | 2,052,811 | 4,142,661 |
| | 6,755,895 | 6,121,536 |
| 17(a) | | |
| Held as | | |
| - Unrestricted cash and cash equivalents | 2,054,434 | 1,953,214 |
| - Restricted cash and cash equivalents | 4,701,461 | 4,168,322 |
| 17(a) | 6,755,895 | 6,121,536 |

SIGNIFICANT ACCOUNTING POLICIES

Cash and cash equivalents

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

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

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

Restricted financial assets

Restricted financial asset balances are not available for general use by the local government due to externally imposed restrictions. Restrictions are specified in an agreement, contract or legislation. This applies to reserve accounts, 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 and for which no liability has been recognised.

4. OTHER FINANCIAL ASSETS

| | 2023 \$ | 2022 \$ |
|---|------------|------------|
| (a) Current assets | | |
| Financial assets at amortised cost | 0 | 1,787 |
| | 0 | 1,787 |
| Other financial assets at amortised cost | | |
| Self supporting loans receivable | 0 | 1,787 |
| 26(b) | 0 | 1,787 |
| | 0 | 1,787 |
| Held as | | |
| - Unrestricted other financial assets at amortised cost | 0 | 1,787 |
| | 0 | 1,787 |
| (b) Non-current assets | | |
| Financial assets at fair value through profit or loss | 81,490 | 77,804 |
| | 81,490 | 77,804 |
| Financial assets at fair value through profit or loss | | |
| Units in Local Government House Trust - opening balance | 77,804 | 73,807 |
| Movement attributable to fair value increment | 3,686 | 3,997 |
| Units in Local Government House Trust - closing balance | 81,490 | 77,804 |

Loans receivable from clubs/institutions have the same terms and conditions as the related borrowing disclosed in Note 27(a) as self supporting loans. Fair value of financial assets at fair value through profit or loss is determined from the net asset value of the units held in the Trust at balance date as compiled by WALGA.

SIGNIFICANT ACCOUNTING POLICIES

Other financial assets at amortised cost

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

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

Fair values of financial assets at amortised cost are not materially different to their carrying amounts, since the interest receivable on those assets is either close to current market rates or the assets are of a short term nature. Non-current financial assets at amortised cost fair values are based on discounted cash flows using a current market rates. They are classified as level 2 fair values in the fair value hierarchy (see Note 24 (i)) due to the observable market rates).

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

Financial assets at fair value through profit or loss

The Shire has elected to classify the following financial assets at fair value through profit or 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 elected to recognise as fair value gains and losses through profit or loss.

**SHIRE OF QUAIRADING
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2023**

5. TRADE AND OTHER RECEIVABLES

| Note | 2023 \$ | 2022 \$ |
|--|----------------|----------------|
| Current | | |
| Rates and statutory receivables | 247,385 | 175,772 |
| Trade receivables | 243,172 | 98,930 |
| GST receivable | 92,814 | 25,374 |
| Receivables for employee related provisions | 0 | 13,152 |
| Allowance for credit losses of trade and other receivables | (781) | (294) |
| | <u>582,590</u> | <u>312,934</u> |
| Non-current | | |
| Rates and statutory receivables | 35,506 | 30,631 |
| | <u>35,506</u> | <u>30,631</u> |

Disclosure of opening and closing balances related to contracts with customers

Information about receivables 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:

| Note | 30 June 2023 Actual \$ | 30 June 2022 Actual \$ | 1 July 2021 Actual \$ |
|--|---------------------------------|---------------------------------|--------------------------------|
| Contract assets | 7 837,395 | 187,707 | 0 |
| Allowance for credit losses of trade and other receivables | 5 (781) | (294) | (70) |
| Total trade and other receivables from contracts with customers | 836,614 | 187,413 | (70) |

SIGNIFICANT ACCOUNTING POLICIES

Rates and statutory receivables
Rates and statutory receivables are non-contractual receivables arising from statutory requirements and include amounts due from ratepayers for unpaid rates and service charges and other statutory charges or fines.

Rates and statutory receivables are recognised when the taxable event has occurred and can be measured reliably.

Trade receivables
Trade receivables are amounts receivable from contractual arrangements with customers for goods sold, services performed or grants or contributions with sufficiently specific performance obligations as part of the ordinary course of business.

Other receivables
Other receivables are amounts receivable from contractual arrangements with third parties other than contracts with customers including grants for the construction of recognisable non financial assets.

Measurement
Trade and other receivables are recognised initially at the amount of the transaction price, unless they contain a significant financing component, and are to be recognised at fair value.

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

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

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

**SHIRE OF QUAIRADING
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2023**

6. INVENTORIES

| Note | 2023 \$ | 2022 \$ |
|--|------------|------------|
| Current | | |
| Fuel and materials | 10,828 | 4,513 |
| Land held for resale | | |
| Cost of acquisition | 405,840 | 50,000 |
| | 416,668 | 54,513 |
| Non-current | | |
| Land held for resale | | |
| Cost of acquisition | 345,420 | 476,000 |
| Development costs | 0 | 349,741 |
| | 345,420 | 825,741 |
| The following movements in inventories occurred during the year: | | |
| Balance at beginning of year | 880,254 | 481,081 |
| Inventories expensed during the year | (127,944) | (112,025) |
| Write down of inventories to net realisable value | (74,481) | (164,765) |
| Disposal of inventory | (50,000) | 0 |
| Transfers to/from work in progress | 0 | 48,931 |
| Additions to inventory - capital | 0 | 515,575 |
| Additions to inventory - operating | 134,259 | 111,457 |
| Balance at end of year | 782,088 | 880,254 |

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 QUAIRADING
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2023**

7. OTHER ASSETS

Other assets - current

Prepayments

Accrued income

Contract assets

| 2023 | 2022 |
|---------|---------|
| \$ | \$ |
| 7,435 | 2,666 |
| 22,330 | 4,506 |
| 837,395 | 187,707 |
| 867,160 | 194,879 |

SIGNIFICANT ACCOUNTING POLICIES

Other current assets

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

Non-current assets held for sale

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

Contract assets

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

**SHIRE OF QUAIRADING
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2023**

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 | Buildings - specialised | Total land and buildings not subject to operating lease | Total land and buildings | Furniture and equipment | Plant and equipment | Other property, plant and equipment | Total property, plant and equipment |
|--|-----------|-----------------------------|-------------------------|---|--------------------------|-------------------------|---------------------|-------------------------------------|-------------------------------------|
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| Balance at 1 July 2021 | 1,295,370 | 2,328,494 | 12,675,720 | 16,299,584 | 16,299,584 | 123,229 | 4,651,559 | 352,624 | 21,426,996 |
| Additions | 0 | 0 | 142,407 | 142,407 | 142,407 | 23,544 | 113,897 | 255,519 | 535,367 |
| Disposals | 0 | (188,420) | 0 | (188,420) | (188,420) | 0 | (2,000) | 0 | (190,420) |
| Depreciation | 0 | (29,442) | (250,069) | (279,511) | (279,511) | (22,398) | (348,867) | 0 | (648,776) |
| Transfers | 0 | 0 | 303,692 | 303,692 | 303,692 | 0 | (51,755) | (352,624) | (100,687) |
| Balance at 30 June 2022 | 1,295,370 | 2,110,632 | 12,871,750 | 16,277,752 | 16,277,752 | 124,375 | 4,364,834 | 255,519 | 21,022,480 |
| Comprises: | | | | | | | | | |
| Gross balance amount at 30 June 2022 | 1,295,370 | 2,136,494 | 13,121,819 | 16,553,683 | 16,553,683 | 228,803 | 5,977,179 | 255,519 | 23,015,184 |
| Accumulated depreciation at 30 June 2022 | 0 | (25,862) | (250,069) | (275,931) | (275,931) | (104,428) | (1,612,345) | 0 | (1,992,704) |
| Balance at 30 June 2022 | 1,295,370 | 2,110,632 | 12,871,750 | 16,277,752 | 16,277,752 | 124,375 | 4,364,834 | 255,519 | 21,022,480 |
| Additions | 0 | 0 | 44,445 | 44,445 | 44,445 | 81,699 | 209,800 | 0 | 335,644 |
| Disposals | 0 | 0 | (11,965) | (11,965) | (11,965) | (20,293) | (62,871) | 0 | (95,129) |
| Revaluation (decrements) / increments transferred to revaluation surplus | (94,499) | 479,024 | 2,712,029 | 3,096,554 | 3,096,554 | 0 | 0 | 0 | 3,096,554 |
| Depreciation | 0 | (25,863) | (256,490) | (282,353) | (282,353) | (34,930) | (349,203) | 0 | (657,486) |
| Transfers | 255,519 | 0 | 0 | 255,519 | 255,519 | 0 | 18,214 | (255,519) | 18,214 |
| Balance at 30 June 2023 | 1,456,390 | 2,563,793 | 15,359,769 | 19,379,952 | 19,379,952 | 150,851 | 4,189,474 | 0 | 23,720,277 |
| Comprises: | | | | | | | | | |
| Gross balance amount at 30 June 2023 | 1,456,390 | 2,563,793 | 15,359,769 | 19,379,952 | 19,379,952 | 285,136 | 6,123,767 | 0 | 25,788,855 |
| Accumulated depreciation at 30 June 2023 | 0 | 0 | 0 | 0 | 0 | (134,285) | (1,934,293) | 0 | (2,068,578) |
| Balance at 30 June 2023 | 1,456,390 | 2,563,793 | 15,359,769 | 19,379,952 | 19,379,952 | 150,851 | 4,189,474 | 0 | 23,720,277 |

**SHIRE OF QUAIRADING
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2023**

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 | Independent registered valuers | June 2023 | Price per hectare |
| Buildings - non-specialised | 2 | Market approach using recent observable market data for similar properties | Independent registered valuers | June 2023 | Price per square metre |
| Buildings - specialised | 3 | Cost approach using depreciated replacement cost | Independent registered valuers | June 2023 | Improvements to land using construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs |
| Level 3 inputs are based on assumptions with regards to future values and patterns of consumption utilising current information. If the basis of these assumptions were varied, they have the potential to result in a significantly higher or lower fair value measurement. | | | | | |
| During the period there were no changes in the valuation techniques used by the local government to determine the fair value of property, plant and equipment using either level 2 or level 3 inputs. | | | | | |
| (ii) Cost | | | | | |
| Furniture and equipment | 3 | N/A | Cost | N/A | N/A |
| Plant and equipment | 3 | N/A | Cost | N/A | N/A |

**SHIRE OF QUAIRADING
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2023**

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 | Other infrastructure - footpaths | Other infrastructure - bridges | Other infrastructure - & recreation | Infrastructure - Work in Progress @ Cost | Total Infrastructure |
|---|------------------------|----------------------------------|--------------------------------|-------------------------------------|--|----------------------|
| Balance at 1 July 2021 | \$ 73,935,156 | \$ 500,221 | \$ 9,337,494 | \$ 5,262,423 | \$ 0 | \$ 89,035,294 |
| Additions | 958,542 | 125,073 | 0 | 6,490 | 110,376 | 1,200,481 |
| Depreciation | (1,827,982) | (31,084) | (156,058) | (358,052) | 0 | (2,373,176) |
| Transfers | 3,705 | 0 | 0 | 41,878 | 0 | 45,583 |
| Balance at 30 June 2022 | 73,069,421 | 594,210 | 9,181,436 | 4,952,739 | 110,376 | 87,908,182 |
| Comprises: | | | | | | |
| Gross balance amount at 30 June 2022 | 90,721,314 | 1,140,885 | 16,260,960 | 7,824,832 | 110,376 | 116,058,367 |
| Accumulated depreciation at 30 June 2022 | (17,651,893) | (546,675) | (7,079,524) | (2,872,093) | 0 | (28,150,185) |
| Balance at 30 June 2022 | 73,069,421 | 594,210 | 9,181,436 | 4,952,739 | 110,376 | 87,908,182 |
| Additions | 1,914,608 | 32,079 | 0 | 21,121 | 752,329 | 2,720,137 |
| Revaluation increments transferred to revaluation surplus | 9,246,265 | 10,582 | 1,709,700 | 1,002,711 | 0 | 11,969,258 |
| Depreciation | (1,850,317) | (34,911) | (156,058) | (360,468) | 0 | (2,401,754) |
| Transfers | 0 | 0 | 0 | (18,214) | 0 | (18,214) |
| Balance at 30 June 2023 | 82,379,977 | 601,960 | 10,735,078 | 5,597,889 | 862,705 | 100,177,609 |
| Comprises: | | | | | | |
| Gross balance amount at 30 June 2023 | 102,914,014 | 1,219,564 | 18,934,298 | 9,112,380 | 862,705 | 133,042,961 |
| Accumulated depreciation at 30 June 2023 | (20,534,037) | (617,604) | (8,199,220) | (3,514,491) | 0 | (32,865,352) |
| Balance at 30 June 2023 | 82,379,977 | 601,960 | 10,735,078 | 5,597,889 | 862,705 | 100,177,609 |

SHIRE OF QUAIRADING
 NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
 FOR THE YEAR ENDED 30 JUNE 2023

9. INFRASTRUCTURE (Continued)

(b) Carrying Value Measurements

| (i) Fair Value | Asset Class | Fair Value Hierarchy | Valuation Technique | Basis of Valuation | Date of Last Valuation | Inputs Used |
|----------------|--|----------------------|--|--------------------------------|------------------------|--|
| | Infrastructure - roads | 3 | Cost approach using depreciated replacement cost | Independent registered valuers | June 2023 | Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs |
| | Other infrastructure - footpaths | 3 | Cost approach using depreciated replacement cost | Independent registered valuers | June 2023 | Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs |
| | Other infrastructure - bridges | 3 | Cost approach using depreciated replacement cost | Independent registered valuers | June 2023 | Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs |
| | Other infrastructure - other community & recreation facilities | 3 | Cost approach using depreciated replacement cost | Independent registered valuers | June 2023 | Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs |

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

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

**SHIRE OF QUAIRADING
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2023**

10. FIXED ASSETS

(a) Depreciation

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 | 25 - 95 years |
| Furniture and equipment | 5 - 40 years |
| Plant and equipment | 4 - 40 years |
| Unsealed Roads | |
| - Aggregate Surfaces | 15 - 20 years |
| - Asphalt Surfaces | 15 - 20 Years |
| - Pavement Surfaces | 12 - 16 Years |
| Drainage Systems | 60 - 100 Years |
| Clearing & Formation | Not Depreciated |
| Culverts/Floodways | 60 - 100 Years |
| Concrete Footpaths | 40 - 65 Years |
| Footpaths Other | 15 - 65 Years |
| Kerbing | 60 - 100 Years |
| Bridges | 80 - 175 Years |
| Other Infrastructure | 10 - 175 years |
| Right of Use Assets | Based on the remaining lease |

**SHIRE OF QUAIRADING
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2023**

10. FIXED ASSETS (Continued)

SIGNIFICANT ACCOUNTING POLICIES

Fixed assets

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

Initial recognition and measurement for assets held at cost

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

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

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

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

Upon initial recognition, cost is determined as the amount paid (or other consideration given) to acquire the assets, 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 scheduled revaluation dates of the asset class in accordance with the Shire's revaluation policy, are recognised at cost and disclosed as being at fair value as management believes cost approximates fair. They are subject to subsequent revaluation at the next revaluation consistent with *Financial Management Regulation 17A(4)*.

Revaluation

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

At the end of each period, the carrying amount for each asset class is reviewed and, where appropriate, the fair value is updated to reflect current market conditions consistent with *Financial Management Regulation 17A(2)* which requires land, buildings infrastructure, investment properties and vested improvements to be shown at fair value.

Revaluation (continued)

For property, plant and equipment and infrastructure, increases in the carrying amount arising on revaluation of asset classes are credited to a revaluation surplus in equity. Decreases that offset previous increases of the same class of asset are recognised against revaluation surplus directly in equity. All other decreases are recognised in profit or loss. Subsequent increases are then recognised in profit or loss to the extent they reverse a net revaluation decrease previously recognised in profit or loss for the same class of asset.

Depreciation

The depreciable amount of all property, plant and equipment and infrastructure, are depreciated on a straight-line basis over the individual asset's useful life from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful life of the improvements.

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

Depreciation on revaluation

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

- (i) The gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset.
- (ii) Eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

Amortisation

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

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

Amortisation is included within depreciation in the Statement of Comprehensive Income and in Note 10(a).

Impairment

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 or losses on disposal

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.

SHIRE OF QUAIRADING
 NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
 FOR THE YEAR ENDED 30 JUNE 2023

11. LEASES

(a) Right-of-Use Assets

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

| | Note | Right-of-use assets plant and equipment \$ | Right-of-use assets Total \$ |
|--|------|---|------------------------------------|
| Balance at 1 July 2021 | | 82,132 | 82,132 |
| Depreciation | | (29,272) | (29,272) |
| Balance at 30 June 2022 | | 52,860 | 52,860 |
| Gross balance amount at 30 June 2022 | | 91,091 | 91,091 |
| Accumulated depreciation at 30 June 2022 | | (38,231) | (38,231) |
| Balance at 30 June 2022 | | 52,860 | 52,860 |
| Depreciation | | (29,272) | (29,272) |
| Balance at 30 June 2023 | | 23,588 | 23,588 |
| Gross balance amount at 30 June 2023 | | 91,091 | 91,091 |
| Accumulated depreciation at 30 June 2023 | | (67,503) | (67,503) |
| Balance at 30 June 2023 | | 23,588 | 23,588 |

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

| | 2023 Actual \$ | 2022 Actual \$ |
|--|----------------------|----------------------|
| Depreciation on right-of-use assets | (29,272) | (29,272) |
| Finance charge on lease liabilities | (442) | (772) |
| Total amount recognised in the statement of comprehensive income | (29,714) | (30,044) |
| Total cash outflow from leases | (29,831) | (29,830) |

(b) Lease Liabilities

| | | |
|-------------|--------|--------|
| Current | 20,898 | 40,850 |
| Non-current | 0 | 9,437 |
| | 20,898 | 50,287 |

The Shire has two leases relating to plant and equipment. One lease has a term of 3 years and one has a term of 4 years.

Secured liabilities and assets pledged as security

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

SIGNIFICANT ACCOUNTING POLICIES

Leases

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

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

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

Details of individual lease liabilities required by regulations are provided at Note 27(b).

Right-of-use assets - measurement

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

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

Right-of-use assets - depreciation

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

**SHIRE OF QUAIRADING
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11. LEASES (Continued)

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

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

Less than 1 year
1 to 2 years
2 to 3 years
3 to 4 years
4 to 5 years
> 5 years

| | 2023 Actual | 2022 Actual |
|--|----------------|----------------|
| | \$ | \$ |
| | 41,472 | 35,100 |
| | 39,508 | 35,100 |
| | 34,745 | 35,100 |
| | 0 | 35,100 |
| | 0 | 35,100 |
| | 0 | 100,973 |
| | 115,725 | 276,473 |

The Shire leases houses to staff and aged persons with rentals payable monthly. These leases are classified as operating leases as they do not transfer substantially all of the risks and rewards incidental to the ownership of the assets. The staff houses are not considered investment property as they are leased for use in the supply of services to the community. The aged persons housing are considered a joint operation and are not considered investment property as the primary purpose is provision of community housing.

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

SIGNIFICANT ACCOUNTING POLICIES

The Shire as Lessor

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

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

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

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

**SHIRE OF QUAIRADING
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FOR THE YEAR ENDED 30 JUNE 2023**

12. TRADE AND OTHER PAYABLES

Current

| | 2023 | 2022 |
|-----------------------------|-----------|---------|
| | \$ | \$ |
| Sundry creditors | 977,943 | 127,989 |
| Prepaid rates | 56,942 | 31,667 |
| Accrued payroll liabilities | 101,480 | 65,537 |
| ATO liabilities | 43,184 | 61,596 |
| Bonds and deposits held | 96,496 | 100,368 |
| Accrued interest | 2,688 | 1,689 |
| Income received in advance | 780 | 390 |
| Accrued expenditure | 3,547 | 17,438 |
| | 1,283,060 | 406,674 |

SIGNIFICANT ACCOUNTING POLICIES

Financial liabilities

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

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

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

Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the Shire prior to the end of the financial year that are unpaid and arise when the Shire becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured, are recognised as a current liability and are usually paid within 30 days of recognition. The carrying amounts of trade and other payables are considered to be the same as their fair values, due to their short-term nature.

Prepaid rates

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

**SHIRE OF QUAIRADING
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FOR THE YEAR ENDED 30 JUNE 2023**

13. OTHER LIABILITIES

| | 2023 | 2022 |
|--|----------------|----------------|
| | \$ | \$ |
| Current | | |
| Contract liabilities | 37,618 | 1,750 |
| Capital grant/contributions liabilities | 473,908 | 471,530 |
| | <u>511,526</u> | <u>473,280</u> |
| Reconciliation of changes in contract liabilities | | |
| Opening balance | 1,750 | 5,734 |
| Additions | 37,618 | 1,750 |
| Revenue from contracts with customers included as a contract liability at the start of the period | (1,750) | (5,734) |
| | <u>37,618</u> | <u>1,750</u> |
| <p>The aggregate amount of the performance obligations unsatisfied (or partially unsatisfied) in relation to these contract liabilities was \$37,618 (2022: \$1,750)</p> <p>The Shire expects to satisfy the performance obligations, from contracts with customers unsatisfied at the end of the reporting period, within the next 12 months.</p> | | |
| Reconciliation of changes in capital grant/contribution liabilities | | |
| Opening balance | 471,530 | 201,945 |
| Additions | 473,908 | 471,530 |
| Revenue from capital grant/contributions held as a liability at the start of the period | (471,530) | (201,945) |
| | <u>473,908</u> | <u>471,530</u> |
| Expected satisfaction of capital grant/contribution liabilities | | |
| Less than 1 year | 473,908 | 471,530 |
| | <u>473,908</u> | <u>471,530</u> |

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

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

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

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

 Fair values for non-current capital grant/contribution liabilities, not expected to be extinguished within 12 months, are based on discounted cash flows of expected cashflows to satisfy the obligations using a current borrowing rate. They are classified as level 3 fair values in the fair value hierarchy (see Note 24(i)) due to the unobservable inputs, including own credit risk.

**SHIRE OF QUAIRADING
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FOR THE YEAR ENDED 30 JUNE 2023**

14. BORROWINGS

| | Note | 2023 | | | 2022 | | |
|--------------------------|-------|---------|-------------|---------|---------|-------------|---------|
| | | Current | Non-current | Total | Current | Non-current | Total |
| Secured | | \$ | \$ | \$ | \$ | \$ | \$ |
| Long Term Borrowings | | 66,106 | 277,617 | 343,723 | 66,151 | 343,723 | 409,874 |
| Total secured borrowings | 27(a) | 66,106 | 277,617 | 343,723 | 66,151 | 343,723 | 409,874 |

Secured liabilities and assets pledged as security

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

The Shire of Quairading has complied with the financial covenants of its borrowing facilities during the 2023 and 2022 years.

SIGNIFICANT ACCOUNTING POLICIES

Borrowing costs

The Shire has elected to recognise borrowing costs as an expense when incurred regardless of how the borrowings are applied.

Fair values of borrowings are not materially different to their carrying amounts, since the interest payable on those borrowings is either close to current market rates or the borrowings are of a short term nature. Borrowings fair values are based on discounted cash flows using a current borrowing rate. They are classified as level 3 fair values in the fair value hierarchy (see Note 24(i)) due to the unobservable inputs, including own credit risk.

Risk

Details of individual borrowings required by regulations are provided at Note 27(a).

**SHIRE OF QUAIRADING
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2023**

15. EMPLOYEE RELATED PROVISIONS

| Employee Related Provisions | 2023 | 2022 |
|--|---------|---------|
| | \$ | \$ |
| Current provisions | | |
| Employee benefit provisions | | |
| Annual leave | 129,164 | 125,131 |
| Long service leave | 34,533 | 92,865 |
| | 163,697 | 217,996 |
| Employee related other provisions | | |
| Employment on-costs | 21,000 | 28,090 |
| | 21,000 | 28,090 |
| Total current employee related provisions | 184,697 | 246,086 |
| Non-current provisions | | |
| Employee benefit provisions | | |
| Long service leave | 24,681 | 18,236 |
| | 24,681 | 18,236 |
| Employee related other provisions | | |
| Employment on-costs | 3,214 | 2,055 |
| | 3,214 | 2,055 |
| Total non-current employee related provisions | 27,895 | 20,291 |
| Total employee related provisions | 212,592 | 266,377 |

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

Annual leave liabilities are classified as current, as there is no unconditional right to defer settlement for at least 12 months after the end of the reporting period.

SIGNIFICANT ACCOUNTING POLICIES

Employee benefits
The Shire's obligations for employees' annual leave, long service leave and other employee leave entitlements are recognised as employee related provisions in the Statement of Financial Position.

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

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

Other long-term employee benefits
Long-term employee benefits provisions are measured at the present value of the expected future payments to be made to employees. Expected future payments incorporate anticipated future wage and salary levels, durations of service and employee departures and are discounted at rates determined by reference to market yields at the end of the reporting period on government bonds that have maturity dates that approximate the terms of the obligations. Any remeasurements for changes in assumptions of obligations for other long-term employee benefits are recognised in profit or loss in the periods in which the changes occur.

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

**SHIRE OF QUAIRADING
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
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16. REVALUATION SURPLUS

| | 2023 Opening Balance | Total Movement on Revaluation | 2023 Closing Balance | 2022 Opening Balance | Total Movement on Revaluation | 2022 Closing Balance |
|--|----------------------------|-------------------------------------|----------------------------|----------------------------|-------------------------------------|----------------------------|
| | \$ | \$ | \$ | \$ | \$ | \$ |
| Revaluation surplus - Land - freehold land | 1,012,519 | (94,499) | 918,020 | 1,012,519 | 0 | 1,012,519 |
| Revaluation surplus - Buildings | 7,515,041 | 3,191,053 | 10,706,094 | 7,515,041 | 0 | 7,515,041 |
| Revaluation surplus - Furniture and equipment | 20,568 | 0 | 20,568 | 20,568 | 0 | 20,568 |
| Revaluation surplus - Plant and equipment | 53,677 | 0 | 53,677 | 53,677 | 0 | 53,677 |
| Revaluation surplus - Infrastructure - roads | 47,399,650 | 9,246,265 | 56,645,915 | 47,399,650 | 0 | 47,399,650 |
| Revaluation surplus - Other infrastructure - footpaths | 363,864 | 10,582 | 374,446 | 363,864 | 0 | 363,864 |
| Revaluation surplus - Other infrastructure - bridges | 9,927,970 | 1,709,700 | 11,637,670 | 9,927,970 | 0 | 9,927,970 |
| Revaluation surplus - Other infrastructure - other community & recreation facilities | 2,283,206 | 1,002,711 | 3,285,917 | 2,283,206 | 0 | 2,283,206 |
| | 68,576,495 | 15,065,812 | 83,642,307 | 68,576,495 | 0 | 68,576,495 |

**SHIRE OF QUAIRADING
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2023**

17. RESTRICTIONS OVER FINANCIAL ASSETS

| | Note | 2023 Actual \$ | 2022 Actual \$ |
|--|------|----------------------|----------------------|
| The following classes of financial assets have restrictions imposed by regulations or other externally imposed requirements which limit or direct the purpose for which the resources may be used: | | | |
| - Cash and cash equivalents | 3 | 4,701,461 | 4,168,322 |
| | | 4,701,461 | 4,168,322 |
| The restricted financial assets are a result of the following specific purposes to which the assets may be used: | | | |
| Restricted reserve accounts | 28 | 4,093,439 | 3,594,674 |
| Contract liabilities | 13 | 37,618 | 1,750 |
| Capital grant liabilities | 13 | 473,908 | 471,530 |
| Bonds and deposits held | 12 | 96,496 | 100,368 |
| Total restricted financial assets | | 4,701,461 | 4,168,322 |
| 18. UNDRAWN BORROWING FACILITIES AND CREDIT STANDBY ARRANGEMENTS | | | |
| Credit card limit | | 17,000 | 17,000 |
| Credit card balance at balance date | | (6,091) | (5,048) |
| Total amount of credit unused | | 10,909 | 11,952 |
| Loan facilities | | | |
| Loan facilities - current | 14 | 66,106 | 66,151 |
| Loan facilities - non-current | 14 | 277,617 | 343,723 |
| Total facilities in use at balance date | | 343,723 | 409,874 |
| Unused loan facilities at balance date | | 0 | 0 |

**SHIRE OF QUAIRADING
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
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19. CONTINGENT LIABILITIES

In compliance with the Contaminated Sites Act 2003 Section 11, the Shire of Quairading has identified the following sites to be possible sources of contamination:

- Airstrip (Historic; small agricultural chemical spill)
- Fuel Tanks at Works Depot (Current; recent test showed no leak in fuel tank)
- Old Community Sheep Dip at Doodenanning (Historic; unassessed)

Until the Shire conducts an investigation to determine the presence and scope of contamination, assess the risk, and agree with the Department of Environment Regulation on the need and criteria for remediation of a risk based approach, the Shire is unable to estimate the potential costs associated with remediation of these sites. This approach is consistent with the Department of Environment Regulation Guidelines.

20. CAPITAL COMMITMENTS

Contracted for:
- capital expenditure projects

Payable:
- not later than one year

| | 2023 | 2022 |
|--|---------|---------|
| | \$ | \$ |
| | 122,375 | 352,905 |
| | 122,375 | 352,905 |
| | 122,375 | 352,905 |

The capital expenditure projects outstanding at the end of the current reporting period represent is the Kwirradig Koort Community Park.

The capital expenditure projects outstanding at the end of the previous year were the Kwirradig Koort Community Park, Doodenanning-Mawson Roadworks and the kitchen re-model of Lot 190 McLennan Street.

**SHIRE OF QUAIRADING
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2023**

21. RELATED PARTY TRANSACTIONS

(a) Elected Member Remuneration

Fees, expenses and allowances to be paid or reimbursed to elected council members.

| Note | 2023 Actual \$ | 2023 Budget \$ | 2022 Actual \$ |
|--|----------------------|----------------------|----------------------|
| President's annual allowance | 526 | 526 | 651 |
| President's meeting attendance fees | 5,741 | 7,406 | 6,972 |
| | <u>6,267</u> | <u>7,932</u> | <u>7,623</u> |
| Deputy President's meeting attendance fees | 3,122 | 0 | 0 |
| | <u>3,122</u> | <u>0</u> | <u>0</u> |
| All other council member's meeting attendance fees | 14,042 | 27,020 | 21,436 |
| | <u>14,042</u> | <u>27,020</u> | <u>21,436</u> |
| 21(b) | <u>23,431</u> | <u>34,952</u> | <u>29,059</u> |

(b) Key Management Personnel (KMP) Compensation

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

| Note | 2023 Actual \$ | 2022 Actual \$ |
|-------------------------------------|----------------------|----------------------|
| Short-term employee benefits | 631,324 | 487,487 |
| Post-employment benefits | 63,422 | 78,292 |
| Employee - other long-term benefits | 16,536 | 13,533 |
| Employee - termination benefits | 39,590 | 96,133 |
| Council member costs | 23,431 | 29,059 |
| 21(a) | <u>774,303</u> | <u>704,504</u> |

Short-term employee benefits

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

Post-employment benefits

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

Other long-term benefits

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

Termination benefits

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

Council member costs

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

**SHIRE OF QUAIRADING
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2023**

21. RELATED PARTY TRANSACTIONS

Transactions with related parties

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

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

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

| | 2023 Actual \$ | 2022 Actual \$ |
|---|----------------------|----------------------|
| Sale of goods and services | 642 | 295 |
| Purchase of goods and services | 0 | 2,004 |
| Payment of council member costs (Refer to Note 21(a)) | 23,431 | 29,059 |
| Amounts outstanding from related parties: | | |
| Trade and other receivables | 1,904 | 1,168 |
| Amounts payable to related parties: | | |
| Trade and other payables | 5,667 | 7,248 |

Related Parties

The Shire's main related parties are as follows:

i. Key management personnel

Any person(s) having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any council member, are considered key management personnel and are detailed in Notes 21(a) and 21(b)

ii. Other Related Parties

Short-term employee benefits related to an associate person of the CEO who was employed by the Shire under normal employment terms and conditions.

Outside of normal citizen type transactions with the Shire, there were no other related party transactions involving key management personnel and/or their close family members and/or their controlled (or jointly controlled) entities.

iii. Entities subject to significant influence by the Shire

There were no such entities requiring disclosure during the current or previous year.

**SHIRE OF QUAIRADING
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2023**

22. JOINT ARRANGEMENTS

Share of joint operations

The Shire of Quairading has participated in a joint venture with Homeswest for the construction of two three bedroom duplex units in Suburban Road, Quairading. The provision of this housing aims to provide accommodation for low income families.

The Shire of Quairading has a 18.95% interest in the assets and liabilities of this joint venture.

Council manages the operation of the joint venture under the auspices of Homeswest.

All revenue and expenses of the joint venture are recognised in the relevant financial statements of Council.

| Statement of Financial Position | 2023 Actual | 2022 Actual |
|--|------------------------|------------------------|
| | \$ | \$ |
| Land and Buildings | 97,543 | 81,864 |
| Accumulated depreciation | 0 | (946) |
| Total assets | 97,543 | 80,918 |
| | | |
| Statement of Comprehensive Income | | |
| Other revenue | 6,156 | 5,532 |
| Other expense | (20,527) | (9,719) |
| Profit/(loss) for the period | (14,371) | (4,187) |
| Other comprehensive income | 17,571 | 0 |
| Total comprehensive income for the period | 3,200 | (4,187) |

SIGNIFICANT ACCOUNTING POLICIES

Joint operations
A joint operation is a joint arrangement where the Shire has joint control with two or more parties to the joint arrangement. All parties to joint arrangement have rights to the assets, and obligations for the liabilities relating to the arrangement.

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

**SHIRE OF QUAIRADING
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23. EVENTS OCCURRING AFTER THE END OF THE REPORTING PERIOD

The Shire does not have any subsequent events after balance sheet date.

SHIRE OF QUAIRADING
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2023

24. 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 report is presented.

e) Budget comparative figures

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

f) Superannuation

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

g) Fair value of assets and liabilities

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

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

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

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

h) Interest revenue

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

i) Fair value hierarchy

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

Level 1

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

Level 2

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

Level 3

Measurements based on unobservable inputs for the asset or liability.

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

Valuation techniques

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

Market approach

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

Income approach

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

Cost approach

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

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

j) Impairment of assets

In accordance with Australian Accounting Standards the Shire's 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.

**SHIRE OF QUAIRADING
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FOR THE YEAR ENDED 30 JUNE 2023**

25. RATING INFORMATION

(a) General Rates

| RATE TYPE Rate Description | Basis of valuation | Rate in \$ | Number of Properties | 2022/23 | | | 2022/23 Actual Interim Rates | 2022/23 | | | 2021/22 | | |
|---|------------------------|------------|----------------------|------------------------|------------------|------------------|------------------------------|------------------|------------------|------------------|--------------|------------------|---------|
| | | | | Actual Rateable Value* | Actual Rate | Revenue | | Budget Rate | Revenue | Budget Total | Actual Total | Budget Total | Revenue |
| Residential | Gross rental valuation | 0.144781 | 316 | 2,567,764 | 371,764 | 371,764 | 0 | 371,764 | 371,764 | 355,201 | 0 | 355,201 | |
| Industrial | Gross rental valuation | 0.144781 | 22 | 280,765 | 40,649 | 40,649 | 350 | 40,649 | 40,999 | 40,649 | 0 | 38,197 | |
| Commercial | Gross rental valuation | 0.144781 | 11 | 248,376 | 35,960 | 35,960 | 0 | 35,960 | 35,960 | 35,960 | 0 | 34,379 | |
| Rural | Unimproved valuation | 0.009743 | 360 | 199,965,500 | 1,948,264 | 1,951,591 | 3,327 | 1,948,264 | 1,951,591 | 1,855,997 | 0 | 1,855,997 | |
| Non-Rateable | Gross rental valuation | 0.000000 | 229 | 289,438 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | |
| Total general rates | | | 938 | 203,351,843 | 2,396,637 | 2,400,314 | 3,677 | 2,396,637 | 2,396,637 | 2,283,774 | 0 | 2,283,774 | |
| Minimum payment | | | | | | | | | | | | | |
| Residential | Gross rental valuation | \$ 680 | 61 | 62,032 | 41,480 | 41,480 | 0 | 41,480 | 41,480 | 40,565 | 0 | 40,565 | |
| Industrial | Gross rental valuation | 680 | 5 | 6,315 | 3,400 | 3,400 | 0 | 3,400 | 3,400 | 3,990 | 0 | 3,990 | |
| Commercial | Gross rental valuation | 680 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | |
| Rural | Unimproved valuation | 680 | 50 | 1,668,770 | 34,000 | 34,000 | 0 | 34,000 | 34,000 | 31,255 | 0 | 31,255 | |
| Total minimum payments | | | 116 | 1,737,117 | 78,880 | 78,880 | 0 | 78,880 | 78,880 | 75,810 | 0 | 75,810 | |
| Total general rates and minimum payments | | | 1,054 | 205,088,960 | 2,475,517 | 2,479,194 | 3,677 | 2,475,517 | 2,479,194 | 2,359,564 | 0 | 2,359,564 | |
| Ex-gratia Rates | | | | | | | | | | | | | |
| CBH Recival Bin | Tonnage | 0.04673 | 1 | 277,550 | 12,970 | 12,970 | 0 | 12,970 | 12,970 | 12,389 | 0 | 12,389 | |
| Total amount raised from rates (excluding general rates) | | | 1 | 277,550 | 12,970 | 12,970 | 0 | 12,970 | 12,970 | 12,389 | 0 | 12,389 | |
| Total Rates | | | | | | | | | | | | | |
| Rate instalment interest | | | | | | | | | | | | | |
| Rate overdue interest | | | | | | | | | | | | | |
| Total Rates | | | | | | | | | | | | | |

The rate revenue was recognised from the rate record as soon as practicable after the Shire resolved to impose rates in the financial year as well as when the rate record was amended to ensure the information in the record was current and correct.

*Rateable Value at time of raising of rate.

SHIRE OF QUAIRADING
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FOR THE YEAR ENDED 30 JUNE 2023

26. DETERMINATION OF SURPLUS OR DEFICIT

| | 2022/23 (30 June 2023 Carried Forward) | 2022/23 Budget (30 June 2023 Carried Forward) | 2021/22 (30 June 2022 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 Statement of Financial Activity in accordance with <i>Financial Management Regulation 32</i> . | | | |
| Adjustments to operating activities | | | |
| | (24,899) | 0 | 0 |
| | 4,666 | 464 | 363 |
| | (3,686) | 0 | (3,997) |
| | 42,010 | 229,131 | 190,420 |
| 10(a) | 3,088,512 | 3,152,569 | 3,051,224 |
| Non-cash movements in non-current assets and liabilities: | | | |
| | (4,875) | 0 | 1,338 |
| | 7,604 | 0 | (4,543) |
| | 0 | 0 | 6,173 |
| | 74,481 | 0 | 164,765 |
| | 3,183,813 | 3,382,164 | 3,405,743 |
| (b) Surplus or deficit after imposition of general rates | | | |
| The following current assets and liabilities have been excluded from the net current assets used in the Statement of Financial Activity 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 | | | |
| 28 | (4,093,439) | (3,812,774) | (3,594,674) |
| 4(a) | 0 | 0 | (1,787) |
| 6 | (405,840) | 0 | (50,000) |
| 14 | 66,106 | 0 | 66,151 |
| 11(b) | 20,898 | 3,252 | 40,850 |
| | 171,302 | 167,100 | 166,636 |
| | (4,240,973) | (3,642,422) | (3,372,824) |
| Net current assets used in the Statement of Financial Activity | | | |
| | 8,622,313 | 4,369,719 | 6,685,649 |
| | (2,066,287) | (706,129) | (1,233,041) |
| | (4,240,973) | (3,642,422) | (3,372,824) |
| | 2,315,053 | 21,168 | 2,079,784 |

SHIRE OF QUAIRADING
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27. BORROWING AND LEASE LIABILITIES

(a) Borrowings

| Purpose | Note | Actual | | | | Budget | | | |
|------------------------------------|------|--------------------------|--------------------------|-------------------------------------|---------------------------|--------------------------|--------------------------|-------------------------------------|---------------------------|
| | | Principal at 1 July 2021 | New Loans During 2021-22 | Principal Repayments During 2021-22 | Principal at 30 June 2022 | Principal at 1 July 2022 | New Loans During 2022-23 | Principal Repayments During 2022-23 | Principal at 30 June 2023 |
| Depot/Building | | 341,871 | 0 | (48,332) | 293,539 | 293,540 | 0 | (49,813) | 243,727 |
| Park Cottages | | 128,886 | 0 | (14,338) | 114,548 | 114,547 | 0 | (14,551) | 99,996 |
| Total | | 470,757 | 0 | (62,670) | 408,087 | 408,087 | 0 | (64,364) | 343,723 |
| Self Supporting Loans | | | | | | | | | |
| Bowling Club | | 9,228 | 0 | (9,228) | 0 | 0 | 0 | 0 | 0 |
| Golf Club | | 3,503 | 0 | (1,716) | 1,787 | 1,786 | 0 | (1,786) | 0 |
| Total Self Supporting Loans | | 12,731 | 0 | (10,944) | 1,787 | 1,786 | 0 | (1,786) | 0 |
| Total Borrowings | 14 | 483,488 | 0 | (73,614) | 409,874 | 409,873 | 0 | (66,150) | 343,723 |

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

Borrowing Finance Cost Payments

| Purpose | Note | Loan Number | Institution | Interest Rate | Date final payment is due | Actual for year ending 30 June 2023 | Budget for year ending 30 June 2023 |
|--|------|-------------|-------------|---------------|---------------------------|-------------------------------------|-------------------------------------|
| Depot/Building | | 118 | WATC* | 3.04% | 15/07/2027 | (10,279) | (10,028) |
| Park Cottages | | 119 | WATC* | 1.49% | 9/06/2029 | (2,317) | (1,855) |
| Total | | | | | | (12,596) | (11,883) |
| Self Supporting Loans Finance Cost Payments | | | | | | | |
| Golf Club | | 117 | WATC* | 4.08% | 5/08/2023 | (58) | (126) |
| Total Self Supporting Loans Finance Cost Payments | | | | | | (58) | (126) |
| Total Finance Cost Payments | | | | | | (12,654) | (12,009) |

* WA Treasury Corporation

SHIRE OF QUAIRADING
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FOR THE YEAR ENDED 30 JUNE 2023

27. BORROWING AND LEASE LIABILITIES (Continued)

(b) Lease Liabilities

| Purpose | Note | Actual | | | | Budget | | | |
|------------------------------------|-------|--------------------------|---------------------------|---------------------------|---------------------------|-------------------------------------|-------------------------------------|---------------------------|---------------------------|
| | | Principal at 1 July 2021 | New Leases During 2021-22 | Principal at 30 June 2022 | Principal at 30 June 2023 | Principal at 1 July 2022 | New Leases During 2022-23 | Principal at 30 June 2023 | Principal at 30 June 2023 |
| CESM Vehicle | | 69,453 | 0 | 43,647 | 17,555 | 43,647 | 0 | 17,555 | |
| Canon Copier | | 9,892 | 0 | 6,640 | 3,343 | 9,892 | 0 | (1,569) | |
| Skeleton Weed Vehicle | | 0 | 0 | 0 | 0 | 53,618 | 0 | (3,257) | |
| Total Lease Liabilities | 11(b) | 79,345 | 0 | 50,287 | 20,898 | 107,157 | 0 | (40,850) | |
| Lease Finance Cost Payments | | | | | | | | | |
| Purpose | Note | Lease Number | Institution | Interest Rate | Date final payment is due | Actual for year ending 30 June 2022 | Budget for year ending 30 June 2023 | Lease Term | |
| CESM Vehicle | | 2 | Summit Fleet | 1.10% | 15/02/2024 | (634) | (349) | 36 Months | |
| Canon Copier | | 3 | Canon Finance | 1.40% | 20/05/2024 | (138) | (93) | 48 Months | |
| Skeleton Weed Vehicle | | 4 | ANZ | 6.32% | 21/01/2027 | 0 | (1,054) | 60 months | |
| Total Finance Cost Payments | | | | | | (772) | (1,506) | | |

SHIRE OF QAIRADING
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28. RESERVE ACCOUNTS

| | 2023 Opening Balance | 2023 Actual Transfer to | 2023 Actual Transfer (from) | 2023 Budget Closing Balance | 2023 Budget Transfer to | 2023 Actual Opening Balance | 2023 Actual Transfer to | 2022 Actual Closing Balance |
|---|----------------------------|-------------------------------|-----------------------------------|--------------------------------------|-------------------------------|--------------------------------------|-------------------------------|--------------------------------------|
| Restricted by council | | | | | | | | |
| (a) Long Service Leave Reserve | 166,636 | 4,666 | 0 | 171,302 | 464 | 166,273 | 363 | 166,636 |
| (b) Building Reserve | 972,784 | 27,242 | (75,000) | 925,026 | 2,706 | 900,490 | 2,195 | 972,784 |
| (c) Furniture, Fittings & Equipment Reserve | 114,060 | 3,194 | (45,000) | 72,254 | 317 | 113,811 | 249 | 114,060 |
| (d) Plant Reserve | 740,497 | 270,737 | (231,900) | 779,334 | 252,060 | 438,580 | 364,058 | 740,497 |
| (e) Health Reserve | 48,225 | 51,351 | 0 | 99,576 | 134 | 48,120 | 105 | 48,225 |
| (f) Swimming Pool Reserve | 264 | 20,014 | 0 | 20,278 | 1 | 264 | 0 | 264 |
| (g) Sustainable Environment Reserve | 166,743 | 4,670 | 0 | 171,413 | 464 | 166,380 | 363 | 166,743 |
| (h) Town Planning & Development Reserve | 2,000 | 70,049 | 0 | 72,049 | 6 | 2,006 | 76,855 | 2,000 |
| (i) HomesWest Joint Venture Housing Reserve | 5,277 | 148 | 0 | 5,425 | 15 | 5,292 | 11 | 5,277 |
| (j) Road Infrastructure Reserve | 428,918 | 122,011 | 0 | 550,929 | 61,193 | 490,112 | 935 | 428,918 |
| (k) Rec Centre Multi Purpose Precinct Reserve | 378,024 | 160,666 | 0 | 538,610 | 151,052 | 529,076 | 150,497 | 378,024 |
| (l) Building Renewal Reserve | 122,314 | 3,425 | 0 | 125,739 | 340 | 122,654 | 267 | 122,314 |
| (m) Independent Living Reserve | 448,932 | 112,672 | 0 | 561,504 | 101,248 | 348,172 | 100,760 | 448,932 |
| | 3,594,674 | 850,665 | (351,900) | 4,093,439 | 570,000 | 3,575,367 | 696,658 | 3,594,674 |
| | 3,594,674 | 850,665 | (351,900) | 4,093,439 | 570,000 | 3,575,367 | 696,658 | 3,594,674 |

All reserves are supported by cash and cash equivalents and financial assets at amortised cost and are restricted within equity as Reserve accounts.

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 account Restricted by council | Anticipated date of use | Purpose of the reserve account |
|--|----------------------------|--|
| (a) Long Service Leave Reserve | On Going | To be used to Develop and Upgrade Council Infrastructure and Building Assets. |
| (b) Building Reserve | On Going | To be used in funding the various furniture, fittings and equipment installed in Council buildings and for the purchase of IT Hardware and Software. |
| (c) Furniture, Fittings & Equipment Reserve | On Going | To be used to assist in funding the purchase of major plant items. |
| (d) Plant Reserve | On Going | To be used to assist in funding future major capital/upgrade works at the Quairading Memorial Swimming Pool. |
| (e) Health Reserve | On Going | To be used to assist in funding projects and initiatives which foster a sustainable environment. Such areas include waste management, recycling, water usage, gravel supplies, energy conservation and environmentally sustainable projects. |
| (f) Swimming Pool Reserve | On Going | To be used to assist in funding of planning and implementation of the development of Council land and the purchase of land for future development. |
| (g) Sustainable Environment Reserve | On Going | To be used to assist with compliance with Council's Joint Venture Agreement held with the State Housing Commission and to provide funds for the maintenance, management and improvement of the Joint Venture Units. |
| (h) Town Planning & Development Reserve | On Going | To be used towards road infrastructure projects including replacement of culverts and bridges. |
| (i) HomesWest Joint Venture Housing Reserve | On Going | To be used in providing assistance in the future redevelopment and capital upgrade works at the Multi Purpose Precinct. |
| (j) Road Infrastructure Reserve | On Going | To be used to fund the maintenance and renewal of Councils Building assets. |
| (k) Rec Centre Multi Purpose Precinct Reserve | On Going | To be used to fund the development of Independent Living Units. |
| (l) Building Renewal Reserve | On Going | To be used to fund the development of Independent Living Units. |
| (m) Independent Living Reserve | On Going | To be used to fund the development of Independent Living Units. |



Our Ref: F21/69

Ms Jo Haythornwaite
President
Shire of Quairading
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QUAIRADING WA 6383

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PERTH WA 6849

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Email: info@audit.wa.gov.au

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Dear President

ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2023

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

We have also forwarded the reports to the CEO and the Minister for Local Government, as required by the Act.

The CEO is required to publish the annual report, including the auditor's report and the audited financial report, on your Shires official website within 14 days after the annual report has been accepted by your Council.

Management control issues

While the result of the audit was satisfactory, I would like to draw your attention to the attached listing of deficiencies in internal control and other matters that were identified during the audit. These matters have been discussed with management and their comments have been included in the attachment. Matters arising from our interim audit were set out in our letter dated 7 June 2023.

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

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

The date that entities provided their annual financial report to the Office has been recorded for purposes of reporting to Parliament. The date recorded for the receipt of your financial statements was 30 September 2023.

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

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

Feel free to contact me on 6557 7552 if you would like to discuss these matters further.

Yours sincerely,



Caitlin McGowan
Assistant Director
Financial Audit
13 December 2023
[Attach]

6.2 Audit register - progress report

| | |
|-------------------------------|---|
| Responsible Officer | Natalie Ness, Chief Executive Officer |
| Reporting Officer | Tricia Brown, Executive Manager, Corporate Services |
| Attachments | 1. Attachment (i) - ARC Audit Register Progress Report - February 2024 (confidential) |
| Voting Requirements | Simple Majority |
| Disclosure of Interest | Reporting Officer: Nil Responsible Officer: Nil |

COMMITTEE RESOLUTION: ARC 013-23/24

Moved: Cr JN Haythornthwaite

Seconded: Cr RC Faltyn

That the Audit & Risk Committee recommends to Council that Council;

1. Notes the progress recorded against each item within the audit register in confidential attachment (i); and
2. Approves all findings marked as Closed (100%) in the audit register, to be registered complete, removed from the register and no longer reported to the Committee.
3. Notes (1) new audit finding from the 2022-2023 financial audit

FOR: Crs JN Haythornthwaite, TJ Stacey, RC Faltyn, JR Hippisley and PD Smith

AGAINST: Nil

CARRIED 5/0

IN BRIEF

- This report provides an update on the progress of actions included in the audit register.
- The audit register includes all open audit findings that have previously been accepted by the Audit and Risk Committee.
- Reporting through the audit register commenced in November 2021 and includes items from the 2020/21 interim audit, and all subsequent audits.

MATTER FOR CONSIDERATION

Receipt of the audit register progress report to February 2024.

BACKGROUND

The external audit, also known as financial audits or audit of the annual financial statements, focuses on providing an objective and independent examination of the financial statements prepared by the Shire, increasing the value and user confidence in the financial statements.

The audit register lists findings from audit reports previously accepted by the Audit & Risk Committee. The register describes the progress of implementing improvements and percentage completion. Progress on the actions is monitored by management, this Committee and Council.

The 2023/24 annual financial report was signed off by the auditor on the 13th December 2023.

Any findings from the final management letter will form part of this report.

STATUTORY ENVIRONMENT

Local Government (Audit) Regulations 1996

Local Government (Financial Management) Regulations 1996

Local Government Act 1995

POLICY IMPLICATIONS

Nil

FINANCIAL IMPLICATIONS

Council has a budget allocation of \$32,000 in the 2023/2024 Budget for the conduct of the external audit function by the Office of the Auditor General, for the audit of the 2022/23 annual financial statements. It is anticipated that a budget of a similar amount is to be adopted each year but will be the subject of an annual estimate of audit fees provided by the OAG. Officers’ efforts to undertake the improvements and report on progress has not been estimated or reported.

ALIGNMENT WITH STRATEGIC PRIORITIES

5.4 Governance & Leadership: Implement systems and processes that meet legislative and audit obligations

CONSULTATION

Nil.

RISK ASSESSMENT

| | Option 1 |
|---------------------|---|
| Financial | Low <i>Cost of the annual audit is included in the budget. By regularly reviewing progress against audit findings, the risks associated to misconduct and error are significantly reduced.</i> |
| Health | Low |
| Reputation | Low <i>Compliant with legislative requirements. Failure to complete the findings from audit reports would lead to increased reputational risk.</i> |
| Operations | Low <i>Operational impact is minimal in reporting progress on audit findings. Operational impact of not closing findings would escalate.</i> |
| Natural Environment | Low |

| | Consequence | | | | |
|-------------------|--|--|---|---|---|
| Likelihood | Insignificant | Minor | Moderate | Major | Critical |
| Rare | LOW Accept the risk Routine management | LOW Accept the risk Routine management | LOW Accept the risk Routine management | MEDIUM Specific responsibility and treatment | HIGH Quarterly senior management review |
| Unlikely | LOW Accept the risk Routine management | LOW Accept the risk Routine management | MEDIUM Specific responsibility and treatment | MEDIUM Specific responsibility and treatment | HIGH Quarterly senior management review |
| Possible | LOW Accept the risk Routine management | MEDIUM Specific responsibility and treatment | MEDIUM Specific responsibility and treatment | HIGH Quarterly senior management review | HIGH Quarterly senior management review |
| Likely | MEDIUM Specific responsibility and treatment | MEDIUM Specific responsibility and treatment | HIGH Quarterly senior management review | HIGH Quarterly senior management review | EXTREME Monthly senior management review |
| Almost certain | MEDIUM Specific responsibility and treatment | MEDIUM Specific responsibility and treatment | HIGH Quarterly senior management review | EXTREME Monthly senior management review | EXTREME Monthly senior management review |

COMMENT

The audit register **confidential attachment (i)** counts actions and totals by “Finding #”. Each finding may have more than one “recommendation” and associated “agreed management action”. Only when all recommendations and agreed management actions within a finding are deemed complete will the finding as a whole be totalled at 100% complete and recommended to be closed.

The process for adding and removing findings to the audit register is as follows:

1. An external audit is completed, and an audit report is finalised.
2. The audit report is presented to the Audit and Risk Committee (ARC).
3. The ARC recommends to Council that it notes and accepts the audit report.
4. All findings from the audit report are **added** to the audit register.
5. Progress is reported by management with updates recorded quarterly in “officer comment / action taken”.
6. Any findings deemed as complete by management are marked as “100% complete” with the status of “closed”.
7. The audit register – progress report is submitted by management to the ARC.
8. The ARC reviews the audit register and confirms completion of any 100% and closed findings.
9. The ARC recommends to Council that it notes progress and approves the findings marked as complete to be registered as closed.
10. Closed findings are **removed** from the audit register.

A summary of the audit register, included below, will illustrate the trend of actions that have been added, progressed, and completed.

The blue row represents actions added by the ARC. New audit findings presented to the current meeting are included at the subsequent meeting, following acceptance.

The green row represents actions closed by the ARC and will always total 0 for the current meeting date. The closed actions from the current meeting will then be shown in the “closed by the Audit & Risk Committee” total in the subsequent meeting’s table summary.

| Status of Actions | ARC - Meeting Date | | | | | | TOTAL |
|--------------------------------|--------------------|--------|--------|---------|---|---|-------|
| | 2/2024 | 5/2024 | 8/2024 | 11/2024 | | | |
| New actions added by ARC | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| Not commenced ≤10% | 0 | 0 | 0 | 0 | 0 | 0 | |
| Progressed >11% to 99% | 0 | 0 | 0 | 0 | 0 | 0 | |
| Completed =100% | 0 | 0 | 0 | 0 | 0 | 0 | |
| Total (0% to 100%) | 0 | 0 | 0 | 0 | 0 | 0 | |
| Closed by ARC | 7 | 0 | 0 | 0 | 0 | 0 | 7 |
| Total cumulative closed by ARC | 0 | 0 | 0 | 0 | 0 | 0 | |
| Open Actions | 0 | 0 | 0 | 0 | 0 | 0 | |

The committee is requested to recommend to Council that Council note the progress and Officer comments.

One new action has been added to the register following the 2022-2023 financial audit. All audit finding from previous audits have now been marked as complete and have been closed off and not required to be reported.

All closed items will not form part of the audit register report for future meetings. The closed items are available for external auditors and committee/council to review.

It is requested to note the audit register progress report in **confidential attachment (i)**.

COMMENTS AFFECTING COMMITTEE DECISIONS

Cr Hippisley queried why the confidential attachment did not contained any of the closed items. Cr Stacey enquired why the new action added by ARC did not appear under “ Open Actions”. The CEO took the questions on notice due to the absence of the EMCS.

ITEM 7 STANDING ITEMS – CONTROLS, SYSTEMS AND PROCEDURES

7.1 Report on Excess Annual Leave and Long Service Leave Entitlements

| | |
|-------------------------------|---|
| Responsible Officer | Natalie Ness, Chief Executive Officer |
| Reporting Officer | Tricia Brown, Executive Manager, Corporate Services |
| Attachments | Nil |
| Voting Requirements | Simple Majority |
| Disclosure of Interest | Reporting Officer: Nil Responsible Officer: Nil |

COMMITTEE RESOLUTION: ARC 014-23/24

Moved: Cr JN Haythornthwaite

Seconded: Cr RC Faltyn

That the Audit & Risk Committee recommends to Council that Council receive the report on the Shire's leave liabilities.

FOR: Crs JN Haythornthwaite, TJ Stacey, RC Faltyn, JR Hippisley and PD Smith

AGAINST: Nil

CARRIED 5/0

IN BRIEF

- Since 2017, Council has requested that excess annual leave and long service leave be reported to the Audit and Risk Committee.
- Not taking a reasonable amount of annual leave or long service leave may pose a threat to the health and safety of employees and represent a significant financial liability for the Shire, therefore there are steps in place to ensure that leave balances are monitored and are at appropriate levels.
- Employee entitlement movements during the year are due to many reasons, such as, leave taken during the period, increased accrued leave balances, increases in remuneration rates and changes in the underlying staff with leave balances transferred to and from the Shire.

MATTER FOR CONSIDERATION

Receipt of the report on excess annual leave and long service leave entitlements and leave liabilities.

BACKGROUND

The current Leave Management Policy defines "excess leave" as when the employee has accrued more than eight weeks paid annual leave and provides management with direction to effectively manage the annual and long service leave entitlements of employees.

The Shire encourages employees to take leave by reinforcing the positive benefits of taking leave when it becomes due. Sometimes there are circumstances that prevent leave being able to be taken, such as staff shortages, outside influences and work demands.

There will be movements in employee entitlements throughout the year. Balances will increase naturally as employees accrue leave entitlements and decrease when employees take leave accrued. This natural fluctuation is monitored by management and through this report to ensure any excess is managed appropriately.

STATUTORY ENVIRONMENT

Local Government Act 1995

Local Government (Financial Management) Regulations 1996

Work Health & Safety Act 2020

Minimum Conditions of Employment Act 1993

POLICY IMPLICATIONS

Leave Management Policy

FINANCIAL IMPLICATIONS

The Employee Entitlements (Annual and Long Service Leave) reserve fund cash balance as of 1st July 2023 is \$163,697.00

The annual budget treats current leave as accruals.

The current liability for both types of leave (if all claimed on 28 February 2024 is calculated at \$120,064.27.

There is currently surplus in the reserve account in comparison to the liability accrued of \$43,632.73. This has been reviewed through the finalisation of the 23/24 annual financial report, with a recommendation to keep the funds in surplus in this reserve for future leave liabilities as some employees' long service leave entitlements will start to accrue as they meet the legislative threshold.

ALIGNMENT WITH STRATEGIC PRIORITIES

- 5.3 Governance & Leadership:** Provide informed and transparent decision making that, meets our legal obligations, and the needs of our diverse community
- 5.4 Governance & Leadership:** Implement systems and processes that meet legislative and audit obligations

CONSULTATION

Nil

RISK MANAGEMENT PRIORITIES

This report addresses the following identified Strategic Risk Management Priorities:

Non-compliance with work health and safety legislation increases the risk and potential liability to the public, staff and Councillors.

Low employee retention increases recruitment costs, decreases employee morale and decreases Shire reputation.

RISK ASSESSMENT

| | Option 1 |
|---------------------|---|
| Financial | Low <i>Financial exposure and therefore risk escalation occurs if leave accruals are not monitored and managed. Adequate reserve balances reduce the risk of financial exposure.</i> |
| Health | Low |
| Reputation | Low |
| Operations | Low <i>Impact to operations where employees with excess leave are requested to take leave. This can be mitigated by agreement of mutually acceptable timeframes for taking leave that are not during heavy workload times.</i> |
| Natural Environment | Low |

| Likelihood | Consequence | | | | |
|----------------|---|---|---|---|---|
| | Insignificant | Minor | Moderate | Major | Critical |
| Rare | LOW Accept the risk Routine management | LOW Accept the risk Routine management | LOW Accept the risk Routine management | MEDIUM Specific responsibility and treatment | HIGH Quarterly senior management review |
| Unlikely | LOW Accept the risk Routine management | LOW Accept the risk Routine management | MEDIUM Specific responsibility and treatment | MEDIUM Specific responsibility and treatment | HIGH Quarterly senior management review |
| Possible | LOW Accept the risk Routine management | MEDIUM Specific responsibility and treatment | MEDIUM Specific responsibility and treatment | HIGH Quarterly senior management review | HIGH Quarterly senior management review |
| Likely | MEDIUM Specific responsibility and treatment | MEDIUM Specific responsibility and treatment | HIGH Quarterly senior management review | HIGH Quarterly senior management review | EXTREME Monthly senior management review |
| Almost certain | MEDIUM Specific responsibility and treatment | MEDIUM Specific responsibility and treatment | HIGH Quarterly senior management review | EXTREME Monthly senior management review | EXTREME Monthly senior management review |

COMMENT

This report has been prepared to inform the Audit and Risk Committee of the current leave liabilities and of any employees who have excess leave and the steps taken to reduce these liabilities.

As of February 2024, there has been minimal change overall to the annual leave liabilities.

As of February 2024, there has been reasonable change overall to the long service liabilities. Two employees are currently taking long service leave that was due. One employee is taking leave and cashing out a portion of their long service leave.

Annual Leave:

There is currently one employee over and above the accepted level of excess annual leave. This employee consistently has high excess leave. There are currently 2 other employees with 6 weeks or more excess leave. The Executive Manager has been advised and will encourage the staff members to reduce their balance to an acceptable level.

There has been a decrease of 16% (dollar value) in the annual leave liability since January 2023.

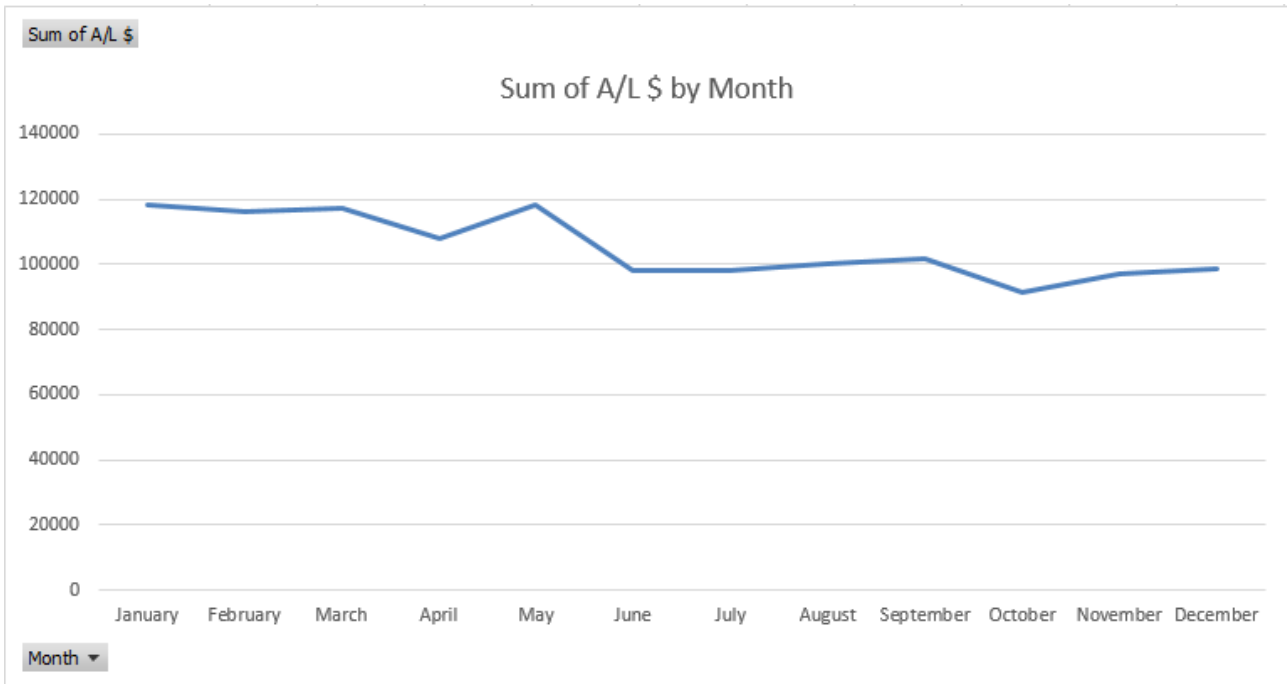
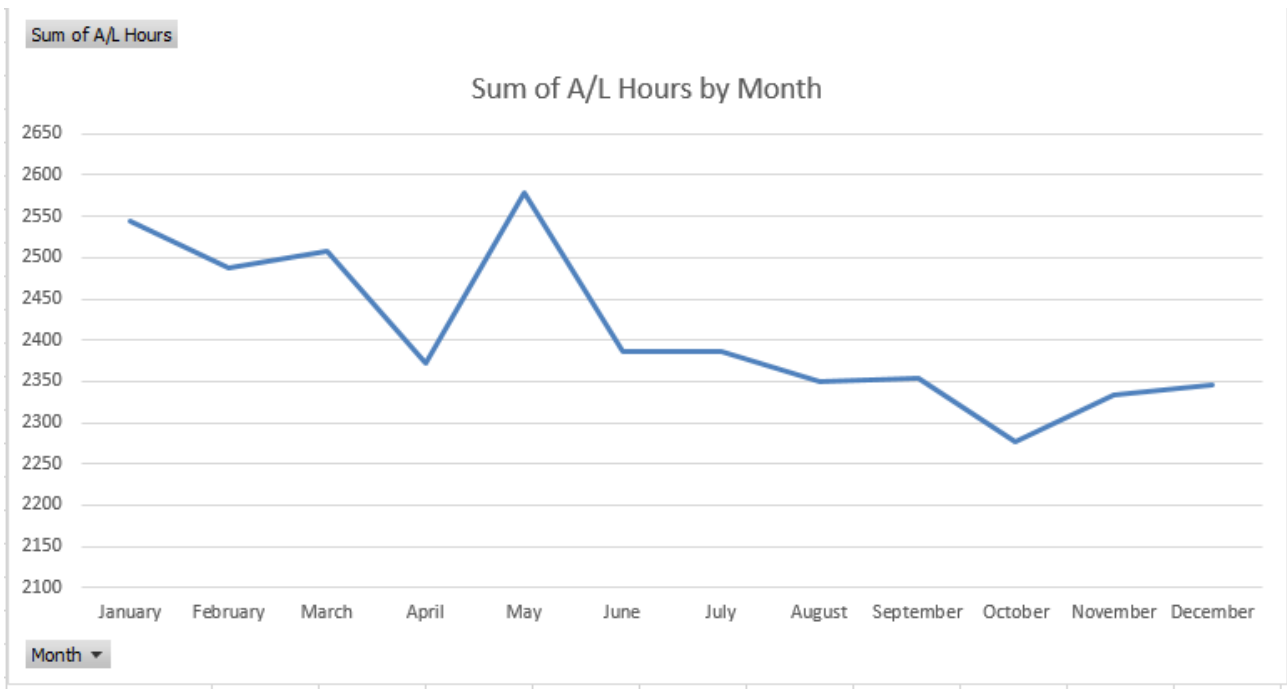
Long Service Leave:

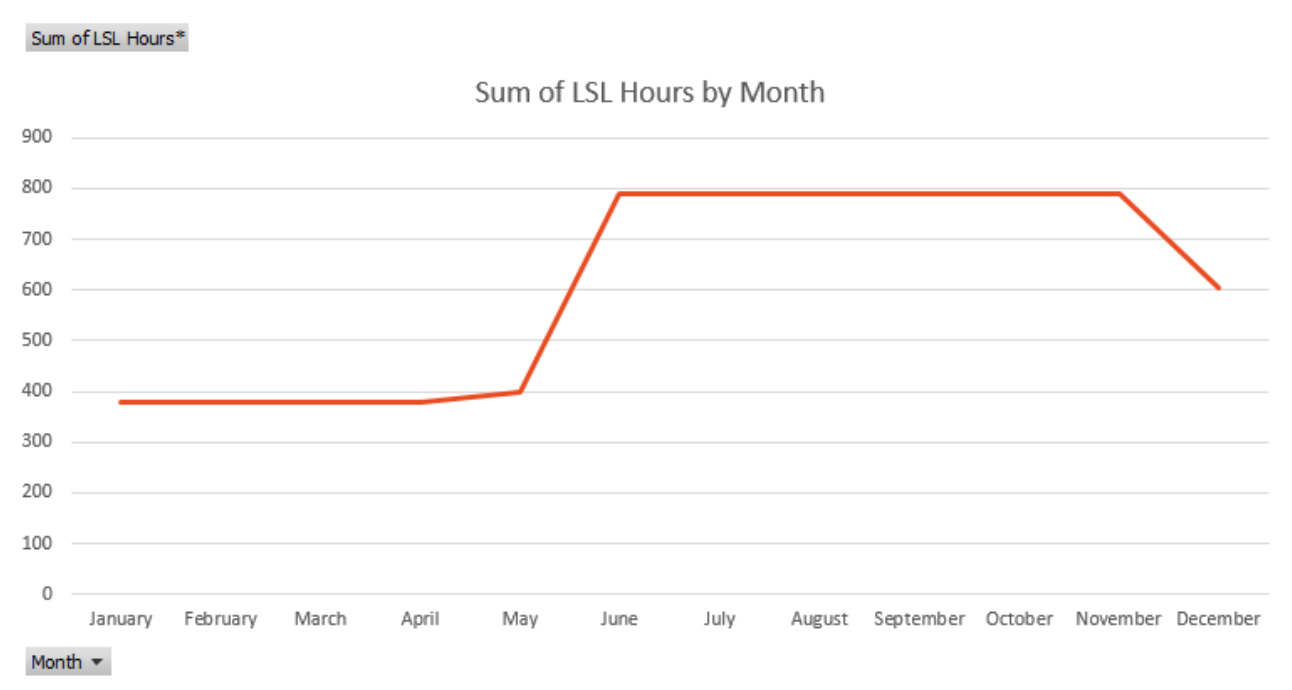
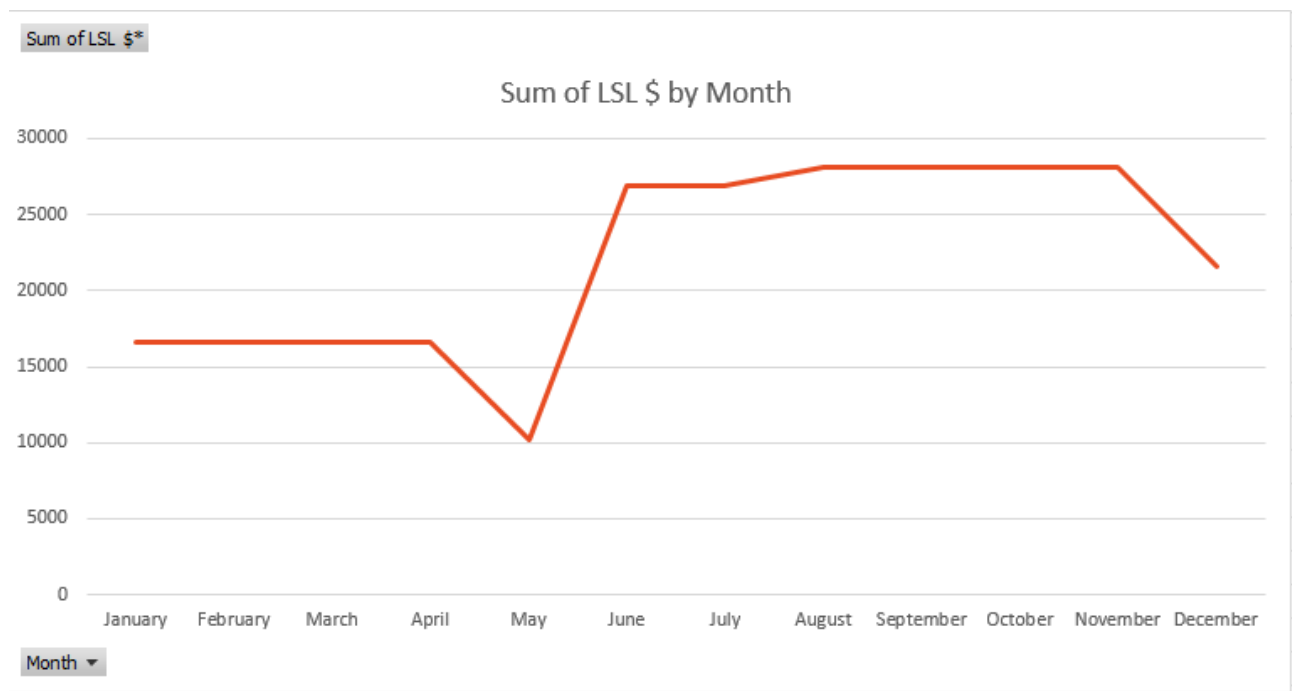
Long Service Leave is now being taken and reduced for two employees. Executive Managers are working with the employees to reduce the Liability.

There has been an increase of 30% (dollar value) in the long service leave liability since January 2023.

The following table and graphs show the fluctuations in the accrued hours and dollar values of both annual leave and long service leave over the period of January 2023 to 28 January 2024.

| | LSL Hours | LSL \$ | A/L Hours | A/L \$ |
|--------------|-----------|--------|-----------|---------|
| January 23 | 380 | 16,568 | 2,545 | 118,286 |
| February 23 | 380 | 16,568 | 2,488 | 116,018 |
| March 23 | 380 | 16,568 | 2,508 | 117,305 |
| April 23 | 380 | 16,568 | 2,371 | 107,734 |
| May 23 | 399 | 10,158 | 2,579 | 118,058 |
| June 23 | 790 | 26,861 | 2,386 | 98,119 |
| July 23 | 790 | 26,861 | 2,386 | 98,119 |
| August 23 | 790 | 28,117 | 2350 | 100,185 |
| September 23 | 790 | 28,117 | 2354 | 101,747 |
| October 23 | 790 | 28,117 | 2276 | 91,401 |
| November 23 | 790 | 28,117 | 2334 | 97,079 |
| December 23 | 767 | 27,126 | 2366 | 99,578 |
| January 24 | 603 | 21,589 | 2346 | 98,475 |





ITEM 8 EMERGING ISSUES/LATE ITEMS

8.1 Use of woodfired appliances during the Restricted Burning Period

Cr Smith enquired about a message he had received from the CESM a couple of months ago stating that the use of woodfired BBQs and pizza ovens and other woodfired appliances was not permitted during the Restricted Burning Period unless they were situated in an entirely enclosed area. His understanding was that this was only the case during Total Fire Bans and that Council had not, to his knowledge, exercised their powers to resolve otherwise.

Cr Faltyn added that from her own research into the matter she understood that, unless it was a Total Fire Ban Day, those types of appliances were able to be used if a sufficiently large, cleared area surrounded them.

Cr Smith asked Officers to clarify the matter.

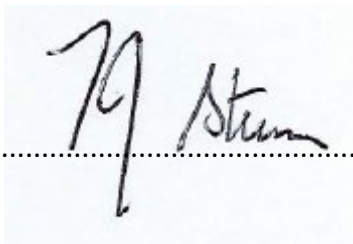
ITEM 9 NEXT MEETING DATE

The next Audit & Risk Committee Meeting is scheduled to take place on Tuesday 14 May 2024 commencing at 5.00pm in the Council Chambers, 10 Jennaberri0ng Road, Quairading, WA.

ITEM 10 CLOSURE

There being no further business, the Chairperson closed the Meeting at 5.14 pm.

I certify the minutes of the Audit & Risk Committee meeting held on 13th February 2024 were confirmed 14th May 2024 as recorded on Resolution No. ARC 016 - 23/24.



Confirmed..... 14.05.2024